

IMPORTANT NOTICE

NOT FOR DISTRIBUTION INTO THE UNITED STATES

IMPORTANT: You must read the following before continuing. The following applies to the offering circular (the “Offering Circular”) following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from the Issuer (as defined in the Offering Circular) as a result of such access.

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 SECURITIES DESCRIBED HEREIN HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.

THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

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

Confirmation of your Representation:

In order to be eligible to view this Offering Circular or make an investment decision with respect to the securities, investors must be purchasing the securities outside the United States in an offshore transaction in reliance on Regulation S under the Securities Act. By accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to have represented to the Joint Lead Managers (as defined in the Offering Circular) and the Issuer (1) that you and any customers you represent are not, and that the electronic mail address that you gave the Issuer and to which this e-mail has been delivered is not, located in the United States and (2) that you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Offering Circular to any other person. You should not reply by e-mail to this notice, and you may not purchase any securities by doing so. Any e-mail communications, including those you generate by using the “Reply” function on your e-mail software, will be ignored or rejected.

The materials relating to any offering of securities described in the Offering Circular do not constitute, and may not be used in connection with, an offer or solicitation by or on behalf of the Issuer or the Joint Lead Managers in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licenced broker or dealer and the Joint Lead Managers or any affiliates of any of the Joint Lead Managers is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the Issuer in such jurisdiction.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Joint Lead Managers or any person who controls any of the Joint Lead Managers nor any director, officer, employee nor agent of any of the Joint Lead Managers or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Manager.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

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

Actions that you may not take: If you receive this notice by e-mail, you should not reply by e-mail to this notice, 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.

STRICTLY CONFIDENTIAL



**NANCHANG LINKONG ECONOMIC ZONE CITY CONSTRUCTION
INVESTMENT AND DEVELOPMENT GROUP CO., LTD.**
(南昌臨空經濟區城市建設投資開發集團有限公司)
(incorporated with limited liability in the People's Republic of China)

RMB464,000,000 3.6 PER CENT. CREDIT ENHANCED BONDS DUE 2026
with the benefit of an irrevocable Standby Letter of Credit provided by
Industrial and Commercial Bank of China Limited, Jiangxi Provincial Branch
ISSUE PRICE: 100.0 per cent.

The RMB464,000,000 3.6 per cent. Credit Enhanced Bonds due 2026 (the “**Bonds**”) will be issued by Nanchang Linkong Economic Zone City Construction Investment and Development Group Co., Ltd. (南昌臨空經濟區城市建設投資開發集團有限公司) (the “**Issuer**”), a company incorporated in the People's Republic of China (the “**PRC**”) with limited liability. However, no PRC governmental entity has any payment or other obligations under the Bonds nor will any such entity provide a guarantee of the Bonds. The Bondholders shall have no recourse to any PRC governmental entity in respect of any obligation arising out of or in connection with the Bonds solely by virtue of the Issuer being a local state-owned enterprise of the PRC. The Bonds are solely to be repaid by the Issuer and the obligations of the Issuer under the Bonds shall solely be fulfilled by the Issuer as an independent legal person. See “**Risk Factors — Risks Relating to the Bonds and the SBLC — Linkong Administration Commission or any other PRC governmental entity does not have any payment, guarantee or other obligations under the Bonds or the Trust Deed.**”.

The Bonds will have the benefit of an irrevocable standby letter of credit (the “**SBLC**”) denominated in Renminbi up to RMB479,280,400 issued by Industrial and Commercial Bank of China Limited, Jiangxi Provincial Branch (the “**SBLC Bank**”). See “**Appendix A — Form of Irrevocable Standby Letter of Credit**” for the form of the SBLC.

The Bonds will bear interest on their outstanding principal amount from and including 12 May 2023 (the “**Issue Date**”) at the rate of 3.6 per cent. per annum. Interest on the Bonds is payable semi-annually in arrear in equal instalments on 12 May and 12 November in each year, commencing on 12 November 2023. Payments on the Bonds will be made without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction to the extent described under “**Terms and Conditions of the Bonds — Taxation**”.

The Bonds will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

Pursuant to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (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)) (the “**NDRC Circular**”) issued by the National Development and Reform Commission of the PRC or its local counterparts (“**NDRC**”) on 14 September 2015 which came into effect on the same day, the Issuer has registered the issuance of the Bonds with NDRC and obtained a certificate from NDRC on 2 September 2022, evidencing such registration. Pursuant to the Administrative Rules for the Rules and Registration of Medium- and Long-Term Foreign Debts of Enterprises (企業中長期外債審核登記管理辦法) which took effect on 10 February 2023 (the “**NDRC New Rules**”) and its guidance rules in connection therewith as issued by the NDRC, the Issuer will cause relevant information relating to the issue of the Bonds to be filed or reported to the NDRC within the prescribed time in accordance with the NDRC New Rules.

The PRC government is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds. This position has been reinforced by the Circular of the Ministry of Finance on Matters Concerning Regulating the Investment and Financing Activities of Financial Institutions for Local Governments and State-owned Enterprises (財政部關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知, 財金[2018]23號) (the “**Circular 23**”) promulgated on 28 March 2018 and took effect on the same day, and the Circular of the National Development and Reform Commission and the Ministry of Finance on Improving Market Regulatory Regime and Taking Strict Precautions Against Foreign Debt Risks and Local Government Indebtedness Risks (國家發展改革委財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知) (the “**Circular 706**”) promulgated on 11 May 2018 and took effect on the same day, and the Notice of the General Office of the National Development and Reform Commission on Relevant Requirements for Record-filing and Registration of Issuance of Foreign Debts by Local State-owned Enterprises (國家發展改革委辦公廳關於對地方國有企業發行外債申請備案登記有關要求的通知) (“**Circular 666**”) promulgated on 6 June 2019.

Unless previously redeemed or purchased and cancelled, the Bonds will be redeemed at their principal amount on 12 May 2026. At any time, on giving not less than 30 nor more than 60 days' notice to holders of Bonds (each a “**Bondholder**”) and the Trustee (as defined below) (which notice shall be irrevocable), the Issuer may redeem all the Bonds, but not some only, at their principal amount, together with interest accrued up to but excluding the date of redemption, if: (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in the terms and conditions of the Bonds (the “**Terms and Conditions**”)), or any change in, or amendment to, the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective on or after 5 May 2023, the Issuer has or will become obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions); and (b) the obligation cannot be avoided by the Issuer taking reasonable measures available to it. See “**Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for Taxation Reasons**”.

Following the occurrence of a Change of Control (as defined in the Terms and Conditions), the holder of each Bond will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Bonds on the Put Settlement Date (as defined in the Terms and Conditions) at 100 per cent of their principal amount, together with accrued interest up to but excluding such Put Settlement Date. See “**Terms and Conditions — Redemption and Purchase — Redemption upon Change of Control**”.

The Bonds shall be redeemed at their principal amount on the Interest Payment Date immediately falling after the date the Trustee makes a Demand (as defined in the Terms and Conditions) in accordance with Condition 3.3 of the Terms and Conditions (the “**Mandatory Redemption Date**”), together with interest accrued up to, but excluding, the Mandatory Redemption Date, as further described in Condition 7.4 of the Terms and Conditions.

As there are currently no specific regulations or guidelines relating to the issuance of foreign debt securities in the China (Shanghai) Pilot Free Trade Zone, there are some uncertainties regarding the interpretation and application of PRC taxation. See “**Taxation**”, “**Risk Factors — Risks Relating to the Bonds and the SBLC — Gains on the transfer of the Bonds and interest payable by the Issuer to overseas Bondholders may be subject to income tax and value-added tax under PRC tax laws.**” and “**Risk Factors — Risks Relating to the PRC — Stamp duties may also be imposed during the issuance and transfer of the Bonds.**”. Investors should consult their own legal and tax advisors as needed before making its investment decision. For a more detailed description of the Bonds, see “**Terms and Conditions of the Bonds**” beginning on page 49.

The Bonds and the SBLC has not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”), and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Bonds are being offered and sold only outside the United States in offshore transactions in compliance with Regulation S under the Securities Act (“**Regulation S**”). For a description of these and certain further restrictions on offers and sales of the Bonds and the distribution of this Offering Circular, see the section entitled “**Subscription and Sale**” on page 122.

The Bonds will be issued in the specified denomination of RMB1,000,000 and integral multiples of RMB10,000 in excess thereof.

Investing in the Bonds involves risks. See “Risk Factors” beginning on page 15 for a discussion of certain factors to be considered in connection with an investment in the Bonds.

Approval in-principle has been received for the listing and quotation of the Bonds on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Offering Circular. Approval in-principle from, admission to the Official List of, and listing and quotation of the Bonds on, the SGX-ST are not to be taken as an indication of the merits of the offering of the Bonds, the Issuer, the Group, its subsidiaries or the quality of disclosure in this Offering Circular. There can be no assurance that such listing will be granted or, if granted, that such listing will be maintained. For so long as such Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, such Bonds, if traded, will be traded on the SGX-ST in a minimum board lot size of at least S\$200,000 (or its equivalent in foreign currencies).

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

The Bonds will initially be issued in uncertificated book-entry form held in China Central Depository & Clearing Co., Ltd (中央國債登記結算有限責任公司) (“**CCDC**”) with CCDC entered in the Register as the sole registered holder on behalf of the persons notionally entitled thereto. No certificate or other evidence of title will be issued by, or on behalf of, the Issuer to evidence title to a Bond unless the Issuer determines that certificates should be made available or is required by the Agency Agreement or the Services Agreement or it is required to do so pursuant to any applicable law or regulation.

Joint Global Coordinators

Sigma Capital

CITIC Securities

ICBC International

Joint Bookrunners and Joint Lead Managers

Sigma Capital

CITIC Securities

ICBC International

ABC International

CEB International

**Everbright Securities
International**

**Industrial Bank Co., Ltd.
Hong Kong Branch**

SPDB International

Offering Circular dated 5 May 2023

NOTICE TO INVESTORS

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

The Issuer, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Issuer, the Issuer and its subsidiaries as a whole (the “**Group**”), the Bonds and the SBLC, which is material in the context of the issue and offering of the Bonds, including all information which, required by applicable laws and according to the particular nature of the Issuer, the Group, the SBLC and the Bonds, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the Group and of the rights attaching to the Bonds and the SBLC; (ii) there are no other facts in relation to the Issuer, the Group, the Bonds or the SBLC the omission of which would, in the context of the issue and offering of the Bonds, make any statement in this Offering Circular in any material respect misleading; (iii) this Offering Circular does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; (iv) all statements of fact contained in this Offering Circular relating to the Issuer, the Group, the SBLC and the Bonds are in every material respect true and accurate and not misleading; (v) all statements of opinion, intention, belief or expectation with regard to the Issuer and the Group contained in this Offering Circular are truly and honestly held and were or have been made after due and careful consideration of all relevant circumstances and were based on reasonable assumptions; (vi) all reasonable enquiries have been and will be made by the Issuer to ascertain such facts and to verify the accuracy of all such statements in this Offering Circular; and (vii) the statistical, industry and market-related data and forward-looking statements, as well as statements relating to the SBLC Bank, each of which are included in this Offering Circular, are based on or derived or extracted from sources which the Issuer believes to be accurate and reliable in all material respects, and represent its good faith estimates that are made on the basis of data so derived from such sources.

The Issuer has prepared this Offering Circular solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of Sigma Capital Management Limited, CLSA Limited, ICBC International Securities Limited, ABCI Capital Limited, CEB International Capital Corporation Limited, China Everbright Securities (HK) Limited, Industrial Bank Co., Ltd. Hong Kong Branch and SPDB International Capital Limited (together and acting in their various capacities, the “**Joint Lead Managers**”) or the Issuer to subscribe for or purchase any of the Bonds. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds, and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, Hong Kong, the PRC, Singapore and Japan and to persons connected therewith. For a description of certain further restrictions on offers and sales of the Bonds, and distribution of this Offering Circular, see “*Subscription and Sale*”. By purchasing the Bonds, investors represent and agree to all of those provisions contained in that section of this Offering Circular. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for, or otherwise acquire, Bonds.

Distribution of this Offering Circular to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised. Each prospective investor, by accepting delivery of this Offering Circular, agrees to the foregoing and to make no photocopies of this Offering Circular or any documents referred to in this Offering Circular.

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Group, the Bonds or the SBLC other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Joint Lead Managers, the Trustee or the Agents (as defined in the Terms and Conditions) or their respective affiliates, directors, officers, agents, employees, representatives or advisers. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Group, the SBLC Bank or any of them since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, agents, employees, representatives or advisers to subscribe for or purchase the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

None of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, agents, employees, representatives or advisers has independently verified the information contained in this Offering Circular. Accordingly, no representation, warranty or undertaking, express or implied, is made or given and no responsibility or liability is accepted, by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, agents, employees, representatives or advisers, as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular or any other information supplied in connection with the Bonds. Nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, agents, employees, representatives or advisers. 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 Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, agents, employees, representatives or advisers that any recipient of this Offering Circular should purchase the Bonds. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, directors, officers, agents, employees, representatives or advisers in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer and the SBLC Bank and the merits and risks involved in investing in the Bonds. See “*Risk Factors*” for a discussion of certain factors to be considered in connection with an investment in the Bonds.

To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, agents, employees, representatives or advisers accept any responsibility for the contents of this Offering Circular and assumes no responsibility for the contents, accuracy, completeness or sufficiency of any such information or for any other statement, made or purported to be made by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, agents, employees, representatives or advisers or on their behalf in connection with the Issuer, the SBLC or the issue and offering of the Bonds. Each of the Joint Lead Managers, the Trustee and the Agents and their respective affiliates, directors, officers, agents, employees, representatives and advisers accordingly disclaims all and any liability, whether arising in tort or contract or otherwise, which it might otherwise have in respect of this Offering Circular or any such statement. None of the Joint Lead Managers, the Trustee or the Agents nor any of their respective

affiliates, directors, officers, agents, employees, representatives or advisers undertake to review the results of operations, financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Bonds of any information coming to the attention of the Joint Lead Managers, the Trustee or the Agents or their respective affiliates, directors, officers, agents, employees, representatives or advisers.

IN CONNECTION WITH THE ISSUE OF THE BONDS, ANY OF THE JOINT LEAD MANAGERS APPOINTED AND ACTING IN ITS CAPACITY AS STABILISATION MANAGER (SUCH PARTY, A “STABILISATION MANAGER”) (OR ANY PERSON ACTING ON BEHALF OF THE STABILISATION MANAGER(S)) MAY OVER-ALLOT BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE OFFER OF BONDS IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

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

Listing of the Bonds on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Group or the Bonds. In making an investment decision, investors must rely on their own examination of the Issuer, the Group, the SBLB Bank, the SBLB and the terms of the offering, including the merits and risks involved. See “*Risk Factors*” for a discussion of certain factors to be considered in connection with an investment in the Bonds.

The Joint Lead Managers and their respective affiliates may purchase the Bonds for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Bonds and/or other securities of the Issuer or its subsidiaries or associates at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds). Furthermore, investors in the Bonds may include entities affiliated with the Group.

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

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

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

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

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

INDUSTRY AND MARKET DATA

Market data and certain industry forecasts used throughout this Offering Circular have been obtained based on internal surveys, market research, public information and industry publications. Industry publications generally state that the information that they contain has been obtained from sources believed by the Issuer to be reliable and accurate but that the accuracy and completeness of that information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and none of the Issuer, the Joint Lead Managers or their respective affiliates, directors, officers and advisers makes any representation as to the correctness, accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified.

PRESENTATION OF FINANCIAL INFORMATION

This Offering Circular contains consolidated financial information of the Issuer as at and for the years ended 31 December 2020 and 2021, which has been extracted from the audited consolidated financial statements of the Issuer as at and for the years ended 31 December 2021 (“**Audited Financial Statements**”), included elsewhere in this Offering Circular. The Audited Financial Statements were prepared and presented in accordance with the requirements of law and with the Accounting Standards for Business Enterprises in China (“**PRC GAAP**”) and have been audited by Zhongxinghua Certified Public Accountants (Special General Partnership) Jiangxi Branch (中興華會計師事務所(特殊普通合夥人)江西分所) (“**Zhongxinghua**”) in accordance with Auditing Standards for Chinese Certified Public Accountants.

PRC GAAP differs in certain respects from International Financial Reporting Standards (“**IFRS**”). See “*Summary of Certain Differences Between PRC GAAP and IFRS*”. Investors should seek advice from their financial and tax advisors if they have doubts about the differences.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

This Offering Circular has been prepared using a number of conventions, which investors should consider when reading the information contained herein. Unless indicated otherwise, in this Offering Circular, all references to the “**Issuer**” are to Nanchang Linkong Economic Zone City Construction Investment and Development group Co., Ltd. (南昌臨空經濟區城市建設投資開發集團有限公司), (ii) the “**Group**” are to the Issuer and its direct and indirect subsidiaries, taken as a whole.

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

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

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

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

- “**GDP**” refers to gross domestic product;
- “**GFA**” refers to gross floor area;
- “**Linkong Administration Commission**” refers to Nanchang Linkong Economic Zone Administration Commission (南昌臨空經濟區管理委員會);
- “**Linkong Economic Zone**” refers to Nanchang Linkong Economic Zone (南昌臨空經濟區);
- “**MOF**” refers to the Ministry of Finance of the People’s Republic of China;
- “**MOFCOM**” refers to the Ministry of Commerce of the People’s Republic of China;
- “**Nanchang Municipal Government**” refers to the Municipal Government of Nanchang;
- “**NDRC**” refers to the National Development and Reform Commission of the People’s Republic of China or its local counterparts;
- “**NETDZ**” refers to Nanchang Economic and Technological Development Zone (南昌經濟技術開發區);

- “**PBOC**” refers to the People’s Bank of China, the central bank of the PRC;
- the “**PRC government**” refers to the central government of the PRC and its political subdivisions, including provincial, municipal and other regional or local government entities, and instrumentalities thereof, or where the context requires, any of them;
- “**SAFE**” refers to the State Administration of Foreign Exchange of the People’s Republic of China or its competent local counterpart;
- “**SBLC**” refers to Standby Letter of Credit;
- “**SBLC Bank**” refers to Industrial and Commercial Bank of China Limited, Jiangxi Provincial Branch;
- “**sq. m**” refers to square meter;
- “**sq. km**” refers to square kilometre; and
- “**State Council**” refers to the State Council of the People’s Republic of China.

FORWARD-LOOKING STATEMENTS

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

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

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

- the Group’s ability to successfully implement its business plans and strategies;
- various business opportunities that the Group may pursue;
- the Group’s capital expenditure plans;
- the Group’s access and cost of capital and financing;
- changes in the competition landscape in the industries where the Group operates;
- changes in the laws, rules and regulations of the PRC government and Nanchang Municipal Government and the rules, regulations and policies of the governmental authorities relating to all aspects of the Group’s business, including infrastructure construction, industrial development and property leasing;
- general political and economic conditions, including those related to Nanchang, Jiangxi Province or the PRC;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices including those pertaining to the PRC and the industry and markets in which the Issuer operates;
- fluctuations in prices of and demand for products and services that the Group provides;
- natural disasters, industrial action, terrorist attacks and events beyond the Group’s control;
- macroeconomic measures taken by the PRC government to manage economic growth;

- changes in the global economic conditions; and
- other factors, including those discussed in “*Risk Factors*”.

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

TABLE OF CONTENTS

SUMMARY	1
THE OFFERING	4
SUMMARY OF PAYMENT ARRANGEMENTS ON EACH SCHEDULED DUE DATE UNDER THE BONDS	10
SUMMARY CONSOLIDATED FINANCIAL INFORMATION	11
RISK FACTORS	15
TERMS AND CONDITIONS OF THE BONDS	49
SUMMARY OF PROVISIONS RELATING TO THE BONDS ENTERED IN CCDC	73
USE OF PROCEEDS	75
CAPITALISATION AND INDEBTEDNESS	76
DESCRIPTION OF THE GROUP	77
DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT	97
DESCRIPTION OF THE SBLC BANK	100
PRC REGULATIONS	107
TAXATION	118
SUBSCRIPTION AND SALE	122
SUMMARY OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS	128
GENERAL INFORMATION	129
INDEX TO THE FINANCIAL STATEMENTS	F-1
APPENDIX A — FORM OF IRREVOCABLE STANDBY LETTER OF CREDIT	A-1

SUMMARY

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

OVERVIEW

The Issuer is one of the major state-owned entities in Nanchang focusing on infrastructure construction in Linkong Economic Zone and NETDZ. As at the date of this Offering Circular, Linkong Administration Commission indirectly holds 100 per cent. of the equity interest in the Issuer. Since its establishment in 2014, the Group has played an important role in implementing Nanchang Municipal Government's blueprint for urban construction and municipal development in Linkong Economic Zone and NETDZ. Leveraging the strong government support and its revenue generating capability, the Group has recorded strong operating performance over the past few years.

The distinct geographical advantages and rapid economic development in Jiangxi Province and Nanchang have laid a solid foundation for the business growth of the Group. Jiangxi Province is the central hinterland of the Yangtze River Delta Economic Zone, the Pearl River Delta Economic Zone and the West Coast Economic Zone. It boasts rich natural resources and a sound ecological environment. It has the largest freshwater lake in China, Poyang Lake, and is one of the major copper industrial bases in Asia, widely known as "China Copper Capital". By optimising its strengths, Jiangxi Province has experienced strong economic growth and recorded GDP of RMB3,207.5 billion in 2022, representing a year to year growth rate of 4.7 per cent. Nanchang is the provincial capital of Jiangxi province and one of the largest cities in middle Yangtze River region. With well integrated transportation infrastructures, Nanchang is an important transportation hub combining water, land and air transportation in middle Yangtze River region.

Located in the north of Nanchang, Linkong Economic Zone plays an important role in industrial transformation of Jiangxi Province and implementation of the Nanchang-Jiujiang Integration Strategy (昌九一體化戰略). Linkong Economic Zone is a regional transportation hub that is designed to facilitate access to inland cities and connect areas along the Yangtze River Economic Belt. Linkong Economic Zone's industrial blueprint primarily focuses on the electronic information and digital economy industries. In the future, Linkong Economic Zone will expand into a broader area of 64 sq. km surrounding the Nanchang Changbei International Airport. On the other hand, NETDZ primarily targets at developing five key industrial pillars, including new energy automobile and parts, biomedicine, electronic information, smart equipment manufacturing and aviation. NETDZ has experienced continued urbanisation and strong economic growth. For example, for the year ended 31 December 2021, the GDP of NETDZ reached approximately RMB72.1 billion, representing a year to year growth rate of 8.4 per cent.

For the years ended 31 December 2020 and 2021, the Group engaged in the following business segments, namely (i) infrastructure construction, (ii) industrial development, (iii) property leasing, (iv) other principal businesses and (v) non-principal businesses. Set forth below is a brief summary of each of the Group's business segments:

- **Infrastructure Construction:** The Group undertakes the construction of roads, drainage systems and other public facilities in Linkong Economic Zone and NETDZ. For the years ended 31 December 2020 and 2021, the operating income generated from the Group's infrastructure construction business was RMB557.4 million and RMB337.8 million, respectively, representing 56.1 per cent. and 39.3 per cent. of the Group's operating income for the same periods.

- **Industrial Development:** The Group engages in the construction of commercial facilities and residential properties in Linkong Economic Zone and NETDZ. For the years ended 31 December 2020 and 2021, operating income generated from the Group's industrial development business was RMB230.9 million and RMB216.1 million, respectively, representing 23.2 per cent. and 22.5 per cent. of the Group's operating income for the same periods.
- **Property Leasing:** The Group leases and manages certain industrial, commercial and residential properties in Linkong Economic Zone and NETDZ. For the years ended 31 December 2020 and 2021, operating income generated from the Group's property leasing business was RMB113.2 million and RMB99.6 million, respectively, representing 11.4 per cent. and 10.4 per cent. of the Group's operating income for the same periods.
- **Other Principal Businesses.** The Group engages in other principal business including catering services and conference services. For the years ended 31 December 2020 and 2021, operating income generated from the Group's other principal business was RMB10.1 million and RMB5.4 million, respectively, representing 1.0 per cent. and 0.6 per cent. of the Group's operating income for the same periods.
- **Non-principal Businesses:** The Group engages in non-principal businesses including, among others, property management. For the years ended 31 December 2020 and 2021, the operating income generated from the Group's non-principal businesses was RMB82.3 million and RMB262.8 million, respectively, representing 8.3 per cent. and 27.3 per cent. of the Group's operating income for the same periods.

For the years ended 31 December 2020 and 2021, the total operating income generated by the Group amounted to approximately RMB993.8 million and RMB961.6 million, respectively. As at 31 December 2020 and 2021, the Group had total assets of approximately RMB24,576.6 million and RMB24,280.3 million, respectively.

COMPETITIVE STRENGTHS

The Group believes that its competitive strengths outlined below distinguish it from its competitors and are important to its success and future development:

- The Group is well-positioned to benefit from the strategic location and economic growth of Linkong Economic Zone and NETDZ in Nanchang, Jiangxi Province.
- The Group plays a strategic role in municipal and industrial development of Linkong Economic Zone and NETDZ.
- The Group receives strong support from Linkong Administration Commission and Nanchang Municipal Government.
- The Group has sound relationship with local enterprises in Linkong Economic Zone and NETDZ.
- The Group maintains a prudent financing structure and diversified financing channels.
- The Group maintains a comprehensive internal control and risk management system.
- The Group is led by an experienced management team.

BUSINESS STRATEGIES

The Group is determined to further enhance its current competitive strengths and plans to implement the following development strategies in order to achieve its overall business objectives:

- To continue to capitalise on the development opportunities within Linkong Economic Zone and NETDZ in Nanchang, Jiangxi Province
- To further enhance its core competitive advantage in infrastructure construction and industrial development businesses
- To further optimise and diversify its business portfolios

RECENT DEVELOPMENTS

In April 2022, the Group expanded into commodity trading business and established Nanchang Houchen Trading Co., Ltd. (南昌厚辰貿易有限公司). Nanchang Houchen Trading Co., Ltd. is jointly owned by the Issuer's wholly-owned subsidiaries, Nanchang Linkong Dezhu Project Management Co., Ltd. (南昌臨空德築工程項目管理有限公司) and Nanchang Konggang Energy Development Co., Ltd. (南昌空港能源開發有限公司).

In June 2022, the Issuer obtained a loan facility of RMB5.3 billion with a term of 24 years from China Development Bank for its Nanchang Airport New City (空港新城) projects.

THE OFFERING

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

Issuer	Nanchang Linkong Economic Zone City Construction Investment and Development Group Co., Ltd. (南昌臨空經濟區城市建設投資開發集團有限公司)
The Bonds	RMB464,000,000 aggregate principal amount of 3.6 per cent. Credit Enhanced Bonds due 2026
CCDC Code	G2380123
Issue Price	100.0 per cent. of the principal amount
Form and Denomination	The Bonds will be issued in the specified denomination of RMB1,000,000 and integral multiples of RMB10,000 in excess thereof.
Interest	The Bonds will bear interest at a rate of 3.6 per cent. per annum.
Interest Payment Dates	The Bonds bear interest from and including 12 May 2023, payable semi-annually in arrear in equal instalments on 12 May and 12 November in each year, commencing on 12 November 2023.
Issue Date	12 May 2023
Maturity Date	12 May 2026
Status of the Bonds	The Bonds will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank and will rank <i>pari passu</i> , without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors’ rights.

Standby Letter of Credit The Bonds will have the benefit of the SBLC issued in favour of the Trustee, on behalf of itself and the holders of the Bonds, by the SBLC Bank. The SBLC shall be drawable by the Trustee as beneficiary under the SBLC on behalf of itself and the holders of the Bonds upon the presentation of a demand by authenticated SWIFT sent by or on behalf of the Trustee by the Delegate (as defined in the Terms and Conditions) to the SBLC Bank in accordance with the SBLC (the “**Demand**”) stating that (i) the Issuer has failed to comply with Condition 3.3 of the Terms and Conditions in relation to pre-funding an amount that is required to be pre-funded under the Terms and Conditions and/or failed to provide the Required Confirmations (as defined in Condition 3.3 of the Terms and Conditions) in accordance with Condition 3.3 of the Terms and Conditions or (ii) an Event of Default (as defined in Condition 10 of the Terms and Conditions) has occurred and the Trustee has given notice to the Issuer that the Bonds are immediately due and payable in accordance with Condition 10 of the Terms and Conditions.

Only one drawing is permitted under the SBLC. Such drawing on the SBLC will be payable in Renminbi to or to the order of the Trustee at the time and to the account specified in the Demand presented to the SBLC Bank. Payment received by the Trustee in respect of the Demand will be deposited into the LC Proceeds Account (as defined in Condition 3.3 of the Terms and Conditions). The payment made under the SBLC in respect of any amount payable under the Terms and Conditions or in connection with the Bonds, the Trust Deed and/or the Agency Agreement shall, to the extent of the drawing paid to or to the order of the Trustee, satisfy the obligations of the Issuer in respect of such amount payable under these Conditions or in connection with the Bonds, the Trust Deed and/or the Agency Agreement.

The SBLC Bank’s aggregate liability under the SBLC shall be expressed and payable in Renminbi and shall not in any circumstances exceed RMB479,280,400, an amount representing (i) the aggregate principal amount of the Bonds being RMB464,000,000, plus interest payable for one interest period (being six months) in accordance with the Conditions and (ii) RMB6,928,400 for any fees, costs, expenses, indemnity payments and all other amounts payable by the Issuer under or in connection with Terms and Conditions, the Bonds, the Trust Deed, the Agency Agreement and/or the SBLC. The SBLC takes effect from the Issue Date and shall remain valid and in full force until 5:00 p.m. (Beijing time) on 11 June 2026.

See “*Terms and Conditions of the Bonds — Status, SBLC and Pre-funding — SBLC*”, “*Terms and Conditions of the Bonds — Status, SBLC and Pre-funding — Pre-funding*” and “*Appendix A — Form of Irrevocable Standby Letter of Credit*”.

Pre-funding In order to provide for the payment of any amount in respect of the Bonds and the Trust Deed (the “**Relevant Amount**”) as the same shall become due, the Issuer shall, in accordance with the Agency Agreement, by no later than 10:00 a.m. (Hong Kong time) on the Business Day falling ten Business Days (the “**Pre-funding Date**”) prior to the due date for such payment under the Terms and Conditions:

- (a) unconditionally pay or procure to be paid the Relevant Amount into the Pre-funding Account; and
- (b) deliver to the Trustee and the Principal Paying Agent by facsimile (x) a Payment and Solvency Certificate signed by two Authorised Signatories of the Issuer, and (y) a copy of the irrevocable payment instruction from the Issuer to the Pre-funding Account Bank requesting the Pre-funding Account Bank to pay the Relevant Amount which was paid into the Pre-funding Account on the Pre-funding Date in full to the Principal Paying Agent by no later than 10:00 a.m. (Hong Kong time) on the Business Day immediately preceding the due date for such payment (together, the “**Required Confirmations**”).

If the Relevant Amount has not been paid into the Pre-funding Account in full, or the Trustee does not receive the Required Confirmations, in each case by 10:00 a.m. (Hong Kong time) on the Business Day immediately following the Pre-funding Date (the “**Pre-funding Failure**”), the Trustee shall:

- (1) as soon as reasonably practicable notify the SBLC Bank and the LC Proceeds Account Bank by authenticated SWIFT of the occurrence of the Pre-funding Failure; and
- (2) by no later than 11:00 a.m. (Beijing time) on the second Business Day following the Pre-funding Date, issue the Demand to the SBLC Bank (which will be presented by the Trustee or on behalf of the Trustee by Bank of Communications Co., Ltd. Hong Kong Branch acting as the Trustee’s delegate in relation to the SBLC (the “**Delegate**”)) for the principal amount and premium (if applicable) in respect of all the Bonds then outstanding, together with interest accrued to but excluding the Mandatory Redemption Date (as defined in the Terms and Conditions) and all fees, costs, expenses, indemnity payments and other amounts in connection with the Bonds, the Trust Deed and/or the Agency Agreement then outstanding, provided that, in accordance with the terms of the SBLC the Trustee or the Delegate need not physically present the original copy of the Demand to the SBLC Bank and shall be entitled to draw on the SBLC by way of the Demand by authenticated SWIFT sent on its behalf or, in the event that the SWIFT system is unavailable for any reason, via e-mail transmission to the specified e-mail address as contemplated in the SBLC. “**Business Day**” means a day (other than a Saturday or a Sunday or a public holiday) on which commercial banks are open for business in New York City, Beijing and Hong Kong and, in the case of presentation of a Certificate, in the place in which the Certificate is presented.

After receipt by the SBLC Bank of such Demand, the SBLC Bank shall by 11:00 a.m. (Beijing time) on the fourth Business Day following the day of presentation, (or, if such Demand is received after 11:00 a.m. (Beijing time) on a Business Day, the fifth Business Day following the day of presentation) pay to or to the order of the Trustee the amount in Renminbi specified in the Demand in immediately available funds to the LC Proceeds Account.

The Pre-funding Account Bank shall notify the Trustee forthwith upon the failure by the Issuer to pay the Relevant Amount into the Pre-funding Account in accordance with the Terms and Conditions.

See “*Terms and Conditions of the Bonds — Status, SBLC and Pre-funding — Pre-funding*” and “*Appendix A — Form of Irrevocable Standby Letter of Credit*”.

Events of Default Upon the occurrence of certain events described under “*Terms and Conditions of the Bonds — Events of Default*”, 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 Bonds then outstanding or if so directed by an Extraordinary Resolution (as defined in the Terms and Conditions) shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), give written notice to the Issuer that the Bonds are, and they shall accordingly forthwith become, immediately due and repayable at their principal amount, together with accrued interest as provided in the Trust Deed.

Taxation All payments of principal, premium (if any) and interest in respect of the Bonds 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 any of the Relevant Jurisdictions (as defined in the Terms and Conditions), unless such withholding or deduction is required by law, as further described in Condition 8 of the Terms and Conditions.

Where such withholding or deduction is imposed or levied by or on behalf of the PRC (including the China (Shanghai) Pilot Free Trade Zone) up to and including the Applicable Rate (as defined in the Terms and Conditions), the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by Bondholders after such withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Bonds in the absence of the withholding or deduction.

If the Issuer is required to make a deduction or withholding (i) imposed or levied by or on behalf of the PRC (including the China (Shanghai) Pilot Free Trade Zone) in excess of the Applicable Rate or (ii) imposed or levied by or on behalf of any Relevant Jurisdiction other than the PRC (including the China (Shanghai) Pilot Free Trade Zone), the Issuer will pay Additional Tax Amounts as may be necessary in order that the net amounts received by the Bondholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Bonds in the absence of the withholding or deduction; except that no Additional Tax Amounts shall be payable in certain circumstances set out in Condition 8.1 of the Terms and Conditions. See “*Terms and Conditions of the Bonds — Taxation*”.

Final Redemption Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 12 May 2026.

Redemption for Taxation Reasons The Bonds may be all redeemed at the option of the Issuer but not some only, at any time, on giving not less than 30 nor more than 60 days’ notice to the Bondholders and the Trustee (which notice shall be irrevocable) at their principal amount, together with interest accrued up to but excluding the date of redemption, if: (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction, or any change in, or amendment to, the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective on or after 5 May 2023, the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 5 of the Terms and Conditions; and (b) the obligation cannot be avoided by the Issuer taking reasonable measures available to it. See “*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for Taxation Reasons*”.

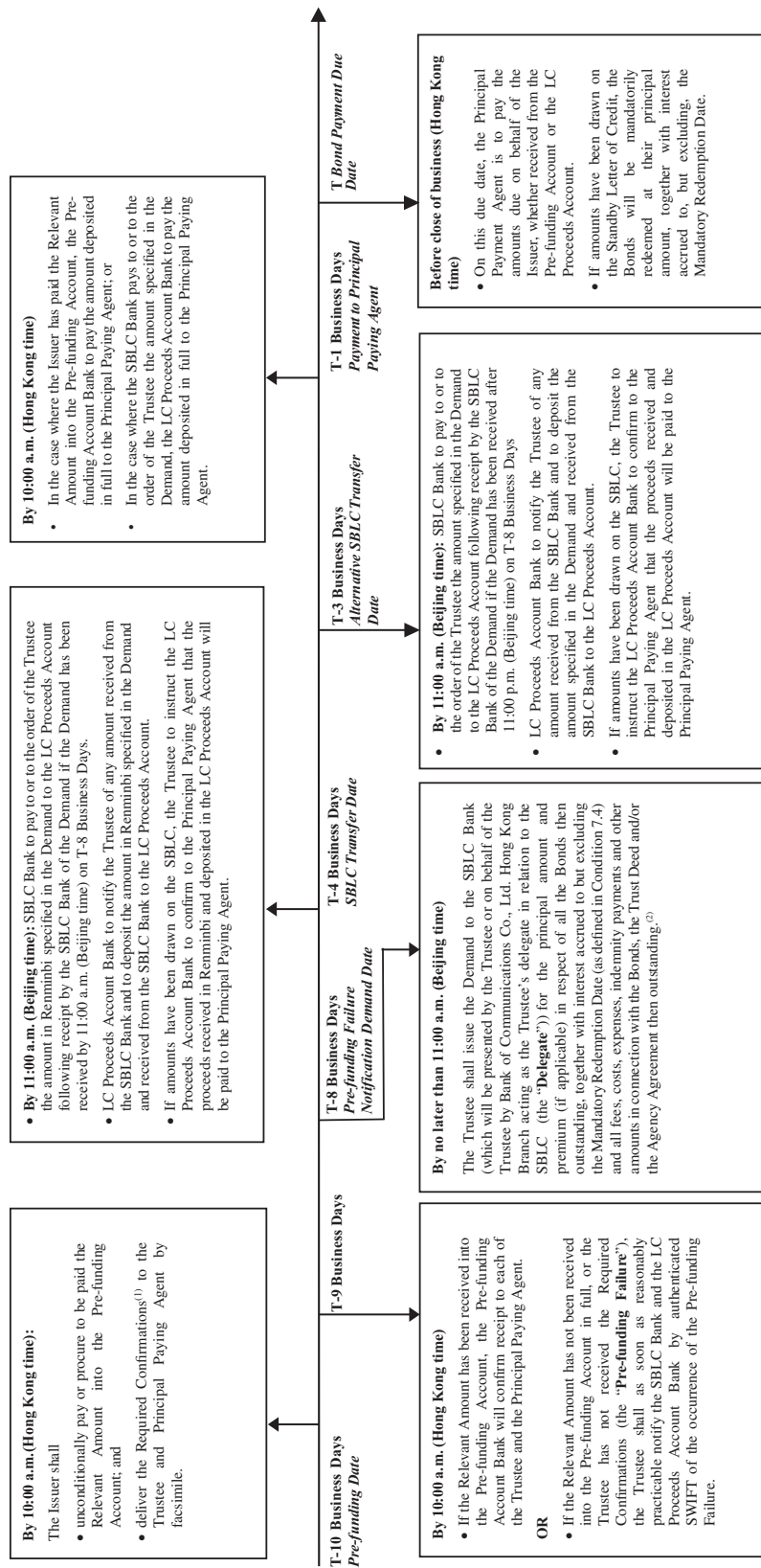
Redemption upon Change of Control At any time following the occurrence of a Change of Control (as defined in the Terms and Conditions), the holder of each Bond will have the right at such holder’s option, to require the Issuer to redeem all but not some only of that holder’s Bonds on the Put Settlement Date at 100 per cent. of their principal amount, together with accrued interest up to but excluding the Put Settlement Date. See “*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption upon Change of Control*”.

Mandatory Redemption upon Pre-funding Failure The Bonds shall be redeemed at their principal amount on the Interest Payment Date immediately falling after the date the Trustee makes a Demand in accordance with Condition 3.3 of the Conditions (the “**Mandatory Redemption Date**”), together with interest accrued up to, but excluding, the Mandatory Redemption Date, as further described in Condition 7.4 of the Terms and Conditions.

Further Issues	The Issuer is at liberty from time to time without the consent of the Bondholders to create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects save for the issue date and the first payment of interest thereon, the timing for completing the NDRC Post-issue Filing and any subsequent notifications thereof to the Trustee and the Bondholders) and so that the same shall be consolidated and form a single series with the outstanding securities of any series (including the Bonds) constituted by the Trust Deed or any deed supplemental to it. See “ <i>Terms and Conditions of the Bonds — Further Issues</i> ”.
Governing Law	The Trust Deed, the Agency Agreement, the SBLC and the Bonds and any non-contractual obligations arising out of or in connection therewith are governed by, and shall be construed in accordance with, English law.
Trustee	Bank of Communications Trustee Limited
Principal Paying Agent	Bank of Communications Co., Ltd. Hong Kong Branch
Registrar and Transfer Agent . . .	Bank of Communications Co., Ltd. Hong Kong Branch
Pre-funding Account Bank and LC Proceeds Account Bank . . .	Bank of Communications (Hong Kong) Limited
Clearing and Settlement	The Bonds will initially be issued in uncertificated book-entry form held in CCDC with CCDC entered in the Register as the sole registered holder on behalf of the persons notionally entitled thereto. Beneficial interests in the Bonds will be shown on, and transfers thereof will be effected only through, records maintained by CCDC. Except as described in this Offering Circular, definitive certificates for the Bonds will not be issued in exchange for beneficial interests in the Bonds.
Selling Restrictions	The Bonds will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See “ <i>Subscription and Sale</i> ”.
Listing	Approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Offering Circular. Approval in-principle from, admission to the Official List of, and listing and quotation of the Bonds on, the SGX-ST are not to be taken as an indication of the merits of the offering of the Bonds, the Issuer, the Group, its subsidiaries or the quality of disclosure in this Offering Circular. For so long as such Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, such Bonds, if traded, will be traded on the SGX-ST in a minimum board lot size of at least S\$200,000 (or its equivalent in foreign currencies).
Use of Proceeds	See “ <i>Use of Proceeds</i> ”.

SUMMARY OF PAYMENT ARRANGEMENTS ON EACH SCHEDULED DUE DATE UNDER THE BONDS

The following diagram sets forth a summary of the pre-funding arrangements under the Bonds and the drawing arrangements in respect of the SBLC on each scheduled due date under the Bonds. The following diagram is not intended to be comprehensive. This diagram should be read in conjunction with "Terms and Conditions of the Bonds", the Trust Deed and the Agency Agreement referred therein and "Appendix A — Form of Irrevocable Standby Letter of Credit". Words and expressions defined in the "Terms and Conditions of the Bonds" shall have the same meaning in this summary.



Notes:

- The Required Confirmations consist of: (x) a Payment and Solvency Certificate signed by two Authorised Signatories of the Issuer; and (y) a copy of the irrevocable payment instruction from the Issuer to the Pre-funding Account Bank requesting the Pre-funding Amount which was paid into the Pre-funding Account on the Pre-funding Date in full to the Principal Paying Agent by no later than 10:00 a.m. (Hong Kong time) on the Business Day immediately preceding the due date for such payment.
- The Trustee or the Delegate need not physically present the original copy of the Demand to the SBLC Bank and shall be entitled to draw on the SBLC by way of the Demand by authenticated SWIFT sent on its behalf or, in the event that the SWIFT system is unavailable for any reason, via e-mail transmission to the specified e-mail address as contemplated in the SBLC.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth the summary consolidated financial information of the Group as at and for the periods indicated below.

The summary consolidated financial information of the Group as at and for the years ended 31 December 2020 and 2021 as set forth below is derived from the Audited Financial Statements, which are included elsewhere in this Offering Circular. The Audited Financial Statements have been audited in accordance with PRC GAAP by Zhongxinghua, the Group's independent auditors. The Audited Financial Statements have been prepared and presented in accordance with PRC GAAP. PRC GAAP differs in certain respects from International Financial Reporting Standards (“IFRS”). For a discussion of certain differences between PRC GAAP and IFRS, see “Summary of Certain Differences between PRC GAAP and IFRS”.

The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the Audited Financial Statements and the notes thereto included elsewhere in this Offering Circular. Historical results of the Group are not necessarily indicative of results that may be achieved for any future period. Potential investors must exercise caution when using such data to evaluate the Group's financial condition and results of operations.

SUMMARY CONSOLIDATED INCOME STATEMENT

	Year ended 31 December	
	2020	2021
	(Audited) (RMB in '000)	(Audited) (RMB in '000)
Total operating income	993,793	961,597
Including: Operating income	993,793	961,597
Total operating costs	927,698	926,608
Including: Operating costs	818,635	832,131
Taxes and surcharges	30,377	27,820
Selling expenses	1,566	1,367
Administrative expenses	40,311	35,268
Financial expenses	36,810	30,021
Including: interest expenses	15,860	9,523
Investment income (loss indicated with “-”)	1,225	-820
Including: Income from investments in associates and joint ventures	1,225	-820
Income from changes in fair value	693,360	59,059
Credit impairment loss (loss indicated with “-”)	-	27,985
Asset impairment loss (loss indicated with “-”)	-18,752	-
Income from disposal of asset (losses indicated with “-”)	214	-
Operating profit (losses indicated with “-”)	758,001	130,735
Add: non-operating income	402	300
Less: non-operating expenditures	197	4,551
Total profits (total loss indicated with “-”)	758,207	126,484
Less: income tax expenses	196,062	51,934
Net profits (net loss indicated with “-”)	562,145	74,550
Net profits from going concern (net losses indicated with “-”)	562,145	74,550
Net profits attributable to shareholders of the parent company (net loss indicated with “-”)	402,120	34,834
Minority interest income (net loss indicated with “-”)	160,024	39,715
Post-tax net amount of other comprehensive income	19,321	-3,090
Post-tax net amount of other comprehensive income attributable to owners of the parent company	6,994	-1,119
Other comprehensive income that will be reclassified into profit or loss	6,994	-1,119
Conversion of owner-occupied real estate or inventories to investment real estate measured using the fair value model	6,994	-1,119
Post-tax net amount of other comprehensive income attributable to minority shareholders	12,326	-1,972
Total comprehensive income	581,465	71,459
Total comprehensive income attributable to owners of the parent company	409,114	33,716
Total comprehensive income attributable to minority shareholders	172,351	37,744

SUMMARY CONSOLIDATED BALANCE SHEET

	As of 31 December	
	2020	2021
	(Audited) (RMB in '000)	(Audited) (RMB in '000)
Current assets		
Monetary capital	2,405,788	1,540,905
Accounts receivable	2,625,158	1,807,191
Prepayment	423,756	381,413
Other receivables	3,397,968	5,152,838
Inventory	4,813,545	4,760,631
Non-current assets due within one year	144,000	7,000
Other current assets	412,684	450,109
Total current assets	14,222,899	14,100,089
Non-current assets		
Debt investments	173,597	173,597
Long-term receivables	384,070	35,070
Long-term equity investments	19,424	18,516
Other equity instrument investment	50,000	–
Investment real estate	9,648,005	9,881,869
Fixed assets	68,071	64,890
Intangible assets	103	95
Goodwill	44	44
Long-term deferred expenses	861	3,641
Deferred tax assets	9,485	2,488
Total non-current assets	10,353,660	10,180,210
Total assets	24,576,559	24,280,299
Current liabilities		
Short-term loans	1,190,000	865,000
Accounts payable	1,838,949	1,502,291
Contract liabilities	54,113	10,010
Payroll payable	3,330	1,032
Taxes payable	76,363	74,064
Other payables	582,577	797,397
Non-current liabilities maturing within one year	571,006	1,824,353
Other current liabilities	4,870	895
Total current liabilities	4,321,210	5,075,043
Non-current liabilities		
Long-term loans	7,715,979	6,624,979
Bonds payable	422,755	413,089
Long-term payables	1,079,764	1,047,354
Deferred income	15,078	9,867
Deferred tax liabilities	1,030,061	1,043,796
Total non-current liabilities	10,263,636	9,139,084
Total liabilities	14,584,847	14,214,128
Owners' equity		
Paid-in capital (or share capital)	1,381,421	1,381,421
Capital reserves	25,869	25,869
Other comprehensive income	1,331,635	1,330,516
Surplus reserve	6,827	7,196
Undistributed profit	582,323	582,789
Total of shareholders' equity attributable to owners of parent company	3,294,075	3,327,790
Minority interests	6,697,637	6,738,381
Total shareholder's equity	9,991,712	10,066,171
Total liabilities and shareholder's equity	24,576,559	24,280,299

SUMMARY CONSOLIDATED CASH FLOW STATEMENT DATA

	Year ended 31 December	
	2020	2021
	(Audited) (RMB in '000)	(Audited) (RMB in '000)
Net cash flows from operating activities	-1,566,157	207,555
Net cash flows from investing activities	-728,379	-1,039,998
Net cash flows from financing activities	1,033,557	-32,439
Net increase in cash and cash equivalents	-1,260,979	-864,883
Add: opening balance of cash and cash equivalents	3,017,269	1,756,290
Closing balance of cash and cash equivalents	1,756,290	891,407

RISK FACTORS

An investment in the Bonds is subject to a number of risks. Investors should carefully consider all of the information in this Offering Circular and, in particular, the risks described below, before deciding to invest in the Bonds. The following describes some of the significant risks relating to the Issuer, the Group, the Group's business and the market in which the Group operates and the value of Bonds. Some risks may be unknown to the Issuer and other risks, currently believed to be immaterial, could in fact be material. Any of these could materially and adversely affect the business, financial condition, results of operations or prospects of the Issuer and the Group or the value of the Bonds. The Issuer believes that the risk factors described below represent the principal risks inherent in investing in the Bonds, but the ability of the Issuer to pay interest, principal or other amounts on or in connection with any Bonds may be affected by some factors that may not be considered as significant risks by the Issuer on information currently available to them or which they are currently unable to anticipate. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The actual results of the Group could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Offering Circular.

Neither the Issuer nor the Joint Lead Managers represent that the statements below regarding the risk factors of holding any Bonds are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

RISKS RELATING TO THE GROUP AND THE GROUP'S BUSINESSES

The Group's business, financial condition and results of operations depends heavily on the level of economic activity in Nanchang, Jiangxi Province and the PRC.

The Group's business and assets are highly concentrated in Nanchang, Jiangxi Province. Accordingly, the Group's business, financial condition and results of operations have been and will continue to depend heavily on the level of economic activity in Nanchang and Jiangxi Province.

Although the economy of the PRC experienced rapid growth in the past 40 years, there has been a slowdown in the growth of the PRC's GDP since the second half of 2013 that has raised market concerns that the historic rapid growth of the economy of the PRC may not be sustainable. According to the National Statistics Bureau of the PRC, the annual growth rate of China's GDP in 2020 slowed down to 2.2 per cent. on a year-on-year basis compared to 6.0 per cent. in 2019 largely as a result of the impact of the COVID-19 outbreak. While the PRC's GDP increased by 8.1 per cent. in 2021, the growth rate decreased to 3.0 per cent. in 2022 on a year-on-year basis, partly due to the resurgence of the pandemic across the nation in 2022. In March 2016, Moody's and S&P changed China's credit rating outlook to "negative" from "stable", which highlighted the country's surging debt burden and questioned the government's ability to enact reforms. On 24 May 2017, Moody's downgraded China's long-term local currency and foreign currency issuer ratings to A1 from Aa3. On 21 September 2017, S&P's rating services downgraded China's credit rating by one notch from AA- to A+. These highlight the country's surging debt burden and questioned the government's ability to enact reforms. The national economic condition of the PRC has a material effect on the performance of regional economies in the PRC. According to Jiangxi Provincial Bureau of Statistics and Nanchang County Peoples Government, Jiangxi Province's GDP increased to RMB2,962.0 billion and RMB3,207.4 billion in 2021 and 2022 respectively, representing a year to year growth rate of 8.8 per cent. and 4.7 per cent. respectively, while Nanchang's GDP increased to RMB665.1 billion and RMB720.4 billion in 2021 and 2022 respectively, representing a year to year growth rate of 8.7 per cent and 4.1 per cent. respectively.

As such, there continues to be uncertainty for the overall prospects for the global and the PRC economies this year and beyond. The future prospects of the economy of the PRC, Jiangxi Province and Nanchang 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 Jiangxi Province and Nanchang will be affected by the slowdown in the growth of the PRC's economy.

The Group is unable to predict how Nanchang's economic development will be affected by a slowdown in the growth of the PRC economy, and there can be no assurance that the policies and measures issued by the PRC government will be effective in stimulating the recovery of the economy, especially considering the impact of COVID-19 worldwide. See “— *The Group's operations may be adversely affected by force majeure events, natural disasters and outbreaks of contagious diseases, including the COVID-19 pandemic.*”. The economies of Jiangxi Province and Nanchang may not continue to grow at historical growth rates. Continued slowdown in the economic growth in Jiangxi Province and Nanchang may affect the fiscal income and financial condition of Linkong Administration Commission as well as their plans and budgets for urban construction and development. This may in turn decrease demand for the Group's business and adversely affect the Group's business, financial condition, results of operations and prospects.

Instability and uncertainties in the global market conditions could adversely affect the PRC's economy and in turn affect the Group's business, financial condition, results of operations and prospects.

The Group's business, financial condition, results of operations and prospects have been, and continue to be, affected by macroeconomic, geopolitical and global market conditions. The future performance of the PRC's economy is not only affected by the economic and monetary policies of the PRC government, but it 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. For example, the international trade environment and various governments' trade and economic policies, particularly the recent trade conflicts between the PRC and the United States, may cause uncertainties to the PRC's economy and financial, foreign exchange and capital markets. In addition, the United Kingdom's exit from the European Union took place on 31 January 2020, in which the United Kingdom legally revoked its membership in the European Union (“**Brexit**”). Brexit may continue to create negative economic impact and increase volatility in global markets, 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 regions.

The military conflicts between the Russian Federation and Ukraine (“**Russia-Ukraine Conflict**”) started in early 2022 and has led to further increases in the prices of oil, energy, and other commodities as well as increased volatility in the global financial markets, giving rise to regional instability. The United States, United Kingdom and other jurisdictions have imposed severe economic sanctions and export controls against Russia and Russian interests, removed Russia from the SWIFT system and have warned there may be additional sanctions and controls in response to the Russian-Ukraine Conflict. The impact of these measures and potential responses to them from Russia, as well as their impacts on the global financial markets and in turn the PRC financial market are yet to be known. The Russia-Ukraine Conflict and the international sanctions put in place as a result could materially and adversely impact macroeconomic conditions, giving rise to regional instability in the PRC and affect the Group's business, financial condition, results of operations and prospects. See also “— *The Group's business, financial condition and results of operations depends heavily on the level of economic activity in Nanchang, Jiangxi Province and the PRC.*”.

The Group's operations may be adversely affected by force majeure events, natural disasters and outbreaks of contagious diseases, including the COVID-19 pandemic.

The Group's business is subject to general economic and social conditions in the PRC. Natural disasters, outbreaks of contagious diseases and other force majeure events which are beyond the Group's control may adversely affect the economy, infrastructure and livelihood of the people in the PRC. The occurrences of epidemics, such as the outbreak of COVID-19 pandemic or the past occurrence of Middle East Respiratory Syndrome (MERS), Severe Acute Respiratory Syndrome (SARS), H5N1 avian flu, human swine flu (also known as Influenza A or H1N1) or H7N9 avian flu have, depending on their scale, caused and may continue to cause different degrees of damage to the national and local economies of the PRC. See "— The Group's business, financial condition and results of operations depends heavily on the level of economic activity in Nanchang, Jiangxi Province and the PRC."

On 11 March 2020, the World Health Organisation declared COVID-19 as a global pandemic. COVID-19 has led to significant volatility in the global markets across all asset classes, including stocks, bonds, oil and other commodities and this volatility may persist for some time. The global economy and global financial markets are facing impacts and uncertainties under continuous global outbreak of COVID-19 from 2020 to 2023. Economic conditions in the PRC are sensitive to global economic conditions. In 2022, the PRC government has imposed another round of precaution and lockdown measures in major cities such as Shanghai and Beijing in an attempt to contain another wave of COVID-19, leading to widespread reductions in consumption, industrial production and business activities. Whilst the PRC government has announced nationwide loosening of COVID-19-related measures in December 2022, it is unclear to what extent COVID-19 would continue to affect the PRC economy and whether any global economy downturn could lead to a slowdown in the PRC economic growth. Uncertainties in the global and PRC economy and a reduction in liquidity in the global and PRC financial markets may negatively affect the Group's access to financing resources to support its business plans and expansion. Therefore, instability in the global economy and China's economic growth may materially and adversely affect the Group's business, financial condition and results of operations.

The administrative actions taken by local governments in the PRC to control the spread of COVID-19 may have an adverse impact on the Group's infrastructure construction and industrial development businesses. Construction and development projects may be temporarily shut down. Moreover, public spending on infrastructure construction and industrial development projects may be cut down. As a result, the completion of projects may be delayed, which might in turn result in substantial increase in the Group's costs for constructing or developing its projects, late completion of the Group's projects and/or otherwise adversely affect profitability and cash flows of the Group. Furthermore, the Group's operations are highly focused in Nanchang, Jiangxi Province, and any labour shortages, or slowdown in the growth of domestic consumption in Nanchang or the PRC in general could materially and adversely affect the business, results of operations, financial condition and prospects of the Group.

The outbreak or resurgence of COVID-19 or a recurrence of SARS or an outbreak of any other epidemics in the PRC such as the H5N1 or the H7N9 avian flu, especially in Nanchang or in Jiangxi Province may delay completion of the Group's projects under construction, causing substantial increase in the Group's costs, which may result in a material impact on the Group's related businesses which in turn may adversely affect the Group's results of operations, financial condition and prospects. In addition, if any of the employees of the Group are affected by any severe transmissible disease including but not limited to COVID-19, there may be a temporary closure of facilities or construction sites of the Group to prevent the spread of the disease, which could materially and adversely affect the business, results of operations and financial condition of the Group. The spread of any severe transmissible disease in Nanchang or in Jiangxi Province may also affect the operations of the related parties of the Group, which could in turn materially and adversely affect the business, results of operations, financial condition and prospects of the Group. As there is significant uncertainty relating to future developments of the COVID-19 pandemic, the Group is not able to ascertain nor predict the full impact of the COVID-19 pandemic on its financial or operational results at this time.

The Group's business and prospects to a large extent depend upon the public spending on infrastructure construction and industrial development.

The Group is designated to carry out infrastructure construction and industrial development in and around Linkong Economic Zone and NETDZ. As a result, the Group's business and prospects have historically been, and may continue to be, materially affected by budget and spending of Nanchang Municipal Government on infrastructure construction and industrial development in Linkong Economic Zone and NETDZ.

There are a number of factors affecting the nature, scale, timing and priority of Nanchang Municipal Government's spending and budget on infrastructure construction and industrial development. These factors include policies and priorities of the PRC and Nanchang Municipal Government concerning the development of different regions of China, the fiscal and monetary policies of Nanchang Municipal Government, and public investment plans of Nanchang Municipal Government in infrastructure development. Government budget and spending are also affected by government income and the general economic conditions in the PRC and Nanchang. Any slowdown in economic growth in the PRC and Nanchang may adversely affect the financial condition and fiscal income of Nanchang Municipal Government, which may in turn cause Nanchang Municipal Government to reduce its spending and budget on infrastructure construction and industrial development. If the public spending and budget of Nanchang Municipal Government on infrastructure construction and industrial development in Linkong Economic Zone and NETDZ decrease, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

Linkong Administration Commission and Nanchang Municipal Government can exert significant influence on the Group, and could cause the Group to make decisions or modify the scope of its operations, or impose new obligations on the Group, which may not be in the Group's best interests.

The Issuer is wholly-owned by Jiangxi Jinlin Industrial Holding Co., Ltd. (江西金臨實業控股有限公司) ("**Jinlin Industrial**"), which is in turn wholly-owned by Linkong Administration Commission, and is under strict supervision by Linkong Administration Commission. Accordingly, Nanchang Municipal Government can, by itself or through Linkong Administration Commission, exert significant influence on the Group's major business decisions and strategies, including the scope of its operations, investment decisions and dividend policy.

When each of Linkong Administration Commission and Nanchang Municipal Government carries out its administrative function and implements the PRC government's policies, there can be no assurance that Linkong Administration Commission and Nanchang Municipal Government would always take actions that are in the best commercial interests of the Group or that aim to maximise its profit. For example, Nanchang Municipal Government could use its ability to influence the Group's business and strategies in a manner beneficial to Nanchang as a whole, but which may not necessarily be in the Group's best interest. Each of Linkong Administration Commission and Nanchang Municipal Government may also change its policies, intention, preferences, views, expectations, projections, forecasts and opinions, as a result of changes in the economic, political and social environment as well as its projections of population and employment growth in Nanchang and any such change may have a material effect on the business and prospects of the Group. Any amendment, modification or repeal of existing policies of Linkong Administration Commission and Nanchang Municipal Government could result in a modification of the existing regulatory regime which in turn could have a material adverse effect on the financial condition and results of operations of the Group.

PRC regulations on the administration of local government debts may have a material adverse effect on the Group's business model and financing model.

In recent years, the PRC government has issued multiple regulations intended to restrict the ability of local governments to use state-owned enterprises to incur debt that should be directly incurred by

government bodies. These regulations include the Opinion of the State Council on Enhancing the Administration of Fiscal Debts of Local Governments (Guo Fa [2014] No. 43) (國務院關於加強地方政府性債務管理的意見(國發[2014]43號)) (“**Circular 43**”) released on 21 September 2014, the Circular on Further Regulating the Debt Financing Behaviours of Local Government (Cai Yu [2017] No. 50) (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**”) jointly issued by the MOF, the NDRC, the Ministry of Justice of the PRC, the PBOC, the China Banking Regulatory Commission (reorganised into the China Banking and Insurance Regulatory Commission) and the China Securities Regulatory Commission on 26 April 2017, the Circular on Firmly Curbing Local Governments’ Illegal Financing Activities in the Name of Government Procurement of Services (Cai Yu [2017] No. 87) (關於堅決制止地方以政府購買服務名義違法違規融資行為的通知(財預[2017]87號)) (“**Circular 87**”) issued by the MOF on 28 May 2017, the Notice on the Financing Activities Conducted by Financial Institutions for Local Governments and State-owned Enterprises (Cai Jin [2018] No. 23) (關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知(財金[2018]23號)) (“**Circular 23**”) issued by the MOF on 28 March 2018, the Circular of the National Development and Reform Commission and the Ministry of Finance on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness Risks (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外債風險和地方債務風險的通知(發改外資[2018]706號)) (“**Circular 706**”) jointly issued by the NDRC and the MOF on 11 May 2018, the Guiding Opinion on Strengthening the Asset and Liability Constraints of State-Owned Enterprises (關於加強國有企業資產負債約束的指導意見) (the “**Joint Opinion**”) jointly issued by the General Office of the Central Committee of the Communist Party of China and the State Council on 13 September 2018, the Circular on Filing Requirements with respect to Application for Foreign Debt Issuance by Local State-owned Enterprises (Fa Gai Ban Wai Zi [2019] No. 666) (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**”) issued by the General Office of NDRC on 6 June 2019 and the Guidelines for Banking and Insurance Institutions to Further Prevent and Defuse the Risks of Implicit Local Government Debt (Yin Bao Jian Fa [2021] No.15) (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(銀保監發[2021]15 號)) (“**Circular 15**”) issued by the China Banking and Insurance Regulatory Commission on 9 July 2021 (Circular 43, Circular 50, Circular 87, Circular 23, Circular 706, the Joint Opinion, Circular 666 and Circular 15, together, the “**Debt Control Circulars**”).

Circular 50 reaffirmed the Circular 43 policy that local governments are not permitted to use any means other than bonds for debt financing and are prohibited from requesting or ordering enterprises to issue debt on their behalf. Circular 87 required that local governments and their departments shall not take advantage of or fabricate contracts for government procurement of services in such a manner that conceals an underlying objective of raising funds for any construction project. Circular 23 and Circular 706 established policies for foreign debt issuance including the prohibition against public assets being included as enterprise assets and restrictions on making disclosure in offering circulars that imply government endorsement of the issuance or an association with the government’s credit. The Joint Opinion, consistent with Circular 43 and Circular 50, bans local governments from engaging in “disguised” borrowing by using state-owned enterprises to issue corporate debt on their behalf.

The Group believes that the PRC government will continue to implement the Debt Control Circulars to control local government debts. Accordingly, the Group should rely on the cash flow generated from its operations and external borrowings to finance its operations and to satisfy its liquidity needs for servicing its outstanding indebtedness. Pursuant to the terms of the Bonds and as required by the Debt Control Circulars, neither Nanchang Municipal Government, Linkong Administration Commission nor any other PRC governmental entity has any obligation to repay any amount under the Bonds and will not provide a guarantee of any kind for the Bonds. The Bonds are solely to be repaid by the Issuer, and the obligations of the Issuer under the Bonds shall solely be fulfilled by the Issuer, as the case may be, as independent legal persons. The liabilities of Linkong Administration Commission are limited to its equity contribution in the Issuer. If the Issuer does not fulfil their obligations under the Bonds (as the case may be), the Bondholders will only have recourse against the Issuer, but not Nanchang Municipal Government, Linkong Administration Commission or any other PRC governmental entity.

The PRC government may continue to release new policies or amend existing regulations to control the increase in local governmental debts in the PRC. There is no assurance that the Group's financing and business model will not be materially affected by future changes in the regulatory regime concerning the local state-owned enterprises in response to such regulations.

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

According to Circular 706, 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, no-charge pipe network facilities and other public interest assets and the usage rights of reserve land ("**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 Group's Public Interest Assets amounted to approximately RMB873.6 million, representing approximately 3.6 per cent. of the Group's total assets as at the same date. 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 as the enforcement towards the Group's Public Interest Assets may involve uncertainties in case of the fulfillment of the Group due to the nature of such assets. As the Group's Public Interest Assets have not been excluded from the Group'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 and results of operations. In addition, as at the date of this Offering Circular, the Group does not have any plan to dispose of the Group's Public Interest Assets. For the purposes of preparing the financial statements of the Group, the Group 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 Bondholders must exercise caution when evaluating the Group's business, financial condition and results of operations when reviewing the financial statements prepared by the Group.

Circular 706 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.

Given the limited volume of published decisions relating to Circular 706, the interpretation and implementation of Circular 706 involves uncertainties. In addition, there can be no assurance that the PRC government will not impose penalties on the Group according to Circular 706 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.

Nanchang Municipal Government shall under no circumstances have any obligation arising out of or in connection with the Bonds or the transaction documents in relation to the Bonds, the obligations under which are solely to be fulfilled by the Issuer.

Notwithstanding the Group's extensive relationships with PRC government, in particular, Nanchang Municipal Government and the other entities controlled by it, the Issuer is not part of the PRC government. The PRC government (including Nanchang Municipal Government and Linkong Administration Commission) is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds or the transaction documents in relation to the Bonds in lieu of the Issuer.

This position has been reinforced by Circular 23, Circular 706 and Circular 666. However, neither of these government circulars prohibits the PRC government from providing support (in various forms including capital injection and subsidies, but excluding injecting any kinds of public assets and land reserves as the Issuer's assets) to the Issuer in its ordinary course of business in compliance with PRC laws and regulations. The detailed description of the relationships between the Issuer and Nanchang Municipal Government and Linkong Administration Commission in this Offering Circular does not imply in any way any explicit or implicit credit support of Nanchang Municipal Government and Linkong Administration Commission in respect of the Bonds, the repayment of which remains the sole responsibilities of the Issuer.

A reduction or discontinuance of government support could materially and adversely affect the Group's business, financial condition and results of operations.

The Group had received financial subsidies and other support from Linkong Administration Commission and Nanchang Municipal Government. These supports come in various forms, including capital injections, assets injections, and government subsidies and grants.

The Group also receives financial support in the form of preferential tax treatment such as tax reduction and tax exemption. In 2017, Jiangxi Local Taxation Bureau issued the Notice on Several Policies and Service Measures to Support the Development of Ganjiang New District (江西省地方稅務局關於印發支持贛江新區加快發展的若干政策和服務舉措的通知), according to which the Group's income from certain of the Group's infrastructure construction projects are exempted from enterprise income tax for the first three years starting from the year of generating income from such infrastructure business and receives fifty percent reduction for the next three years.

There can be no assurance that Linkong Administration Commission or Nanchang Municipal Government will continue to provide support to the Group or that the existing or other types of government support will not be adjusted or terminated due to a change in government policy or otherwise. If any favourable incentive or government support which is currently available to the Group is reduced or discontinued in the future, the Group's business, financial condition, results of operations and prospects would be materially and adversely affected.

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

Certain of the Group's principal businesses, such as infrastructure construction and industrial development, require and continue to require substantial capital expenditure. The Group has historically satisfied its capital requirements with the cash flow generated from its operating activities, bank loans and other borrowings and government grant and subsidies. The Group will continue to require substantial capital resources to support its business operations and expansion.

To the extent the Group does not have sufficient internal cash flows and financial resources to fund capital commitments associated with its projects, the Group will need to obtain alternative funding from third-party sources. The ability of the Group to generate sufficient operating cash flow is affected by a number of factors, such as the Group's ability to manage and implement its business plans, the budget and spending of Nanchang Municipal Government on infrastructure development and fixed asset investments, changes in general market conditions, the regulatory environment and government policies. Any adverse changes in any of these factors, which may be out of the Group's control, may create capital shortfalls. There is no assurance that the Group's operations are or will be able to generate sufficient cash flow to satisfy its cash needs at all times, if at all.

As at 31 December 2021, the Group's total indebtedness (including short-term loans, non-current liabilities maturing within one year, long-term loans, bonds payables and long-term payables) was

approximately RMB10,753.5 million, approximately RMB2,689.4 million of which shall be due within one year. As at 31 December 2021, the Group had total credit facilities of approximately RMB15.4 billion in aggregate and approximately RMB0.7 billion remained unused. If the Group is unable to obtain sufficient financing on a timely basis or at reasonable cost, the Group may not be able to undertake new projects, which could have a material adverse effect on its business, financial condition and results of operations. There is no assurance that the Group's internal resources and external borrowings will be sufficient to finance all of its continued or planned capital expenditures going forward. If the Group fails to obtain sufficient funding on commercially reasonable terms, its liquidity, business, financial condition, results of operations and growth prospects may be materially and adversely affected.

The Group faces risks associated with contracting with public bodies.

As the major entity undertaking infrastructure construction and industrial development projects in Linkong Economic Zone and NETDZ, the Group conducts a substantial part of its business activities with various governmental authorities and their controlled entities in Nanchang. A large portion of the Group's cash flow is generated from the funds paid by Nanchang Municipal Government and its subordinate governmental authorities. As such, the Group is exposed to certain inherent risks relating to dealing with public bodies, such as Nanchang Municipal Government.

Although it is believed that the Group currently maintains extensive relationships with those governmental authorities and entities relevant to its businesses, there is no assurance that these relationships will remain close and good in the future. These government authorities and state-owned entities may (i) have economic or business interests or consideration that are inconsistent with the Group's; (ii) take actions contrary to the Group's requests, policies or objectives; (iii) be unable or unwilling to fulfil their obligations; (iv) have financial difficulties; or (v) dispute certain contractual terms with the Group or other matters. If there are any material disagreements between the Group and these local governments or any of their controlled entities, the Group may not be able to successfully resolve them in a timely manner, and payments from the public bodies may be delayed as a result. Any of these adverse consequences associated with contracting with local governments and governmental entities could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

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

The Group relies on external borrowings to satisfy a portion of its capital requirements and the Group has a significant amount of outstanding indebtedness. As at 31 December 2021, the Group's total interest-bearing indebtedness (comprising short-term loans, non-current liabilities maturing within one year, long-term loans, bonds payables and long-term payables) was approximately RMB10,753.5 million, approximately RMB2,689.4 million of which would become due within one year. The Group also has outstanding guarantees for loans borrowed by third party entities. Increasing cost of financing, including calls on outstanding guarantees for loans, may impose a heavier financial burden on the Group, which may adversely affect the Group's business, financial condition, results of operations and prospects.

Substantial indebtedness could impact on the Group's businesses in a number of ways, including:

- limiting the Group's ability to satisfy its obligations on its outstanding debt;
- requiring the Group to dedicate part of its operating cash flow to service its indebtedness before it receives government funding, thereby reducing the availability of its cash flows to fund working capital, capital expenditures and other general corporate purposes;
- limiting the Group's ability to capture investment and/or acquisition opportunities and inhibiting its ability to grow and expand its business;

- increasing the Group's finance costs, thus affecting the overall profits of the Group;
- limiting the Group's flexibility in planning for or responding to changes in the Group's businesses and the industries in which it operates;
- reducing the Group's competitiveness compared to its competitors that have less indebtedness;
- limiting the Group's ability to pay dividends to shareholders;
- 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 requirement 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. Failure to service the Group's debt could result in the imposition of penalties, increases in rates of interest that the Group pays, legal actions against the Group by its creditors, or bankruptcy.

The Group has mortgaged or pledged certain of its assets, including land use rights and accounts receivables, to secure its bank borrowings for project development, and may in the future grant further such security interests. Third-party security rights may limit the Group's use of the assets mortgaged or charges and adversely affect the efficiency of its operations. If the Group is unable to service and repay its debts under such loan facilities on a timely basis, the assets mortgaged or charged to secure the Group's bank loans may be foreclosed or sold by the relevant lenders, which may adversely affect the Group's business, financial condition, results of operations and prospects.

Restrictions and covenants in the debt agreements of the Issuer or any other member of the Group may limit the Group's ability to incur additional indebtedness and restrict its future operations, and failure to comply with these restrictive covenants may result in a default under the terms of these agreements, or the Bonds, which could cause repayment of the debt of the Issuer to be accelerated.

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

If the relevant members of the Group are unable to comply with the restrictions (including restrictions on future investments) and covenants in its current or future debt obligations and other agreements, a default under the terms of such agreements may occur. In the event of a default under such agreements, the holders of the debt could terminate their commitments to the relevant members of the Group, accelerate the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Some of the financing contracts entered into by relevant members of the Group may contain cross-acceleration or cross-default provisions. As a result, a default by the relevant members of the Group

under any of such agreements may cause the acceleration of repayment of not only such debt but also other debt, including the Bonds, or result in a default under other debt agreements. If any of these events occurs, there is no assurance that the relevant members of the Group will be able to obtain the lenders' waiver in a timely manner or that the assets and cash flow of the relevant members of the Group would be sufficient to repay all of their respective debts in full as they become due, or that the relevant members of the Group would be able to find alternative financing. Even if relevant members of the Group could obtain alternative financing, there is no assurance that it would be on terms that are favourable or acceptable to the relevant members of the Group, which may adversely affect the Group's liquidity, financial condition and results of operations.

The Group is exposed to risks in relation to the inventory it maintains.

The Group's inventory level is affected by a number of factors, such as Nanchang Municipal Government's commitment, ability and priority to pay for its funds and 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 government on real property investment and development and the government's macroeconomic and monetary policies.

As at 31 December 2020 and 2021, the Group's inventories amounted to approximately RMB4,813.5 million and RMB4,760.6 million, respectively, representing approximately 19.6 per cent. and 19.6 per cent. of the Group's total assets of the same periods, respectively. The Group's inventories mainly comprise the costs of construction projects. 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 property assets or infrastructure projects to other third parties for a price or on the terms satisfactory to the Group.

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 Bonds, which in turn could materially and adversely affect the Group's business, financial condition, results of operations or prospects.

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

Significant accounts receivables and other receivables may affect the Group's liquidity and restrict the Group's business activities. As at 31 December 2020 and 2021, the Group's account receivables amounted to RMB2,625.2 million and RMB1,807.2 million, respectively, representing 10.7 per cent. and 7.4 per cent. of the Group's total assets as at the same dates. As at 31 December 2020 and 2021, the Group's other receivable amounted to approximately RMB3,398.0 million and RMB5,152.8 million, respectively, representing 13.8 per cent. and 21.2 per cent. of the Group's total assets as at the same dates. These account receivables and other receivables mainly consist of the prepaid land demolition compensation and premium from repurchase of funds.

There are inherent risks associated with the ability and willingness of the Group's customers and the local government to make timely payments. Any failure by the Group's related parties and certain governmental authorities to make timely payments could materially and adversely affect the Group's liquidity and in turn affect its business, financial condition or results of operations.

The Group's business operations are subject to extensive regulations at various levels of government, and any failure to comply with applicable laws, rules and regulations, including obtaining any necessary qualifications, permits or approvals may adversely affect the Group.

Certain business activities of the Group, such as infrastructure construction and industrial development businesses, are extensively regulated. The operation of these business activities requires a number of approvals, licences and permits from different governmental authorities. For example, as the projects progress, the Group needs to receive certain relevant construction permits, among others, a construction land planning permit (建設用地規劃許可證), a land use right certificate (土地使用權證書), an environment impact evaluation approval or file for record (環境影響評價批覆或備案), a construction project planning permit (建設工程規劃許可證) and a construction permit (建築工程施工許可證) at different stages of development. It takes time to obtain all of these approvals and certificates. For infrastructure construction projects, the Group may temporarily occupy or use certain lands or properties, which the Group has obtained or is applying for governmental authorities' approval. Governmental authorities 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 businesses. As at the date of this Offering Circular, the Group is in the process of obtaining the aforesaid approvals, licences, permits and certificates for some of the Group's construction projects. Failure to obtain the necessary approvals, licences or permits in a timely manner could result in delay or suspension of business operations and a failure to obtain the necessary approvals, licences or permits may subject the relevant entities to regulatory or administrative penalties.

Governmental authorities may also adjust existing regulations or promulgate new regulations from time to time. The Group may encounter problems in obtaining or renewing the permits, licences, certificates and government authorisations necessary to conduct its business and may be unable to comply with new laws, regulations or policies. In addition, to ensure that any restrictions and conditions of relevant business permits, licences and certificates are fulfilled, governmental authorities normally conduct regular or special inspections, investigations and inquiries. If any significant non-compliance is found by governmental authorities, the Group's permits, licences and certificates may be suspended or revoked, and it may receive fines or other forms of penalties, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's results of operations may be susceptible to material fluctuations of interest rates.

Some of the Group's indebtedness bears interest that accrues at interest rates linked to benchmark lending rates published by the PBOC. Any material fluctuation in the benchmark lending rate may have a material impact on the Group's interest expenses and payables under its bank loans and in turn affect its results of operations. The PRC government from time to time adjusted interest rates as implementation of the PRC government's economic and monetary policies. Since the outbreak of the global financial crisis in 2008, the PBOC has lowered the benchmark lending rates with an aim to encourage lending, increase liquidity in the market and promote the recovery of China's economy. In August 2019, the PBOC adopted measures to increase the influence of the loan prime rate (the "LPR") as part of its broader market-based reforms of the PRC's interest rate market. The LPR serves as the benchmark for market interest rates in the PRC. Some of the Group's indebtedness bears interest that accrues at interest rates linked to the LPR. Although the Group's business and financial condition may benefit from the low prevailing interest rates in the market, there is no assurance that this low-interest environment will continue. Any increase in benchmark lending rate or LPR in the future will increase the Group's financing costs and adversely affect the Group's profitability, financial condition and results of operations.

The Group may not successfully implement its growth strategy.

The Group has historically focused on infrastructure construction, industrial development, and property leasing in Linkong Economic Zone and NETDZ. Over the years, it has diversified its businesses into catering services, conference services and commodity trading. The Group may from time to time expand its businesses to new industries and markets in which it has limited operating experience. Such expansion may require the Group to devote substantial resources to become familiar with, and monitor changes in, different operating environments so that it can succeed in its new businesses. Whether the Group could successfully implement its strategies depends to a certain extent on the Group's ability to identify attractive projects, obtain required approvals from relevant regulatory authorities, obtain sufficient capital on acceptable terms in a timely manner and maintain close working relationships with various governmental authorities and agencies. The success of negotiations with respect to any particular project cannot be assured. There can be no assurance that the Group will be able to successfully implement this strategy, manage or integrate newly-acquired operations with its existing operations. Any failure to implement the Group's growth strategy could have a material adverse impact on its business, financial condition and results of operations.

The Group operates in multiple businesses and this business structure exposes the Group to challenges not faced by companies with a single line of business or small number of businesses.

The Issuer has a number of subsidiaries and associated companies operating in different industries. Through these subsidiaries and associated companies, the Group engages in infrastructure construction, industrial development, property leasing and other businesses in Nanchang. As such, the Group is exposed to risks associated with conducting multiple business and operating through a large number of subsidiaries. For example, the Group is exposed to business, market and regulatory risks relating to different industries and markets, and may from time to time expand its business 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 business.

In addition, successful operation of the Group'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.

The Issuer provides direct funding, guarantees and other support to certain of its subsidiaries and associated companies in various lines of businesses. If a subsidiary or associated company defaults on any borrowings lent or guaranteed by the Issuer, the Issuer will not receive the repayment as planned or the relevant creditor may exercise its right under the guarantee to demand repayment from the Issuer. The occurrence of either of these types of events may result in a funding shortage of the Issuer and may materially and adversely affect the Issuer's ability to provide financial support to its other subsidiaries and associated companies. If the Issuer's financial or non-financial support ceases or diminishes for any reason, the operations of the relevant portfolio companies 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.

Delays or defaults in payments to the Group may affect its working capital and cash flow.

A significant portion of the Group's infrastructure construction projects are conducted under a business model where the Group undertakes infrastructure construction and the local government is responsible for the payment of relevant development costs. For those projects, the payment collection period is relatively long, and all of or a large portion of the agreed payment is generally paid only after the government completes its testing and inspection works and provides its approval for the completion of the project or a phase of the project. The government may however delay or be unable to make the buyback

payment upon completion of the project. However, the Group incurs costs such as material, equipment and labour costs, at the beginning of the project, on an ongoing basis and before achieving the relevant project milestones, and thus bears the risk of pre-paying costs and expenditures relating to projects. Therefore, any delay or default in the payment by the government may increase the Group's cash flow pressure which will in turn increase its business financial vulnerability and adversely affect its financial condition and results of operations. There is no assurance that the government authorities will continue to make all payments in a timely manner, or that no events of default will occur in the future.

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

The Group engages third-party contractors for certain of its businesses, including its infrastructure construction and industrial development businesses. The Group generally selects independent contractors through public tender and bidding. However, there is no assurance that the services rendered by any of these independent contractors or subcontractors will always be satisfactory or meet the Group's 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 projects may be delayed, and the Group may incur additional costs in some cases due to a contractor's financial or other difficulties. In addition, the Group may be requested on short notice to undertake additional infrastructure construction projects by the government, and there may be a shortage of contractors that meet the Group's 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 business, financial condition and results of operations.

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

The Group's infrastructure construction and industrial development projects require substantial capital expenditures prior to and during the construction period, and a construction project may take several years before the Group receives payment through settlement. During this period 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;
- 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 projects in the future or that they will not be subject to any liabilities for any such delays.

The relocation of incumbent residents and local businesses on the sites where the Group's infrastructure construction projects are located may result in development delays and/or increases in development costs.

Certain infrastructure construction and industrial development projects of the Group involve relocation of incumbent residents and local businesses, and the Group believes that similar situations may recur when it develops future projects. If any incumbent resident or business is dissatisfied with the relocation compensation and refuses to move, the relevant local government authorities may 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 timetable are compliant with the PRC law. The relevant land authority will then decide as to the proper relocation compensation and timetable. There is no assurance that the relocation of incumbent residents or businesses will proceed smoothly or that the incumbent residents will agree to the compensation package. In addition, the amount of compensation to be paid is subject to PRC governmental regulation and can be changed at any time. Accordingly, any delays in effecting such relocations of these incumbent residents or businesses may result in delays in the Group's development schedules and/or increase its development costs, any of which could have a material adverse effect on its business, financial condition and results of operations.

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

The Group relies on its quality control systems to ensure the safety and quality of its projects under its infrastructure construction and industrial development businesses. The effectiveness of the Group's quality control system depends significantly on a number of factors, including a timely update of the quality control system to suit ever-changing business needs, the related training programmes as well as its ability to ensure that the Group's and contractors' employees adhere to its quality control policies and guidelines. There is no assurance that the quality of the projects undertaken by the Group will always meet the required standard. Any failure or deterioration of the Group's quality control systems could result in defects in its projects, which in turn may subject the Group to contractual, product liability and other claims. Any such claims, regardless of whether they have any merit, could cause the Group to incur significant costs, harm its business reputation and result in significant disruption to its operations. Furthermore, if any of such claims are ultimately successful, the Group could be required to pay substantial monetary damages or penalties. Although the Group believes that its quality control systems have functioned properly, there is no assurance that failures in its quality control systems will not occur in the future, and any such failure could have an adverse effect on the Group's business and operations.

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

Many of the Group's businesses are labour intensive. The Group also relies on third-party contractors to carry out infrastructure construction and industrial development projects. Any industrial action or other labour unrest, which are beyond the Group's foreseeability or control, could directly or indirectly prevent or hinder its normal operating activities, and, if not resolved in a timely manner, could lead to delays in completion of the Group's projects and affect the Group's business. There is no assurance that labour unrest will not affect general labour market or result in changes to labour laws. 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. Furthermore, pandemic prevention measures, such as travel restrictions and mandatory quarantines, imposed by local government

authorities across the PRC to combat the COVID-19 pandemic may further heighten the risk of labour shortages, which may result in temporary disruptions to our normal business operations. In addition, the increasing minimum wages and awareness of labour protection also increase labour costs afforded by the PRC enterprises. There is no assurance that the Group will be able to pass on such increases to its customers, as a majority of the Group's customers are local governments. Failure to do so 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 infrastructure construction and real estate sectors, which in turn may affect the infrastructure construction and industrial 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 price and the overheating of the property market. For example, according to the Notice of the General Office of the State Council on Issues Relating to Further Improving the 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) dated 26 January 2011 and the Notice of the General Office of the State Council on Further Improving the Regulation and Control 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) dated 26 February 2013, the PRC government firmly restrained speculative demand and strengthened market supervision to better control 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 effect on the demand for land developed by the Group. There is no assurance 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.

Fluctuations in the price of construction materials could adversely affect the Group's business and financial performance.

The cost of construction materials, such as steel, which constitutes a significant portion of the Group's payments to its construction contractors, may fluctuate. Any increase in the cost of construction materials may result in additional costs to the Group and may lead to future increases in construction contract costs. Construction material costs have fluctuated in recent years. Any increase in the cost of any significant construction materials will adversely impact the Group's overall construction costs, which may materially and adversely affect the Group's business, prospects and results of operations.

The insurance coverage of the Group may not adequately protect it against all operational risks or any potential liabilities or losses.

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

- operating interruptions due to regulatory measures, operational errors, electricity outages, raw material shortages, equipment failure and others;
- operating limitations imposed by environmental or other regulatory requirements;
- work-related personal injuries;
- on-site production accidents;
- credit risks relating to the performance of customers or other contractual third parties;
- disruption in the global capital markets and the economy in general;

- loss on investments;
- environmental or industrial accidents; and
- catastrophic events such as fires, earthquakes, explosions, floods or other natural disasters.

The Group maintains limited insurance policies but in connection with construction projects the Group usually requires its contractors to maintain the insurance coverage for the projects, which the Group believes to be consistent with the relevant law and industry and business practice in the PRC. However, some of the above-mentioned operational risks may not be covered and even if covered by the insurance policies maintained by the contractors of the Group, claims under these insurance policies may not be honoured fully or on time, or the insurance coverage may not be sufficient to cover the costs incurred in the Group's operations related to the above-mentioned operational risks. There are also certain types of losses (such as from wars, acts of terrorism or acts of God, business interruption, property risks and third party (public) liability) that generally are not insured because they are either uninsurable or not economically insurable. To the extent that the relevant members of the Group suffer loss or damage that is not covered by insurance or that exceeds the limit of the insurance coverage, the Group's 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 licences 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 these approvals and permits on a timely basis, if at all. As of the date of this Offering Circular, the Group has not experienced any significant non-compliance with applicable safety regulations or requirements. In addition, PRC laws and regulations are constantly evolving. There is no assurance that the PRC government will not impose additional or stricter laws or regulations, which may increase compliance costs of the Group. Any failure to comply with the current or future environmental, safety and health regulations may materially and adversely affect the Group's business, financial condition and results of operations.

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

The Group is required to comply with applicable anti-money laundering, anti-terrorism laws and other regulations in the PRC and other relevant jurisdictions. The PRC's anti-money laundering law requires financial institutions to establish sound internal control policies and procedures with respect to anti-money laundering monitoring and reporting activities. Such policies and procedures require the Group to, among other things, establish a customer identification system in accordance with the relevant rules, record the details of customer activities and report suspicious transactions to the relevant authorities. As at the date of this Offering Circular, the Group has not adopted policies and procedures aimed at detecting and preventing the use of its business platforms to facilitate money laundering activities and terrorist acts. In the event that the Group fails to detect money laundering or other illegal or improper activities or fails to fully comply with applicable laws and regulations, the relevant government agencies may freeze its assets or impose fines or other penalties on it. Any of these may materially and adversely affect its business reputation, financial condition and results of operations.

The Group's success depends on the continuing service of its management team and qualified employees and any failure to attract and retain competent personnel may adversely affect the Group's business.

The success of the Group's business has been, and will continue to be, heavily dependent upon the continuing service of the directors of the Group and members of its senior management. If the Group loses the services of any of the Group's key executives and cannot replace them in a timely manner, the Group's business may be materially and adversely affected.

In addition, the Group's success depends on its ability to attract and retain key personnel who possess in-depth knowledge and understanding of the industries in which the Group invests or operates. These key personnel include members of the Group's senior management, experienced finance professionals, project development and management personnel, and other operation personnel. Competition for attracting and retaining these individuals is intensive. Such competition may require the Group to offer higher compensation and other benefits in order to attract and retain qualified professionals, which could materially and adversely affect the Group's financial condition and results of operations. As a result, the Group may be unable to attract or retain these personnel to achieve its business objectives and the failure to do so could severely disrupt its business and prospects. For example, the Group may not be able to hire enough qualified personnel to support its new investment projects or business expansion. As the Group expands its business or hires new employees, such new employees may take time to get accustomed to any new standard procedures and consequently may not comply with the standard procedures of such new business in an accurate and timely manner. The occurrence of any of the events discussed above could lead to unexpected loss to the Group and adversely affect its revenue and financial condition.

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 could affect its reputation. Such misconduct could include:

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

The Group's internal control procedures are designed to monitor its operations but may be unable to identify all incidents of non-compliance 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 take to prevent and detect such activities may not be effective. There is no assurance that fraud or other misconduct will not occur in the future. If such fraud or other misconduct does occur, it may cause negative publicity as a result and have a material adverse effect on its reputation and business.

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

The Group may from time to time be involved in disputes with various parties involved in its business, including contractors, tenants, suppliers and purchasers. 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 management's attention from daily business operations. In addition, where regulatory bodies or governmental authorities disagree with the Group's conduct in respect of its operations, the Group may be subject to administrative proceedings and unfavourable decrees that could result in liabilities and delays to its projects. There is no assurance that the Group will not be so involved in any major legal or other proceedings in the future which may subject the Group to significant liabilities and may materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The Group faces competition in all its business segments, which may adversely affect its financial condition, results of operations and business prospects.

The Group believes that its infrastructure construction, industrial development and other business operations are generally market-oriented. The Group faces competition in capturing new business opportunities and maintaining business relationships from large state-owned enterprises, privately-owned companies and leading international companies. Some of these companies have significant financial resources, marketing abilities and other advantages, enabling them to capitalise on their extensive experience and transnational resources to increase their competitiveness in the PRC markets. In addition, local companies may have extensive local knowledge, business relationships and longer operational track record in the relevant markets than the Group. The Group's market position depends on its ability to estimate and respond to various competitive factors, including its competitors' pricing strategies, changes in customer preferences, availability of financing resources and the introduction of improved products and services. There is no assurance that the Group's will offer services or products comparable or superior to its current or potential competitors at the same or lower prices, failing which the Group may lose customers to its competitors.

The Group is subject to joint venture risks.

Certain of the Group's operations are conducted through jointly controlled entities and associated companies. Co-operation and agreement among the Group and its joint venture partners on its existing or any future projects are important factors for the smooth operation and financial success of such projects. The Group's joint ventures may (i) have economic or business interests or goals that are inconsistent with those of the Group; (ii) be unable or unwilling to fulfil their obligations under the relevant joint venture or other agreements; or (iii) experience financial or other difficulties. Further, the Group may not be able to control the decision-making process of the joint ventures without reference to the joint venture partners as, in some cases, it does not have majority control of the joint venture. The Group does, however, through contractual provisions or representatives appointed by it, typically have the ability to influence certain material decisions. Although the Group has not experienced any significant problems with its partners to date, no assurance can be given that disputes among its partners will not arise in the future that could adversely affect such projects.

Historical financial information of the Group may not be indicative of its current or future results of operations.

The Group's historical financial information included in this Offering Circular is not indicative of its future financial results. The financial information is not intended to represent or predict the results of operations of any future periods. The Group's future results of operations may change materially if its future growth does not follow the historical trends for various reasons, including factors beyond its control, such as changes in economic environment, PRC environmental rules and regulations and the domestic and international competitive landscape of the industries in which the Group operates its businesses. Furthermore, the future results of operations of the Group may also fluctuate or change materially due to the business model of the Group and the accounting treatments applied thereto. Since historical financial information of the Group may not be indicative of its current or future results of operations, there is no assurance that the Group will not record an operating loss in the future, which may have an adverse effect on the Group's financial condition, results of operations and prospects.

The Issuer's consolidated financial statements included in this Offering Circular have been prepared and presented in accordance with the PRC GAAP, which are different from IFRS in certain respects.

The Issuer's consolidated financial statements included in this Offering Circular have been prepared and presented in accordance with PRC GAAP. PRC GAAP is substantially in line with IFRS, except for certain modifications. Please see "Description of Certain Differences between PRC GAAP and IFRS" for details. In addition, the MOF may promulgate new accounting standards or requirements in relation to financial statements which would affect the PRC GAAP and the Issuer's accounting policies, or that the Issuer and/or its subsidiaries may change their accounting estimates in accordance with the applicable PRC GAAP from time to time, each of which may affect the presentation and comparability of the Group's financial statements. 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.

Public information on the Group may be limited.

The Group is a state-owned company incorporated in the PRC and not listed on any stock exchange. There may be less publicly available information about the Group than is regularly made available by public companies in the PRC and certain other countries and territories.

RISKS RELATING TO THE PRC

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

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and the remittance of currency out of the PRC. All of the Group's operating income is denominated in Renminbi, a portion of which may need to be converted into other currencies in order to meet the Group's foreign currency obligations, such as payments of principal and interests under the Bonds or other foreign currency denominated debt, if any. Under existing PRC laws and regulations on foreign exchange, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE provided that certain procedural requirements are complied with. Approval from, or registration with, competent government authorities is required where Renminbi is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies. More restrictions and extensive vetting processes have been put in

place by SAFE to regulate cross-border transactions under the capital account, such as the Notice of the SAFE on Further Promoting the Reform of Foreign Exchange Administration and Improving Authenticity and Compliance Review (國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知). The PRC government may, at its discretion, take measures to restrict access to foreign currencies for current account and capital account transactions under certain circumstances. If the foreign exchange control system prevents the Group from obtaining sufficient foreign currencies to satisfy the Group's foreign currency demands, the Group may not be able to make interest payments and/or principal repayment to Bondholders or holders of other foreign currency denominated debt, if any. In addition, there can be no assurance that new laws or regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of the PRC.

The value of Renminbi against the U.S. dollar and other foreign currencies is subject to changes in the PRC's policies, as well as international economic and political developments. On 21 July 2005, the PRC government adopted a more flexible managed floating exchange rate system to allow the value of Renminbi to fluctuate within a regulated band that is based on market supply and demand with reference to a basket of currencies. From 21 July 2005 to 17 March 2014, the floating band of interbank spot foreign exchange market trading price of Renminbi against the U.S. dollar was gradually widened from 0.3% to 2%. On 11 August 2015, the PBOC adjusted the mechanism for market makers to form the central parity rate by requiring them to consider the closing exchange rate of the last trading date, the supply and demand of foreign exchange and the rate change at primary international currencies. On 11 December 2015, the China Foreign Exchange Trade System ("CFETS"), a sub-institutional organisation of PBOC, published the CFETS Renminbi exchange rate index for the first time which weighs Renminbi against 13 currencies, to guide the market in order to measure the Renminbi exchange rate from a new perspective. Starting from 1 October 2016, Renminbi has been added to the Special Drawing Rights basket created by the International Monetary Fund. However, there can be no assurance that the PRC government will continue to gradually liberalise the control over cross-border Renminbi remittances in the future, that any pilot schemes for Renminbi cross-border utilisation will not be discontinued or that new PRC regulations which have the effect of restricting the remittance of Renminbi into or outside the PRC will not be promulgated in the future.

In addition, the value of Renminbi has depreciated significantly against the U.S. dollar since the end of 2015 and there can be no assurance that Renminbi will not experience significant depreciation or appreciation against U.S. dollar or against any other currency in the future. The exchange rate between Renminbi and U.S. dollar experienced further fluctuation between 1 January 2016 and the date of this Offering Circular. On 5 August 2019, PBOC set the Renminbi's daily reference rate above 7 per U.S. dollar for the first time in over a decade amidst an uncertain trade and global economic climate. There remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in further and more significant appreciation of Renminbi against U.S. dollar. If further reforms are implemented and result in devaluation of Renminbi against U.S. dollar or other foreign currencies, the Group's business, financial condition, results of operations and prospects could be adversely affected because of the Group's obligations. Such devaluation could also adversely affect the value, translated or converted into U.S. dollars or otherwise, of the Group's earnings.

The operations of the Group may be affected by inflation and deflation within the PRC.

Economic growth in the PRC has historically been accompanied by periods of high inflation. Increasing inflation rates have been caused by many factors beyond the Group's control, such as rising production and labour costs, high lending levels, changes in national and foreign government policies and regulations as well as movements in exchange rates and interest rates. It is impossible to accurately predict future inflationary trends. If inflation rates rise beyond the Group's expectations, the Group may be unable to increase the price of its services and products in amounts that are sufficient to cover its increasing operating costs. Further inflationary pressures within the PRC may have a material adverse effect on the Group's business, financial condition and results of operations. Recently, concerns have

arisen over deflationary pressures in the PRC as a result of weak domestic demand and a slowing economy. Inflation rates within the PRC have been on a downward trend in recent years. A prolonged period of deflation may result in falling profits, closure of plants and shrinking employment and incomes by companies and individuals, any of which could materially and adversely affect the Group's business, financial condition and results of operations.

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

All companies in the Group are incorporated in the PRC and all of the Group's businesses are conducted in the PRC. Hence, the Group's operations are principally governed by PRC laws and regulations. The PRC legal system is based on written statutes and prior court decisions can only be cited as a reference. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade with a view to developing a comprehensive system of commercial laws. However, due to the fact that these laws and regulations have not been fully developed and because of the limited volume of published cases and their non-binding nature, the interpretation of PRC laws and regulations still involves a significant degree of uncertainty and is less developed than those applicable to companies incorporated in Hong Kong, the United States, the United Kingdom and other developed countries or regions.

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 (and came into effect on the same day), 31 August 2014 (and came into effect on the same day) and 28 December 2019 (and came into effect on 1 March 2020). As a result, the State Council and the CSRC may revise the special regulations and mandatory provisions and adopt new rules and regulations to implement and to reflect the amendments to the PRC Company Law and the PRC Securities Law. The Group cannot guarantee that any revision of the current rules and regulations or the adoption of new rules and regulations by the State Council and the CSRC will not have an adverse effect on the rights of Bondholders.

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

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

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

On 14 July 2006, the Supreme People's Court of the PRC and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人

協議管轄的民商事案件判決的安排) (the “Arrangement”), which is still in full force and effect as at the date of this Offering Circular and will be replaced by and become invalid when the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and Hong Kong (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the “New Arrangement”), which was signed on 18 January 2019, comes into effect. Pursuant to the New Arrangement, if the parties have already signed the choice of court agreement in writing under the Arrangement before the New Arrangement enter into force, the Arrangement shall still apply. Under the Arrangement, where any designated People’s Court of the Mainland or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing by the parties, any party concerned may apply to the relevant People’s Court of the Mainland or Hong Kong court for recognition and enforcement of the judgment. However, the rights under the Arrangement are limited and the outcome and effectiveness of any action brought under the arrangement may still be uncertain.

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

In addition, 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. While it is expected that the PRC courts will recognise and enforce a judgment given by a Hong Kong court and 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.

The Group’s labour costs may increase for various reasons including the implementation of the PRC Labour Contract Law or inflation in the PRC.

The PRC Labour Contract Law became effective on 1 January 2008 in the PRC and was amended on 28 December 2012 and became effective on 1 July 2013. 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 a 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 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 5 to 15 days, depending on the length of the employees’ service. Employees who consent to waive such annual leave at the request of employers shall be compensated an amount equal to three times their normal daily salaries for each 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 products, which may then affect the demand of such products and thereby adversely affect the Group's sales and financial condition. Increase in costs of other components required for production of the products may cause similar adverse effects, particularly if the Group is unable to identify and employ other appropriate means to reduce the costs of production. In such circumstances, the profit margin may decrease and the financial results may be adversely affected. In addition, according to the National Bureau of Statistics of the PRC, consumer price inflation in the PRC was 2.1%, 2.9% and 2.5% in 2018, 2019 and 2020, respectively. 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.

Stamp duties may also be imposed during the issuance and transfer of the Bonds.

There are uncertainties regarding the interpretation and application of current and future PRC taxation related laws and regulations and there can be no assurance that the relevant PRC regulatory authorities will not take a view that is contrary to the opinion of the Issuer.

According to Stamp Duty Law of the PRC (中華人民共和國印花稅法) promulgated by the Standing Committee of NPC on 10 June 2021 and implemented on 1 July 2022 and its implementation rules, enterprises or individuals which have written taxable certificates and conducted securities transactions within the PRC are subject to stamp duty and shall be obliged to pay relevant stamp duties in accordance with the provisions therein. A taxpayer shall calculate the amount of stamp duty payable according to the nature of the taxable instruments. Issuance and transfer of debt instruments (other than loan contract entered into with a financial institution) will not be imposed upon stamp duty in accordance with PRC laws as at the effective date hereto.

However, as there is no specific regulations or guidelines relating to the taxation of the issuance of foreign debt securities in the China (Shanghai) Pilot Free Trade Zone, there can be no assurance that the issuance or transfer of the Bonds will not be deemed or treated by PRC taxation authority as the entry into a loan contract or conclusion or use of any other taxable instruments in the PRC and thus subject to PRC stamp duty. In addition, there can be no assurance that PRC laws will not be revised as to impose stamp duty upon the issuance or transfer of the Bonds or similar debt instrument. If the issuance or transfer of the Bonds is treated as the same as the entry into a loan contract, or conclusion or use of any other taxable instruments in the PRC, both the borrower and lender (i.e. the Issuer and the investor purchasing the Bonds, respectively) in respect of the issuance of the Bonds, or both the transferor and transferee (i.e. the investors transferring the Bonds) in respect of the transfer of the Bonds would be each subject to PRC stamp duty of 0.005 per cent. of the amount borrowed, or any other rate applicable to the issuance or transfer of the Bonds (or such higher rate if local governments have other additional requirements). The Issuer undertakes that to the extent any PRC stamp duty is payable on initial issuance of the Bonds, it will bear such relevant PRC stamp duties for itself and the Bondholders.

The taxation authorities may impose a fine if a person subject to such PRC stamp duty is found to have failed to attach, or have attached insufficient number of stamp duty to a taxable instrument. The levy of stamp duty shall be administered by tax authorities in accordance with the provisions of the present law and the Law of the People's Republic of China on the Administration of Tax Collection.

RISKS RELATING TO THE BONDS AND THE SBLC

Linkong Administration Commission or any other PRC governmental entity does not have any payment, guarantee or other obligations under the Bonds or the Trust Deed.

As at the date of this Offering Circular, the Issuer was wholly-owned by Jinlin Industrial, which is in turn wholly owned by Linkong Administration Commission. Jinlin Industrial only has limited liability in the form of its equity contribution in the Issuer. As such, the PRC Government (including Linkong Administration Commission) or any other PRC governmental entity does not have any payment or other obligations under the Bonds or the Trust Deed and will not provide guarantee of any kind for the Bonds. The Bondholders shall have no recourse to the PRC government (including Linkong Administration Commission) or any other PRC governmental entity in respect of any obligation arising out of or in connection with the Bonds or the Trust Deed. The Bonds are solely to be repaid by the Issuer and the obligations under the Bonds or the Trust Deed shall solely be fulfilled by the Issuer, as the case may be, as an independent legal person. This position has been reinforced by Circular 23, Circular 706 and Circular 666.

According to Circular 23, (i) state-owned financial enterprises are prohibited from providing financing in any form for local governments and their departments directly or through local state-owned enterprises (“SOEs”) and public institutions and other indirect channels or increasing loans provided to local government financing platform companies (“LGFV”) in violation of regulations that include the new Budget Law of the PRC, which took effect on 29 December 2018, and Circular 43, except in the case of purchasing local government debt; (ii) state-owned financial enterprises shall ensure that the capital raised for financing SOEs, LGFV or public-private partnership construction projects is lawfully sourced and that the financing satisfies all required capital ratios; (iii) state-owned financial enterprises when providing agency services to local SOEs are obliged to evaluate the financial capabilities of the entity seeking to raise capital and the source of the funds such as when a local SOE issues domestic or overseas notes. As for the sources of income from debt-issuing enterprises involved in the arrangement of financial funds, state-owned financial enterprises shall carry out due diligence investigations and carefully verify that the arrangement complies with all applicable laws and regulations; and (iv) documents including offering circulars shall not disclose information that can implicitly or explicitly indicate the government’s endorsement of the local SOE’s capital-raising, such as local financial revenues and expenditures and government debt information, or conduct misleading publicity that implies an association with the government’s credit. Circular 706 also reaffirms the restrictions in Circular 23 that offering circulars shall not disclose information that can implicitly or explicitly indicate the government’s endorsement of the new debt or conduct misleading publicity that implies an association with the government’s credit. These circulars do not, however, prohibit the PRC government from providing support (in various forms such as capital injection and subsidies, but excluding the injection of any kind of public assets and land reserves) to the Group during its ordinary course of business in compliance with PRC laws and regulations.

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 Bonds based only on the Group’s own financial information reflected in its financial statements. The PRC government, Linkong Administration Commission and any other PRC governmental entity have no obligation to pay any amount under the Bonds. Investments in the Bonds are relying solely on the credit risk of the Issuer. In the event the Issuer does not fulfil its obligations under the Bonds, investors will only be able to claim as an unsecured creditor against the Issuer and its assets, and not any other person including the PRC government, Linkong Administration Commission or any other PRC governmental entity. Because of the limited volume of published decisions, the interpretation and enforcement of these laws and regulations involve uncertainties.

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

The Bonds are complex financial instruments and may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential

investor should not invest in the Bonds unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

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

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

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

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in each of the Group's revenue, earnings and cash flows 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 Bonds to change. Any such developments may result in large and sudden changes in the volume and price at which the Bonds will trade. There is no assurance that these developments will not occur in the future.

The Bonds constitute a new issue of securities for which there is no existing trading market.

There is currently no existing trading market for the Bonds and the Bonds offer limited liquidity. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. The Joint Lead Managers are not obliged to make a market in the Bonds and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Joint Lead Managers.

The Bonds are redeemable in the event of certain withholding taxes being applicable.

No assurances are made by the Issuer as to whether or not payments on the Bonds may be made without withholding taxes or deductions applying from the Issue Date on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the PRC or any subdivision or authority therein or thereof having power to tax. See "*Terms and Conditions of the Bonds — Redemption for Taxation Reasons*" for additional details.

The Issuer may not be able to meet its outstanding obligations under the Bonds.

The Issuer may (and at maturity, will) be required to redeem all of the Bonds. If such an event were to occur, the Issuer may not have sufficient cash on hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem tendered Bonds by or on behalf of the Issuer may constitute an event of default under the Bonds, which may also constitute a default under the terms of the Issuer's other indebtedness.

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

In certain circumstances (including without limitation giving of notice to the Issuer pursuant to Condition 10 of the Terms and Conditions and taking action pursuant to Condition 10 of the Terms and Conditions), the Trustee may (at its discretion) request Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of Bondholders. The Trustee shall not be obliged to take any such actions if not indemnified and/or prefunded and/or secured 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 actions, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed constituting the Bonds 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 Bondholders to take such actions directly.

Any failure to complete the relevant filings under the NDRC New Rules and the relevant registration under the SAFE Measures and PBOC Circular (if applicable) within the prescribed time frame following the completion of the issue of the Bonds may have adverse consequences for the Issuer and/or the investors of the Bonds.

Effective from 10 February 2023, the NDRC New Rules supersedes the NDRC Circular. Under the NDRC New Rules, the Issuer is required to notify the particulars of the issue of the Bonds within ten PRC working days after the issue of the Bonds. In addition, the Issuer is also required, among others, to submit relevant information on the Bonds within ten PRC working days upon the expiration of the NDRC certificate, and to complete periodic filing of requisite information including use of proceeds, plan and arrangement of payment of interest and principal and the Issuer's financial indicators within five PRC working days prior to the end of January and July each year. In case of any material circumstance which may adversely affect the performance of the Issuer's debt obligations, including any potential non-repayment of debts and major asset restructuring, the Issuer is required to report the relevant information and take risk control measures to prevent spillover of onshore default risk and cross-default risk.

However, the NDRC New Rules is a recent legislation and its implementation may involve significant uncertainty. The administration and enforcement of the NDRC New Rules may be subject to executive and policy discretion of the NDRC. While the NDRC New Rules have set out the legal consequences for debtors and involved professional parties in cases of non-compliance of the NDRC New Rules, it is unclear whether any such non-compliance would affect the validity and enforceability of the Bonds. There is no assurance that the failure to comply with the NDRC New Rules would not result in adverse consequences on the Issuer's ability to perform in accordance with the terms and conditions of the Bonds or the enforceability of the Bonds.

In accordance with the Administrative Measures for Foreign Debt Registration (外債登記管理辦法) and its operating guidelines (the “SAFE Measures”) issued by SAFE on 28 April 2013, which came into effect on 13 May 2013 and amended on 4 May 2015, and the Circular of the People’s Bank of China on Matters relating to the Macro-prudential Management of Full covered Cross-border Financing (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知) (the “PBOC Circular”) issued by PBOC on 12 January 2017, which came into effect on the same day,, and the operational guidelines and other applicable rules issued or updated by SAFE or the People’s Bank of China from time to time, the Issuer may be required to complete the SAFE registration in respect of the issue of the Bonds with the local branches of SAFE in accordance with relevant laws and regulations. However, there is uncertainty as to whether bond issuances in the Shanghai FTZ by companies incorporated within the PRC would be regarded as foreign debt requiring registration with SAFE. If the issuance of the Bonds is regarded as foreign debt requiring registration with SAFE, before such registration is completed, it may be difficult for Bondholders to recover amounts due from the Issuer and the Issuer may not be able to remit the proceeds of the offering into and outside of the PRC. Failure to comply with registration requirements of SAFE may also result in warnings and fine, and the foreign debt contract may not be legally binding and enforceable.

Modifications and waivers may be made in respect of the Terms and Conditions of the Bonds, the Trust Deed, Agency Agreement and the SBLC by the Trustee or less than all of the Bondholders.

The Terms and Conditions of the Bonds contain provisions for calling meetings (including by way of conference call using a videoconference platform) of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders, including those Bondholders who do not attend and vote at the relevant meeting and those Bondholders who vote in a manner contrary to the majority. Furthermore, there is a risk that the decision of a majority of Bondholders may be adverse to the interests of individual Bondholders.

The Terms and Conditions of the Bonds also provide that the Trustee may, without the consent of Bondholders, agree to any modification of the Trust Deed, the Agency Agreement or the SBLC which in the opinion of the Trustee will not be materially prejudicial to the interests of Bondholders and to any modification of the Trust Deed, the Agency Agreement or the SBLC which is of a formal, minor or technical nature or is to correct a manifest error or an error which, in the opinion of the Trustee, is proven.

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

Claims by the holders of the Bonds are structurally or effectively subordinated to secured debt.

The Bonds are senior and unsecured obligations of the Issuer. Payments under the Bonds are structurally or effectively subordinated to all the secured debts of the Issuer to the extent of the value of the assets securing such debts. The effect of this subordination is that, in the event of a bankruptcy, liquidation, dissolution, reorganisation or similar proceeding involving the Issuer, the assets of the Issuer could not be used to pay the holders of the Bonds until after all secured claims against the Issuer have been fully paid.

The Group may issue additional Bonds in the future.

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

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

Investment in the Bonds, which carry a fixed rate of interest, involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.

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

Under the new Enterprise Income Tax Law (the “**EIT Law**”) and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as incomes derived from sources within the PRC. Under the EIT Law, a “non-resident enterprise” means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained incomes derived from sources within the PRC. In addition, there is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to an arrangement between mainland China and Hong Kong for avoidance of double taxation, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, are exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds, if such capital gains are not connected with an office or establishment that the Bondholders have in the PRC and all the other relevant conditions are satisfied.

Pursuant to the EIT Law, the PRC Individual Income Tax Law (the “**IIT Law**”) (中華人民共和國個人所得稅法) which amended on August 31 and took effect on January 1, 2019, and the implementation regulations in relation to both the EIT Law and IIT Law, PRC income tax at a rate of 10% or 20% is normally applicable to PRC-source income derived by non-resident enterprises or individuals respectively, subject to adjustment by applicable treaty. As the Issuer is a PRC resident enterprise for tax purposes, interest paid to non-resident Bondholders may be regarded as PRC-sourced, and therefore be subject to PRC income tax at a rate of 10% for nonresident enterprise Bondholders and at a rate of 20% for non-resident individual Bondholders (or a lower treaty rate, if any).

On March 23, 2016, the Ministry of Finance and the State Administration of Taxation issued the Circular of Full Implementation of Replacing Business Tax with Value-Added Tax Reform (關於全面推開營業稅改徵增值稅試點的通知)(“**Circular 36**”), which introduced a new value-added tax (“**VAT**”) from May 1, 2016. VAT is applicable where entities or individuals provide services within the PRC. The Issuer will be obligated to withhold VAT of 6 per cent. and certain surcharges as described below on payments of interest and certain other amounts on the Bonds paid by the Issuer Bondholders that are non-resident enterprises or individuals. Pursuant to the Interim Regulation of the PRC on City Maintenance and Construction Tax (中華人民共和國城市維護建設稅暫行條例(2011修訂)), the Interim Provisions on the Collection of Educational Surcharges (徵收教育附加費的規定(2011修訂)) and the Notice of the Ministry of Finance on the Relevant Matters regarding Unifying the Policies on Local Education Surcharges (財政部關於同意地方教育附加政策有關問題的通知), a city maintenance and construction tax of 7%, an educational surcharge of 3% and a local educational surcharge of 2 per cent. will be applicable when entities and individuals are obliged to pay VAT (for an aggregate of 12 per cent. surcharge on any VAT payable).

VAT is unlikely to be applicable to any transfer of Bonds between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realized upon such transfers of Bonds, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. The interpretation and enforcement of the Circular 36 together with other law and regulations pertaining to VAT involve uncertainties.

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

In addition, as there is currently no specific regulations or guidelines relating to the issuance of foreign debt securities in the Shanghai FTZ, there is uncertainty as to whether or not Shanghai FTZ resident investors would be treated as non-resident enterprises or individuals of the PRC. In the event that Shanghai FTZ resident investors holding the Bonds are treated as PRC tax residents, such holders may be subject to additional PRC taxes (or higher PRC tax rates) in relation to any interest income or gains realised on the transfer of the Bonds. Shanghai FTZ resident investors should further consult their own legal and tax advisors in relation to their EIT and IIT obligations.

Any downgrading of the Issuer's corporate ratings, or those of its subsidiaries, by rating agencies could adversely affect the Group's business and the Group's liquidity.

Any adverse revision to the Issuer's corporate ratings, or those of its subsidiaries, for domestic and international debt by rating agencies such as Fitch, Moody's and S&P may adversely affect the Group's business, its financial performance and the trading price of the Bonds. Further, the Group's ability to obtain financing or to access to capital markets may also be limited, thereby lowering its liquidity.

The Bonds are unsecured obligations.

As the Bonds are unsecured obligations, the repayment of the Bonds may be compromised if:

- (i) the Issuer enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- (ii) there is a default in payment under the future secured indebtedness or other unsecured indebtedness of the Issuer; or
- (iii) there is an acceleration of any of the indebtedness of the Issuer.

If any of these events were to occur, the assets of the Issuer may not be sufficient to make payments to pay amounts due on the Bonds.

The Issuer may not be able to repurchase the Bonds upon a change of control.

At any time following the occurrence of a Change of Control (as defined in the Terms and Conditions), the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that Bondholder's Bonds at a purchase price equal to 100 per cent. of the principal amount together with accrued interest. See "*Terms and Conditions of the Bonds — Redemption upon Change of Control or No Registration Event*" for additional details. The source of funds for any such purchase would be available cash of the Group or third-party financing. However, the Issuer may not have enough available funds at the time of the occurrence of any Change of Control to make purchases of outstanding Bonds. If an event constituting a Change of Control occurs at a time when the Issuer is prohibited from repurchasing the Bonds, the Issuer may seek the consent of the lenders under such indebtedness to purchase the Bonds or may attempt to refinance the borrowings that contain such prohibition. If such a consent to repay such borrowings is not obtained, the Issuer may be unable to

repurchase the Bonds. The Issuer's failure to make the offer to purchase or purchase the outstanding Bonds would constitute an event of default under the Bonds. The event of default may, in turn, constitute an event of default under other indebtedness, any of which could cause the related debt to be accelerated after any applicable notice or grace periods. If the Issuer's other debt were to be accelerated, it may not have sufficient funds to purchase the Bonds and repay the debt.

Certain of the events constituting a Change of Control under the Bonds may also constitute an event of default under certain of the Issuer's debt instruments, requiring repurchase of such debt or otherwise cancelling its lenders' commitments under such debt instruments. In addition, future debt of the Issuer may also (1) prohibit the Issuer from purchasing Bonds in the event of a Change of Control; (2) provide that a Change of Control is a default; or (3) require repurchase of such debt upon a Change of Control. Moreover, the exercise by the Bondholders of their right to require the Issuer to purchase the Bonds could cause a default under the Issuer's other indebtedness, even if the Change of Control itself does not, due to the financial effect of the purchase on the Issuer.

If the Issuer is unable to comply with the terms of the Trust Deed governing the Bonds or its future debt agreements, there could be a default under those agreements, which could cause repayment of the debt of the Issuer to be accelerated.

If the Issuer is unable to comply with the terms in the Trust Deed governing the Bonds or its future debt obligations and other agreements, there could be a default under those agreements. If that occurs, the holders of the debt could terminate their commitments to lend to the Issuer, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. Furthermore, the Trust Deed governing the Bonds contains, and the Issuer's future debt agreements are likely to contain, cross-acceleration or cross-default provisions. As a result, the Issuer's default under one debt agreement may cause the acceleration of repayment of not only such debt but also other obligations, including the Bonds, or result in a default under its other debt agreements, including the Trust Deed governing the Bonds. If any of these events occur, the Issuer's assets and cash flow might not be sufficient to repay in full all of its indebtedness and the Issuer might not be able to find alternative financing. Even if the Issuer could obtain alternative financing, it might not be on terms that are favourable or acceptable to it.

The Bonds will be issued in uncertificated book-entry form entered in CCDC and accountholders of CCDC must rely on CCDC procedures. Any amount received by Bondholders in their respective FTZ Accounts (as defined below) may be subject to certain restrictions.

The Bonds will be issued in uncertificated book-entry form entered in CCDC. CCDC will maintain records of the beneficial interests in the Bonds. While the Bonds are held in CCDC, investors will be able to trade their beneficial interests only through CCDC to another person who maintains a securities account with CCDC. Except in the circumstances described in the Terms and Conditions, investors will not be entitled to receive definitive Certificates (as defined in the Terms and Conditions).

While the Bonds are held in CCDC, the Issuer will discharge its payment obligations under the Bonds by making payments to CCDC for distribution to its accountholders.

An accountholder of CCDC who holds a beneficial interest in the Bonds must rely on the procedures of CCDC to receive payments under the Bonds. Each payment will only be made to either the Renminbi free trade account (自由貿易賬戶) maintained by or on behalf of the accountholder with a bank in the Shanghai FTZ (the "FTZ Account") or, the Renminbi account maintained by or on behalf of it with a bank in Hong Kong. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Bonds.

If a Bondholder elects to receive the amounts payable under the Bonds in his or her FTZ Account, such amounts may be subject to restrictions on offshore remittance which may apply to such FTZ Account.

The China (Shanghai) Pilot Free Trade Zone bond market is a recent development and such FTZ bonds cleared through CCDC will be subject to the operational procedures and requirements of CCDC.

Bond issuances in the Shanghai FTZ is a recent market development. FTZ bonds are cleared through CCDC and will be subject to the operational procedures and requirements of CCDC. CCDC is responsible for setting and has in place its own set of operational procedures and requirements for bond issuance, clearance and settlement. It also sets rules on who may invest and trade in the bonds issued in the Shanghai FTZ. See “*Risk Factor — Risks Relating to the Bonds — An investor needs to maintain an account with CCDC to invest in and trade the Bonds*”. As the market continues to develop, CCDC’s procedures and requirements may be amended from time to time. In addition, CCDC may, as it deems appropriate, amend the terms of the service agreements it has entered into with issuer and investor participants and such amendments would be binding. There are no assurances that CCDC’s current operational procedures will remain unchanged during the term of these Bonds.

An investor needs to maintain an account with CCDC to invest in and trade the Bonds.

As the Bonds will be issued in uncertificated book-entry form entered in CCDC, an investor needs to maintain an account with CCDC in order to invest in the Bonds. While the Bonds are entered in CCDC, the Bonds can only be traded between investors who maintain accounts with CCDC (and not with other clearing system). This requirement may make the Bonds difficult to trade and affect the liquidity of the Bonds.

Certain initial investors will purchase a significant portion of the Bonds and may therefore be able to exercise certain rights and powers on their own.

Certain initial investors will purchase a significant portion of the aggregate principal amount of the Bonds in this offering. Any holder of a majority of the aggregate principal amount of the Bonds will be able to exercise certain rights and powers on its own under the Terms and Conditions and Trust Deed, which will be binding on holders of the Bonds. Any holder of a significant portion of or majority of the aggregate principal amount of the Bonds may be able to exercise such rights and powers on its own, which will be binding on all holders of the Bonds and control the outcome of votes on such matters. Any holder of a significant percentage of the Bonds, even if less than a majority, will be able to exercise certain rights and powers and will have significant influence on matters voted on by Bondholders. Additionally, the existence of any such significant Bondholder may reduce the liquidity of the Bonds in the secondary trading market.

The SBLC Bank’s ability to perform its obligations under the SBLC is subject to the financial conditions of Industrial and Commercial Bank of China Limited.

The SBLC Bank is not a separate and independent legal person but has capacity to carry on its activities within its scope of the authorisation given by Industrial and Commercial Bank of China Limited (“ICBC”), and if the assets of the SBLC Bank are not sufficient to meet the obligations of the SBLC Bank under the SBLC, ICBC would have an obligation to satisfy the balance of the obligations under the SBLC. Therefore, the ability of the SBLC Bank to make payments under the SBLC will depend on the financial conditions of ICBC, which could be materially and adversely affected by a number of factors, including, but not limited to, the following:

- **Impaired loans and advances:** ICBC’s results of operations have been and will continue to be negatively affected by its impaired loans. If ICBC is unable to effectively control and reduce the level of impaired loans and advances in its current loan portfolio and in new loans ICBC extends in the future, or ICBC’s allowance for impairment losses on loans and advances is insufficient to cover actual loan losses, ICBC’s financial conditions could be materially and adversely affected.
- **Collateral and guarantees:** A substantial portion of ICBC’s loans is secured by collateral. In addition, a substantial portion of its PRC loans and advances is backed by guarantees. If ICBC is

unable to realise the collateral or guarantees securing its loans to cover the outstanding principal and interest balance of such loans due to various factors, ICBC's financial conditions could be materially and adversely affected.

- **Loans to the real estate sector and government financing platforms:** ICBC's loans and advances to the real estate sector primarily comprise loans issued to real estate companies and individual housing loans. The real estate market may be affected by many factors, including, without limitation, cyclical economic volatility and economic downturns. In addition, the PRC government has in recent years imposed macroeconomic control measures that are aimed at preventing the real estate market from overheating. Such factors may adversely affect the growth and quality of its loans to the real estate industry and, consequently, ICBC's financial conditions and results of operations. Loans to government financing platforms are a part of the loan portfolio of ICBC. The government revenues are primarily derived from taxes and land premiums. Therefore, economic cycles and fluctuations in the real estate market may also adversely affect the quality of such loans.

Further, should ICBC be required to satisfy the obligations of the SBLC Bank under the SBLC and where ICBC intends to do so through cross-border capital flows (for example, where ICBC injects capital or grants loans to the SBLC Bank), then the implementation of such cross-border capital flow plans may be subject to prior approvals from, and registrations with, the competent PRC authorities, including but not limited to CBIRC, NDRC and SAFE. Bondholders should be aware of the possibility that ICBC may not be able to obtain such prior approvals from the competent PRC authorities at the time of performance or enforcement of the SBLC, which may adversely affect the ability of ICBC to perform, or to assist the SBLC Bank to perform, the SBLC Bank's obligations under the SBLC.

In addition, as neither ICBC nor the SBLC Bank has waived sovereign immunity for the purpose of the SBLC, it is possible that such immunity is asserted at the time of enforcement of the SBLC.

The SBLC is subject to a maximum limit and may not be sufficient to satisfy all payments due under the SBLC.

Payments of principal and interest in respect of the Bonds and the fees and expenses and other amounts in connection with the Bonds, the Trust Deed and the Agency Agreement will have the benefit of the SBLC up to a maximum limit of RMB479,280,400. There can be no assurance that such maximum limit is sufficient to fully satisfy the aforementioned payments.

The SBLC expires 30 days after the Maturity Date.

The SBLC will expire 30 days after the Maturity Date. In the event that the Trustee does not enforce the SBLC by this expiration date, Bondholders will not be able to benefit from the credit protection provided by the SBLC Bank.

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

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

International financial markets and world economic conditions may adversely affect the market price of the Bonds.

Developments in other markets may adversely affect the market price of the Bonds. The market price of the Bonds may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Bonds is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including China. Since the 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 Bonds could be adversely affected.

The Bonds are redeemable in the event of certain withholding taxes being applicable.

No assurances are made by the Issuer as to whether or not payments on the Bonds may be made without withholding taxes or deductions applying from the Issue Date on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the PRC or any political subdivision or any authority therein or thereof having power to tax. Although pursuant to the Terms and Conditions, the Issuer is required to gross up payments on account of any such withholding taxes or deductions, the Issuer also has the right to redeem the Bonds at any time in the event it has or will become obliged to pay additional amounts on account of any existing or future withholding or deduction for any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the PRC or any political subdivision or any authority therein or thereof having power to tax as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority therein or thereof having power to tax, or any change in, or amendment to, the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of this Offering Circular.

Additional procedures may be required to be taken to hear English law governed matters in 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 matters.

The Terms and Conditions of the Bonds 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, Hong Kong courts may require certain additional procedures to be taken. Under the "Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned" (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排), 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. While it is expected that the PRC courts will recognise and enforce a judgment given by Hong Kong courts 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. As compared to other similar debt securities issuances in the international capital market where the relevant security holders would not typically be required to submit to an exclusive jurisdiction, the Bondholders will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the Bondholders' ability to initiate a claim outside of Hong Kong will be limited.

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

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

TERMS AND CONDITIONS OF THE BONDS

The following is the text of the terms and conditions of the Bonds which (subject to modification and except for the paragraphs in italics) will be endorsed on the Certificates issued in respect of the Bonds:

The RMB464,000,000 3.6 per cent. Credit Enhanced Bonds due 2026 (the **Bonds**, which expression shall in these Conditions, unless the context otherwise requires, include any further bonds issued pursuant to Condition 16 and forming a single series with the Bonds) was authorised by resolutions of the board of directors of Nanchang Linkong Economic Zone City Construction Investment and Development Group Co., Ltd. (南昌臨空經濟區城市建設投資開發集團有限公司) (the **Issuer**) dated 28 November 2022. The Bonds are constituted by a Trust Deed (as amended, restated or supplemented from time to time, the **Trust Deed**) to be dated on or about 12 May 2023 (the **Issue Date**) made between the Issuer and Bank of Communications Trustee Limited (the **Trustee**, which expression shall include its successor(s)) as trustee for the holders of the Bonds (the **Bondholders**).

The statements in these terms and conditions (the **Conditions**) include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. The Bonds have the benefit of an irrevocable standby letter of credit (the **SBLC**) dated on the Issue Date issued by Industrial and Commercial Bank of China Limited, Jiangxi Provincial Branch (the **SBLC Bank**). Copies of the Trust Deed, the SBLC and the agency agreement to be dated on or about 12 May 2023 (as amended, restated or supplemented from time to time, the **Agency Agreement**) made between the Issuer, Bank of Communications Co., Ltd. Hong Kong Branch as the registrar (the **Registrar**) and as transfer agent (the **Transfer Agent**), Bank of Communications Co., Ltd. Hong Kong Branch as initial principal paying agent (the **Principal Paying Agent**) and other agents (each named therein), Bank of Communications (Hong Kong) Limited as the account bank (the **Pre-funding Account Bank**) where the Pre-funding Account (as defined below) is held and as the account bank (the **LC Proceeds Account Bank**) where the LC Proceeds Account (as defined below) is held and the Trustee are available during normal business hours (being between 9:00 a.m. and 3:00 p.m. Hong Kong time) to the Bondholders upon prior written request and proof of holdings satisfactory to the Trustee from the specified office for the time being of the Trustee, being at the Issue Date at 1/F, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong. References herein to **Agents** means the Principal Paying Agent, the Registrar, the Transfer Agent and any other agent or agents appointed from time to time pursuant to the Agency Agreement with respect to the Bonds and shall include their respective successors or assigns. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Bonds are issued in the specified denominations of RMB1,000,000 and integral multiples of RMB10,000 in excess thereof (referred to as the **principal amount** of a Bond and each a **Specified Denomination**). The Bonds are issued in registered uncertificated form by entry in the Register (as defined below) and will not be serially numbered, unless otherwise agreed between the Issuer and the Principal Paying Agent. No certificate or other evidence of title will be issued by, or on behalf of, the Issuer to evidence title to a Bond unless the Issuer determines that certificates (the **Certificates**) should be made available or is required by the Agency Agreement or the Services Agreement or it is required to do so pursuant to any applicable law or regulation.

1.2 Title

Title to the Bonds passes only by and upon 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**). The holder of any Bond will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in respect of it) and no person will be liable for so treating the holder. In these Conditions, **Bondholder** and (in relation to a Bond) **holder** means the person in whose name a Bond is registered in the Register.

*The Bonds will initially be issued in uncertificated book-entry form held in CCDC with CCDC entered in the Register as the sole registered holder on behalf of the persons notionally entitled thereto. When the Bonds are held in CCDC, a **holder** means the person in whose name an interest in the Bonds is entered on the books and records of CCDC and the principal amount of Bonds shown in the books and records of CCDC as held by the holder shall represent the entire holding of interest in the Bonds of that holder.*

If the Bonds are held in CCDC, a holder may, on or after the Exchange Date (as defined below), exchange its interest in the Bonds (as shown on the books and records of CCDC) in whole but not in part for definitive certificates if CCDC 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, by the holder giving notice to the Principal Paying Agent of its election for such exchange.

***Exchange Date** means a day falling not less than 60 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.*

2. TRANSFERS OF BONDS AND ISSUE OF CERTIFICATES

2.1 Transfers

A Bond may, subject to the Agency Agreement and Conditions 2.4 and 2.5, be transferred in whole or in part by depositing the form of transfer in the form as from time to time specified by, and obtainable from, the Principal Paying Agent duly completed and signed, at the specified office of the Registrar or any Transfer Agent and any other evidence as the Registrar or such Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed such form of transfer; provided, however, that a Bond may not be transferred unless the principal amount of Bonds transferred and (where not all of the Bonds held by a Bondholder are being transferred) the principal amount of the balance of Bonds not transferred is not less than the minimum Specified Denomination.

No transfer of title to a Bond will be valid unless and until entered on the Register.

Transfers of interests in the Bonds must be in a Specified Denomination and will be effected in accordance with the rules and procedures of CCDC and the Custodian in effect from time to time. Any transferee acquiring such interests in the Bonds will be required to have and maintain an account (in the case of an CCDC Bondholder) or a sub-account via the Custodian (in the case of an Indirect CCDC Bondholder) with CCDC. Indirect CCDC Bondholders will only be able to effect transfers of their interests in the Bonds through records maintained by CCDC, and the Custodian will reflect such transfer in the sub-accounts maintained by the Custodian with CCDC.

***Custodian** means any custodian who maintains an account with, and is recognised as a custodian, by CCDC.*

***CCDC Bondholders** means the holders of the Bonds who maintain an account with CCDC.*

***Indirect CCDC Bondholders** means the holders of the Bonds who maintain a sub-account via the Custodian with CCDC.*

2.2 Delivery of new Certificates

Within five business days of the receipt of a duly completed form of transfer, the Registrar will register the transfer in question (subject to, if issued, the surrender of any Certificate issued in respect of the relevant Bonds). For the purposes of this Condition 2.2, **business day** shall mean a day on which banks are open for business in the city in which the specified office of the Agent with whom a Certificate is deposited in connection with a transfer is located.

So long as the Bonds are held in CCDC, owners of interests in the Bonds will not be entitled to receive physical delivery of Certificates.

2.3 Formalities free of charge

Registration of transfer of Bonds will be effected without charge by or on behalf of the Issuer or any Agent but upon payment (or the giving of such indemnity and/or security and/or pre-funding as the Issuer or any Agent may require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer.

2.4 Closed Periods

No Bondholder may require the transfer of a Bond to be registered (i) during the period of 15 days ending on (and including) the due date for any payment of principal, premium (if any) or interest on that Bond, (ii) during the period of 15 days prior to any date on which the Bonds are being called for redemption by the Issuer at its option pursuant to Condition 7.2 or (iii) after a Put Exercise Notice (as defined in Condition 7.3) has been deposited in respect of the Bonds pursuant to Condition 7.3.

2.5 Regulations

All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of Bonds scheduled to the Trust Deed. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Bondholder who requests one.

3. STATUS, SBLC AND PRE-FUNDING

3.1 Status of the Bonds

The Bonds are direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

3.2 SBLC

The Bonds will have the benefit of the SBLC issued in favour of the Trustee, on behalf of itself and the holders of the Bonds, by the SBLC Bank. The SBLC shall be drawable by the Trustee as beneficiary under the SBLC on behalf of itself and the holders of the Bonds upon the presentation of a demand by authenticated SWIFT sent by or on behalf of the Trustee by the Delegate (as defined below) to the SBLC Bank in accordance with the SBLC (the **Demand**) stating that (i) the Issuer failed to comply with Condition 3.3 in relation to pre-funding an amount that is required to be pre-funded under these Conditions and/or has failed to provide the Required Confirmations (as defined in Condition 3.3) in accordance with Condition 3.3 or (ii) an Event of Default (as defined in Condition 10) has occurred and the Trustee has given notice to the Issuer that the Bonds are immediately due and payable in accordance with Condition 10.

Only one drawing is permitted under the SBLC. Such drawing on the SBLC will be payable in Renminbi to or to the order of the Trustee at the time and to the account specified in the Demand presented to the SBLC Bank. Payment received by the Trustee in respect of the Demand will be deposited into the LC Proceeds Account (as defined in Condition 3.3).

The payment made under the SBLC in respect of any amount payable under these Conditions or in connection with the Bonds, the Trust Deed and/or the Agency Agreement shall, to the extent of the drawing paid to or to the order of the Trustee, satisfy the obligations of the Issuer in respect of such amount payable under these Conditions or in connection with the Bonds, the Trust Deed and/or the Agency Agreement.

The SBLC Bank's aggregate liability under the SBLC shall be expressed and payable in Renminbi and shall not in any circumstances exceed RMB479,280,400, an amount representing (i) the aggregate principal amount of the Bonds being RMB464,000,000, plus interest payable for one interest period (being six months) in accordance with these Conditions and (ii) RMB6,928,400 for any fees, costs, expenses, indemnity payments and all other amounts payable by the Issuer under or in connection with the Conditions, the Bonds, the Trust Deed, the Agency Agreement and/or the SBLC. The SBLC takes effect from the Issue Date and shall remain valid and in full force until 5:00 p.m. (Beijing time) on 11 June 2026.

The form of the Standby Letter of Credit is scheduled to the Offering Circular. See "Appendix A — Form of Irrevocable Standby Letter of Credit".

3.3 Pre-funding

In order to provide for the payment of any amount in respect of the Bonds and the Trust Deed (the **Relevant Amount**) as the same shall become due, the Issuer shall, in accordance with the Agency Agreement, by no later than 10:00 a.m. (Hong Kong time) on the Business Day falling ten Business Days (the **Pre-funding Date**) prior to the due date for such payment under these Conditions:

- (a) unconditionally pay or procure to be paid the Relevant Amount into the Pre-funding Account; and
- (b) deliver to the Trustee and the Principal Paying Agent by facsimile (x) a Payment and Solvency Certificate signed by two Authorised Signatories of the Issuer, and (y) a copy of the irrevocable payment instruction from the Issuer to the Pre-funding Account Bank requesting the Pre-funding Account Bank to pay the Relevant Amount which was paid into the Pre-funding Account on the Pre-funding Date in full to the Principal Paying Agent by no later than 10:00 a.m. (Hong Kong time) on the Business Day immediately preceding the due date for such payment (together, the **Required Confirmations**).

If the Relevant Amount has not been paid into the Pre-funding Account in full, or the Trustee does not receive the Required Confirmations, in each case by 10:00 a.m. (Hong Kong time) on the Business Day immediately following the Pre-funding Date (the **Pre-funding Failure**), the Trustee shall:

- (1) as soon as reasonably practicable notify the SBLC Bank and the LC Proceeds Account Bank by authenticated SWIFT of the occurrence of the Pre-funding Failure; and
- (2) by no later than 11:00 a.m. (Beijing time) on the second Business Day following the Pre-funding Date, issue the Demand to the SBLC Bank (which will be presented by the Trustee or on behalf of the Trustee by Bank of Communications Co., Ltd. Hong Kong Branch acting as the Trustee's delegate in relation to the SBLC (the Delegate)) for the principal amount and premium (if applicable) in respect of all the Bonds then outstanding, together with interest accrued to but excluding the Mandatory Redemption Date (as defined in Condition 7.4) and all fees, costs, expenses, indemnity payments and other amounts in connection with the Bonds, the Trust Deed and/or the Agency Agreement then outstanding, provided that, in accordance with the terms of the SBLC the Trustee or the Delegate need not physically present the original copy of the Demand to the SBLC Bank and shall be entitled to draw on the SBLC by way of the Demand by authenticated SWIFT sent on its behalf or, in the event that the SWIFT system is unavailable for any reason, via e-mail transmission to the specified e-mail address as contemplated in the SBLC.

After receipt by the SBLC Bank of such Demand, the SBLC Bank shall by 11:00 a.m. (Beijing time) on the fourth Business Day following the day of presentation, (or, if such Demand is received after 11:00 a.m. (Beijing time) on a Business Day, the fifth Business Day following the day of presentation) pay to or to the order of the Trustee the amount in Renminbi specified in the Demand in immediately available funds to the LC Proceeds Account.

The Pre-funding Account Bank shall notify the Trustee forthwith upon the failure by the Issuer to pay the Relevant Amount into the Pre-funding Account in accordance with these Conditions.

For the purposes of these Conditions:

Authorised Signatory has the meaning given to it in the Trust Deed;

Business Day means a day (other than a Saturday or Sunday) on which commercial banks are open for business in New York City, Beijing and Hong Kong and, in the case of presentation of a Certificate, in the place in which the Certificate is presented;

Hong Kong means the Hong Kong Special Administrative Region of the People's Republic of China;

LC Proceeds Account means a non-interest bearing Renminbi account established in the name of the Trustee with the LC Proceeds Account Bank;

Payment and Solvency Certificate means a certificate in substantially the form set forth in the Agency Agreement stating the Relevant Amount in respect of the relevant due date in respect of the Bonds and confirming that (a) a payment for the Relevant Amount has been made by the Issuer to the Pre-funding Account in accordance with Condition 3.3 and (b) the Issuer is solvent;

PRC means the People's Republic of China excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan; and

Pre-funding Account means a non-interest bearing Renminbi account established in the name of the Issuer with the Pre-funding Account Bank.

4. COVENANTS

4.1 Provision of Information

- (a) So long as any Bond 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, copies of its consolidated financial statements 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 a nationally or internationally 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) a nationally or internationally recognised firm of independent accountants or (B) a professional translation service provider and checked by a nationally or internationally recognised firm of independent accountants, in each case 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), copies of its unaudited 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) a nationally or internationally recognised firm of independent accountants or (B) a professional translation service provider and checked by a nationally or internationally recognised firm of independent accountants, in each case together with a certificate signed by an Authorised Signatory of the Issuer certifying that such translation is complete and accurate.
- (b) For so long as any Bond 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 any Bondholder 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 consolidated financial statements as referred to in Condition 4.1(a)(i) above.

4.2 Notification to NDRC

The Issuer undertakes to (i) file or cause to be filed with the National Development and Reform Commission of the PRC or its local counterparts (the **NDRC**) the requisite information and documents within ten PRC Business Days after the Issue Date (the **NDRC Post-issue Filing**), (ii) file or cause to be filed with the NDRC the requisite information and documents within ten PRC Business Days upon the expiry of the NDRC filing certificate in accordance with the NDRC New Rules (as defined below), (iii) so long as any Bond remains outstanding, file or cause to be filed with the NDRC the requisite information and documents within five PRC Business Days before the end of January and the end of July each year in accordance with the NDRC New Rules, and (iv) so long as any Bond remains outstanding, file or cause to be filed the requisite information and documents in accordance with the Administrative Rules for the Rules and Registration of Medium-to Long-Term Foreign Debt of Enterprises (企業中長期外債審核登記管理辦法) which took effect on 10 February 2023 (the **NDRC New Rules**) and its guidance rules in connection therewith as issued by the NDRC. The Issuer shall comply with all applicable PRC laws and regulations in relation to the NDRC Post-issue Filing promulgated thereunder from time to time.

The Issuer shall (a) within ten PRC Business Days after submission of such NDRC Post-issue Filing provide the Trustee with a certificate in English substantially in the form set out in the Trust Deed signed by an Authorised Signatory of the Issuer confirming the submission of the NDRC Post-issue Filing, together with any document(s) (if any) evidencing due filing with the NDRC, certified in English by an Authorised Signatory of the Issuer as a true and complete copy of the original, (b) give notice to the Bondholders in accordance with Condition 13 confirming the submission of the NDRC Post-issue Filing. None of the Trustee nor the Agents shall have any obligation to monitor, assist with or ensure the completion of the NDRC Post-issue Filing, compliance with any other obligations to comply with all applicable PRC laws and regulations in relation to the NDRC Post-issue Filing promulgated thereunder from time to time including all obligations under the NDRC New Rules as provided under Condition 4.3 on or before the relevant deadline or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the NDRC Post-issue Filing or any translation or certification thereof or to give notice to the Bondholders confirming the submission of the NDRC Post-issue Filing or compliance with applicable PRC laws and regulations in relation to the NDRC Post-issue Filing promulgated thereunder from time to time including all obligations under the NDRC New Rules, and shall not be liable to the Bondholders or any other person for not doing so.

4.3 Interpretation

For the purposes of these Conditions:

Compliance Certificate means a certificate of the Issuer signed by any Authorised Signatory, in the form as set out in the Trust Deed, that as at a date (the **Certification Date**) not more than five days before the date of the certificate:

- (i) no Event of Default (as defined in Condition 10) or Potential Event of Default had occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it; and
- (ii) the Issuer has complied with all its obligations under the Trust Deed and the Bonds;

Potential Event of Default means a continuing event or circumstance which could, with the giving of notice, lapse of time, issue of a certificate and/or fulfilment of any other requirement provided for in Condition 10 become an Event of Default;

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 Day means a day (other than a Saturday or Sunday or a public holiday) on which commercial banks are open for business in the PRC; and

a **Subsidiary** means, in relation to any person (the first person) at any particular time, any other person (the second person) (i) whose affairs and policies the first person controls or has power to control, whether by ownership or share capital, contract, the power to appoint or remove members of the governing body of the second person or otherwise; or (ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first person.

5. INTEREST

5.1 Interest Rate and Interest Payment Dates

The Bonds bear interest on their outstanding principal amount from and including 12 May 2023 at the rate of 3.6 per cent. per annum, payable semi-annually in arrear in equal instalments of RMB18,000 per Calculation Amount (as defined below) on 12 May and 12 November in each year (each an **Interest Payment Date**), commencing on 12 November 2023, provided that if any Interest Payment Date would otherwise fall on a day which is not a Business Day, it shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month in which event it shall be brought forward to the immediately preceding Business Day.

Interest in respect of any Bond shall be calculated per RMB1,000,000 in principal amount of the Bonds (the **Calculation Amount**). The amount of interest payable per Calculation Amount for any period shall, save as provided above in relation to equal instalments, be equal to the product of the rate of interest specified above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

5.2 Interest Accrual

Each Bond will cease to bear interest from and including its due date for redemption unless, upon due presentation or surrender, payment of the principal or premium (if any) in respect of the Bond is improperly withheld or refused or unless default is otherwise made in respect of payment in which event interest will continue to accrue as provided in the Trust Deed.

5.3 Calculation of Broken Interest

Any interest accruing under the Bonds will accrue from day to day and is calculated on the basis of the actual number of days elapsed and a year of 365 days (the **day-count fraction**).

6. PAYMENTS

6.1 Payments in respect of Bonds

Payment of principal, premium (if any) and interest will be made in Renminbi by transfer to the registered account of the Bondholder. Interest on Bonds due on an Interest Payment Date will be paid to the holder shown on the Register at the close of business on the date (the **record date**) being the fifteenth day before the relevant Interest Payment Date.

For the purposes of this Condition, a Bondholder's **registered account** means either the Renminbi free trade account (自由貿易賬戶) maintained by or on behalf of it with a bank in the China (Shanghai) Pilot Free Trade Zone or, the Renminbi account maintained by or on behalf of it with a bank in Hong Kong, in each case as nominated from time to time by the Bondholder and the details of which appear in the records maintained by the Registrar at the close of business on the relevant record date, and a Bondholder's **registered address** means its address appearing on the Register at that time.

So long as the Bonds are held in CCDC, payments of principal, premium and interest in respect of the Bonds will be made by the Principal Paying Agent into CCDC for distribution to the CCDC Bondholders and to the Custodian for the benefit of the Indirect CCDC Bondholders. The Custodian will then distribute the relevant amount to each Indirect CCDC Bondholder as shown in the books and records of CCDC (and to the bank account shown in the records maintained by the Custodian). Each payment made by CCDC and the Custodian will be made to, or to the order of,

*the persons shown as holders of the Bonds in the books and records of CCDC at the close of business on the CCDC Business Day immediately prior to the date for payment in accordance with the rules of CCDC, where **CCDC Business Day** means a day (other than a Saturday, Sunday or public holiday) on which CCDC is operating.*

6.2 Payments subject to Applicable Laws

Payments in respect of principal, premium (if any) and interest on Bonds are subject in all cases to (i) any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (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.

6.3 No commissions

No commissions or expenses shall be charged to the Bondholders in respect of any payments made in accordance with this Condition.

6.4 Payment on Business Days

Where payment is to be made by transfer to a registered account, payment instructions (for value the due date or, if that is not a Business Day (as defined below), for value the first following day which is a Business Day) will be initiated on the due date for payment (or, if it is not a Business Day, the immediately following Business Day) or, in the case of a payment of principal and premium (if any) or a payment of interest due otherwise than on an Interest Payment Date, if later, on the Business Day on which the relevant Certificate is surrendered at the specified office of an Agent. Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day (subject to the foregoing proviso), if the Bondholder is late in surrendering its Certificate (if required to do so). If any date for payment in respect of any Bond is not a Business Day, the Bondholder shall not be entitled to any interest or other sum in respect of such postponed payment.

In these Conditions **Business Day** means a day (other than a Saturday or Sunday) on which commercial banks are open for business in New York City, Beijing and Hong Kong and, in the case of presentation of a Certificate, in the place in which the Certificate is presented.

6.5 Partial Payments

If the amount of principal, premium (if any) or interest which is due on the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount of principal, premium or interest in fact paid.

6.6 Agents

The names of the initial Agents and their initial specified offices are set out at the end of these Conditions. The Agents act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents provided that:

- (a) there will at all times be a principal paying agent;

- (b) so long as the Bonds are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be an Agent (which may be the Principal Paying Agent) having a specified office in the place required by the rules and regulations of the relevant stock exchange or any other relevant authority; and
- (c) there will at all times be a transfer agent.

Notice of any termination or appointment and of any changes in specified offices shall be given by the Issuer to the Bondholders promptly in accordance with Condition 13.

7. REDEMPTION AND PURCHASE

7.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Bonds at their principal amount on 12 May 2026 (the **Maturity Date**). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 7.

7.2 Redemption for Taxation Reasons

If the Issuer satisfies the Trustee immediately before the giving of the notice referred to below that:

- (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 8.2), or any change in, or amendment to, the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective on or after 5 May 2023, the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8; and
- (b) the obligation cannot be avoided by the Issuer taking reasonable measures available to it,

the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 13 (which notice shall be irrevocable), redeem all the Bonds, but not some only, at any time at their principal amount together with interest accrued up to but excluding the date of redemption, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts, were a payment in respect of the Bonds then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee (i) a certificate in English signed by an Authorised Signatory of the Issuer stating that the requirement referred to in (a) above will apply and cannot be avoided by the Issuer or taking reasonable measures available to it and (ii) an opinion of independent legal or tax advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendment, and the Trustee shall be entitled to accept and rely on such certificate and opinion without investigation as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event they shall be conclusive and binding on the Bondholders.

7.3 Redemption upon Change of Control

Following the occurrence of a Change of Control (as defined below), the holder of each Bond will have the right at such holder's option, to require the Issuer to redeem all, but not some only, of that holder's Bonds on the Put Settlement Date (as defined below) at 100 per cent. of their principal amount together with accrued interest up to but excluding the Put Settlement Date. To exercise

such right, the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption obtainable from the specified office of any Paying Agent (the **Put Exercise Notice**) together with the Certificate evidencing the Bonds 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 Bondholders by the Issuer in accordance with Condition 13. The **Put Settlement Date** shall be the fourteenth day or, if such day is not a Business Day, the next following Business Day (as defined in Condition 6.4) after the expiry of such period of 30 days as referred to above. A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds the subject of the Put Exercise Notices delivered as aforesaid on the Put Settlement Date. If the Bonds become due and repayable due to the occurrence of an Event of Default following the delivery of a Put Exercise Notice but prior to the occurrence of the Put Settlement Date, such Put Exercise Notice shall be deemed to be void.

None of the Agents or the Trustee shall 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 and none of them shall have any obligation or duty to verify the accuracy, validity and/or genuineness of any documents in relation to or connection with the Registration Conditions and none of them shall be liable to Bondholders, the Issuer or any other person for not doing so. The Issuer shall give notice to Bondholders and the Trustee in accordance with Condition 13 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 shall specify the procedure for exercise by holders of their rights to require redemption of the Bonds pursuant to this Condition, shall give brief details of the Change of Control Event and shall specify the Put Settlement Date.

For the purposes of this Condition 7.3:

a **Change of Control** occurs when

- (a) the Issuer ceases to be, directly or indirectly, at least 80.0 per cent. owned by the Linkong Administration Commission, Economic and Technological Development District SASAO, Economic and Technological Development District Administration Committee, the Nanchang Municipal Government (南昌市人民政府), the Jiangxi Province Municipal Government (江西省人民政府) or the central government of the PRC; or
- (b) the Issuer consolidates with or merges into or sells or transfers all or substantially all of the Issuer's assets to any person or persons, acting together, whose Voting Rights are not directly or indirectly at least 80.0 per cent. held or owned by the Linkong Administration Commission, Economic and Technological Development District SASAO, Economic and Technological Development District Administration Committee, the Nanchang Municipal Government (南昌市人民政府), the Jiangxi Province Municipal Government (江西省人民政府) or the central government of the PRC;

Economic and Technological Development District Administration Committee means Administration Committee of Nanchang Economic and Technological Development Zone (南昌經濟技術開發區管理委員會);

Economic and Technological Development District SASAO means State-owned Assets Supervision and Administration Office of Nanchang Economic and Technological Development Zone (南昌經濟技術開發區國有資產監督管理辦公室);

Linkong Administration Commission means Nanchang Linkong Economic District Administration Commission (南昌臨空經濟區管理委員會); and

Voting Rights means the right generally to vote at a general meeting of shareholders of a person (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).

7.4 Mandatory Redemption upon Pre-funding Failure

- (a) Subject to Condition 7.4(b) below, the Bonds shall be redeemed at their principal amount on the Interest Payment Date immediately falling after the date the Trustee makes a Demand in accordance with Condition 3.3 (the **Mandatory Redemption Date**), together with interest accrued up to, but excluding, the Mandatory Redemption Date.
- (b) If the holder of any Bond shall have exercised its right to require the Issuer to redeem its Bond under Condition 7.3 and the Trustee makes a Demand in accordance with Condition 3.3 as a result of the Pre-funding Failure relating to the amount payable pursuant to such redemption, the Bonds shall be redeemed in whole, but not in part, at their principal amount in accordance with this Condition 7.4 on the Put Settlement Date, together with interest accrued up to, but excluding, such Put Settlement Date provided that if such Pre-funding Failure occurs and a Pre-funding Failure Notice has been given or is given to the Bondholders in respect of a scheduled payment of principal or interest payable under Condition 5 or 7.1, the Put Settlement Date shall be the Mandatory Redemption Date.

7.5 Notices of Redemption

If, in respect of any Bond, both a redemption notice pursuant to Condition 7.2 and a Put Exercise Notice pursuant to Condition 7.3 are given, the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail.

Neither the Trustee nor the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under any redemption and shall not be liable to be the Issuer, the Bondholders or any other person for not doing so.

7.6 Purchases

The Issuer or any of the Issuer's Subsidiaries (as defined in Condition 4.3) may at any time purchase Bonds in any manner and at any price.

7.7 Cancellations

All Bonds which are (a) redeemed or (b) purchased by or on behalf of the Issuer or any of the Issuer's Subsidiaries, the holding company of the Issuer or any Subsidiary of such holding company will forthwith be cancelled, and accordingly may not be held, reissued or resold.

8. TAXATION

8.1 Payment without Withholding

All payments of principal, premium (if any) and interest in respect of the Bonds 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 any of the Relevant Jurisdictions, unless the withholding or deduction of the Taxes is required by law.

Where such withholding or deduction is imposed or levied by or on behalf of the PRC (including the China (Shanghai) Pilot Free Trade Zone) up to and including the aggregate rate applicable on 5 May 2023 (the **Applicable Rate**), the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by Bondholders after such withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Bonds in the absence of the withholding or deduction.

If the Issuer is required to make a deduction or withholding (i) imposed or levied by or on behalf of the PRC in excess of the Applicable Rate or (ii) imposed or levied by or on behalf of any Relevant Jurisdiction other than the PRC, the Issuer will pay such additional amounts (the **Additional Tax Amount**) as may be necessary in order that the net amounts received by the Bondholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Bonds 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 Bond:

- (a) presented for payment by or on behalf of a holder (or a third party on behalf of a holder) who is liable to the Taxes in respect of the Bond by reason of his having some connection with such Relevant Jurisdiction other than the mere holding of the Bond; or
- (b) (in the case of payment of principal, premium or interest (other than interest due on an Interest Payment Date)) if the Certificate in respect of such Bond is 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 Additional Tax Amounts on presenting the same for payment on the last day of the period of 30 days assuming (whether or not such is in fact the case) that day to have been a Business Day (as defined in Condition 6).

8.2 Interpretation

In these Conditions:

- (a) **Relevant Date** means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by an Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Bondholders by the Issuer in accordance with Condition 13; and
- (b) **Relevant Jurisdiction** means the PRC (which for this purpose, includes the China (Shanghai) Pilot Free Trade Zone but excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan) 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 Bonds.

8.3 Additional Amounts

Any reference in these Conditions to any amounts in respect of the Bonds shall be deemed also to refer to any Additional Tax Amounts which may be payable under this Condition or any additional amounts which may be payable under any undertakings given in addition to, or in substitution for, this Condition pursuant to the Trust Deed.

8.4 The Trustee and the Agents

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 for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, any Bondholder or any third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Bonds 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 in respect of principal, premium (if any) and interest will become prescribed unless made within ten years (in the case of principal and premium) and five years (in the case of interest) from the Relevant Date.

10. EVENTS OF DEFAULT

The Trustee at its discretion may, and if so requested in writing by the holders of at least 25 per cent. in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), give written notice to the Issuer that the Bonds are, and they shall accordingly forthwith become, immediately due and repayable at their principal amount, together with accrued interest as provided in the Trust Deed, in any of the following events (the **Events of Default**):

(a) ***With respect to the Issuer***

- (i) if there is a default in the payment of any principal or premium (if any) due in respect of the Bonds or any of them on the date such amount is due and payable; or
- (ii) if there is a default in the payment of any interest due in respect of the Bonds or any of them on the date such amount is due and payable and the default continues for a period of 14 days; or
- (iii) if the Issuer fails to perform or observe any of its other obligations under these Conditions or the Trust Deed (other than such default which gives rise to a redemption upon the occurrence of a Change of Control pursuant to Condition 7.3) which default is incapable of remedy or, if capable of remedy, is not remedied within 30 days after the Trustee has given written notice thereof to the Issuer, provided that if there has been a breach by the Issuer or its obligations to pre-fund any amount in respect of the Bonds and/or to provide the Required Confirmations in accordance with 3.3 and such amount has subsequently been paid by the SBLC Bank following a drawing under the SBLC to or to the order of the Trustee and paid to the Bondholders, then such breach will not constitute an Event of Default under this Condition 10(a)(iii); or
- (iv) if (A) any Indebtedness for Borrowed Money of the Issuer or any of its Subsidiaries becomes (or becomes capable of being declared) due and repayable prematurely by reason of any default or an event of default (however described); (B) 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 (C) 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 (iv) 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 (iv) has occurred amounts to at least U.S.\$40,000,000 or its equivalent in other currencies; or

- (v) if any order is made by any court 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, save for (A) in the case of a Principal Subsidiary only, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer or any other Subsidiaries of the Issuer; or (B) for arm's length disposals of a Principal Subsidiary where the proceeds or other consideration from such disposal are otherwise transferred or vested in the Issuer or any of its Subsidiaries; if the Issuer or any of its Principal Subsidiaries or the respective 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 for the purposes of a reorganisation on terms previously approved by an Extraordinary Resolution of the Bondholders; or
- (vi) 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 and for which adequate reserves have been made) of, or (Y) is adjudicated, deemed by law or found by a court to be insolvent or bankrupt or unable to pay, all or a material part of its debts as they fall due; or
- (vii) any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Principal Subsidiaries on the whole or any material part of the assets of the Issuer or any of its Principal Subsidiaries becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not discharged or stayed for 45 days; or
- (viii) if (i) 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, liquidator or other similar official, or an administrative or other receiver, manager, administrator, liquidator 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 a material part of the undertaking or assets of the Issuer or any of its Principal Subsidiaries or an encumbrancer takes possession of the whole or a material part of the undertaking or assets of the Issuer or 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 a material part of the undertaking or assets of the Issuer or any of its Principal Subsidiaries, and (ii) in any such case (other than the appointment of an administrator), is not discharged within 45 days. For the purposes of this Condition 10(viii), 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 and not on a consolidated basis; or

- (ix) 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 a material part of the debts of the Issuer or any of the Issuer's Principal Subsidiaries; or
- (x) if all or a material part of the undertaking, assets and revenues of the Issuer or any of its Principal Subsidiaries is seized or otherwise appropriated by any person acting under the authority of any national, regional or local government; or
- (xi) if the validity of the Bonds or the Trust Deed is contested by the Issuer, or the Issuer denies any of the Issuer's obligations under the Bonds 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 Bonds or the Trust Deed or any of such obligations are or become unenforceable or invalid; or
- (xii) 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 Bonds or the Trust Deed; or (ii) to ensure that those obligations are and remain legally binding and enforceable, or (iii) to make the Bonds and the Trust Deed admissible in evidence in the courts of Hong Kong, 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
- (xiii) if the SBLC is not (or is claimed by the SBLC Bank not to be) enforceable, valid or in full force and effect; or
- (xiv) any event occurs which, under the laws of any relevant jurisdiction, has an analogous effect to any of the events referred to in paragraphs (v) to (ix) of this Condition 10(a).

In this Condition 10(a):

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 (including but not limited to bank loans and other borrowings) or any liability under or in respect of any acceptance or acceptance credit.

Principal Subsidiary means any Subsidiary of the Issuer:

- (a) whose revenue (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries), whose net profits (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries) or whose total assets (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries) represent not less than five per cent. of the consolidated revenue, the consolidated net profits or, as the case may be, the consolidated total assets of the Issuer and its Subsidiaries taken as a whole, all as calculated respectively

by reference to the latest audited financial statements (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest consolidated financial statements of the Group, provided that:

- (i) in the case of a Subsidiary acquired after the end of the financial period to which the then latest consolidated financial statements of the Group relate for the purpose of applying each of the foregoing tests, the reference to the latest consolidated financial statements of the Group shall be deemed to be a reference to such audited financial statements as if such Subsidiary had been shown therein by reference to its then latest relevant audited financial statements, adjusted as deemed appropriate by the Issuer for the purpose of consolidation;
 - (ii) if at any relevant time in relation to the Issuer or any Subsidiary no financial statements are prepared and audited, its revenue, net profits and total 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 consolidated financial statements of the Group (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 Bondholders.

(b) ***With respect to the SBLC Bank***

(i) *Cross-default*

- a. any other present or future Public External Indebtedness of the SBLC Bank or any of the SBLC Bank's Subsidiaries becomes due and payable prior to its stated maturity by reason of any default, event of default or the like (howsoever described) in respect of the terms thereof; or
- b. any such Public External Indebtedness is not paid when due or, as the case may be, within any applicable grace period,

provided that the aggregate amount of the relevant Public External Indebtedness in respect of which one or more of the events mentioned above in this Condition 10(b)(i) have occurred equals or exceeds RMB300,000,000 or its equivalent; or

- (ii) *Insolvency*: the SBLC Bank or any of the SBLC Bank's Material Subsidiaries is insolvent or bankrupt or unable to pay its debts as and when fall due, stops or suspends payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of the SBLC Bank or any of the SBLC Bank's Material Subsidiaries; or
- (iii) *Winding-up*: an order of any court of competent jurisdiction is made or an effective resolution is passed for the winding-up or dissolution of the SBLC Bank or any of the SBLC Bank's Material Subsidiaries, or the SBLC Bank or any of the SBLC Bank's Material Subsidiaries (except for any voluntary solvent winding up of any of the SBLC Bank's Material Subsidiaries), ceases to carry on all or substantially all of its business or operations, except for the purpose of and followed by a solvent winding-up, dissolution, reconstruction, amalgamation, reorganisation, merger or consolidation (I) on terms approved by an Extraordinary Resolution of the Bondholders, or (II) in the case of a SBLC Bank's Material Subsidiary, whereby the undertaking and assets of the SBLC Bank's Material Subsidiary are transferred to or otherwise vested in the SBLC Bank or another of the SBLC Bank's Material Subsidiaries; or
- (iv) *Illegality*: it is or will become unlawful for the SBLC Bank to perform or comply with any one or more of its obligations under the SBLC and the SBLC Bank fails to obtain the necessary waiver or approval or complete such other necessary remedial action within 30 calendar days such that the SBLC Bank may lawfully perform such obligations; or
- (v) *Analogous events*: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 10(b)(ii) to 10(b)(iii) (both inclusive).

In this Condition 10(b):

Person includes any individual, company, state owned enterprise, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state or other entity (in each case whether or not being a separate legal entity);

Public External Indebtedness means any indebtedness of the SBLC Bank or any of the SBLC Bank's Subsidiaries, or any guarantee or indemnity by the SBLC Bank of indebtedness, for money borrowed which, (i) is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is issued outside the PRC and is, or is capable of being listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) outside the PRC (without regard, however, to whether or not such instruments are sold through public offerings or private placements); and (ii) has an original maturity of more than 365 days;

SBLC Bank's Material Subsidiary means a SBLC Bank's Subsidiary whose total assets or total revenue (consolidated in the case of a Subsidiary which has Subsidiaries) as at the date at which its latest audited financial statements were

prepared or, as the case may be, for the financial period to which these audited financial statements relate, account for five per cent. or more of the consolidated assets or consolidated revenue of the SBLC Bank as at such date or for such period. If a SBLC Bank's Material Subsidiary transfers all of its assets and business to another SBLC Bank's Subsidiary of the SBLC Bank, the transferee shall become a SBLC Bank's Material Subsidiary and the transferor shall cease to be a SBLC Bank's Material Subsidiary on completion of such transfer; and

SBLC Bank's Subsidiary means, in relation to any Person (the **first Person**) at any particular time, any other Person whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person.

A statement in writing by any authorised signatory of the SBLC Bank that in its opinion (making such adjustments (if any) as he or she shall deem appropriate) a SBLC Bank's Subsidiary is or is not or was or was not at any particular time or during any particular period a SBLC Bank's Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Issuer, the Trustee, the Agents and the Bondholders. The Trustee is entitled to assume that a SBLC Bank's Subsidiary is not a SBLC Bank's Material Subsidiary unless notified in writing to the contrary.

11. ENFORCEMENT

- 11.1** At any time after the Bonds become due and payable, the Trustee may, at its absolute discretion and without notice, take such proceedings and/or other steps or action (including lodging an appeal in any proceedings) against or in relation to the Issuer or the SBLC Bank as it may think fit to enforce the provisions of the Trust Deed and the Bonds and, where appropriate, to draw down on and enforce the SBLC, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed or the Bonds 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 Bonds then outstanding, and (b) other than in the case of the making of a drawing under the SBLC, it shall have been indemnified and/or secured and/or prefunded to its satisfaction.
- 11.2** The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion or based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.
- 11.3** No Bondholder shall be entitled (i) to take any steps or action directly against the Issuer to enforce the performance of any of the provisions of the Trust Deed, the SBLC or the Bonds or (ii) take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning the Issuer or the SBLC Bank, unless the Trustee, having become bound so to take any steps or action, fails so to do within a reasonable period and such failure is continuing.

12. REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer or the Registrar may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

13. NOTICES

All notices to the Bondholders will be valid if mailed to them at their respective addresses in the Register maintained by the Registrar or published in a leading newspaper having general circulation in Asia. The Issuer shall also ensure that notices are duly given or published at the Issuer's expense in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any notice shall be deemed to have been given on the seventh day (being a day other than a Saturday or a Sunday) after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

So long as the Bonds are held in CCDC, notices to Bondholders may be given by delivery of the relevant notice to CCDC, for communication by it to entitled accountholders in substitution for notification as required by these Conditions and shall be deemed to have been given on the date of delivery to CCDC.

14. MEETINGS OF BONDHOLDERS, MODIFICATION, WAIVER AND AUTHORISATION

14.1 Meetings of Bondholders

The Trust Deed contains provisions for convening meetings (including by way of conference call using a videoconference platform) of the Bondholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement or the SBLC. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50 per cent. in principal amount of the Bonds for the time being outstanding, or at any adjourned such meeting one or more persons present whatever the principal amount of the Bonds held or represented by him or them, except that, at any meeting the business of which includes the modification or abrogation of Reserved Matters (as defined in the Trust Deed), the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, of the principal amount of the Bonds for the time being outstanding.

The Trust Deed provides that a resolution passed (i) 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) in writing signed by or on behalf of the holders of not less than three-fourths in principal amount of the Bonds 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 Bonds for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution. An Extraordinary Resolution passed at any meeting of the Bondholders will be binding on all Bondholders, whether or not they are present and whether or not they voted at the meeting at which such resolution was passed. An Extraordinary Resolution in writing may be contained in one document or in several documents in like form each signed by or on behalf of one or more Bondholders.

14.2 Modification, Waiver, Authorisation and Determination

The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement, the SBLC or the Bonds, 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, in any such case, it is not, in the

opinion of the Trustee, materially prejudicial to the interests of the Bondholders) or may (but shall not be obliged to) agree, without any such consent as aforesaid, to any modification which, in its opinion, 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.

14.3 Trustee to have Regard to Interests of Bondholders as a Class

In connection with the exercise by it of any of its functions, 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 Bondholders as a class but shall not have regard to any interests arising from circumstances particular to individual Bondholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Bondholders (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 Bondholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders except to the extent already provided for in Condition 9 and/or any undertaking given in addition to, or in substitution for, Condition 9 pursuant to the Trust Deed.

14.4 Notification to the Bondholders

Any modification, abrogation, waiver, authorisation or determination shall be binding on the Bondholders and shall be notified by the Issuer to the Bondholders as soon as practicable thereafter in accordance with Condition 13.

15. INDEMNIFICATION OF THE TRUSTEE AND ITS CONTRACTING WITH THE ISSUER

15.1 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility and liability towards the Issuer, the SBLC Bank and the Bondholders, including (i) provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction and (ii) provisions limiting or excluding its liability in certain circumstances, and to be paid its costs, fees and expenses in priority to the claims of the Bondholders. 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 Bondholders 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.

The Trustee and the Agents shall not be obliged to monitor compliance with the provisions of the Trust Deed, the Agency Agreement, the SBLC or these Conditions, or to take any steps to ascertain whether a Change of Control or any event which could lead to a Change of Control, Potential Event of Default or Event of Default has occurred or to monitor the occurrence of any Change of Control, any event which could lead to a Change of Control or Potential Event of Default or Event of Default, and shall not be liable to the Bondholders or any other person for not doing so.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement, the SBLC or these Conditions to exercise any discretion or power, take or refrain from any action, make any decision or give any direction, the Trustee is entitled, prior to its exercising any such discretion or power, taking or refraining from any such action, making any such decision, or giving any such direction, to seek directions from the Bondholders by way of an Extraordinary Resolution, and the Trustee shall not be responsible for any loss or liability incurred by the Issuer, the Bondholders or any other person as a result of any delay in it exercising such discretion or power, taking or refraining from such action, making such decision, or giving such direction where the Trustee is seeking such directions from Bondholders or clarification thereof or in the event that no such directions are received by the Trustee.

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

The Trustee and the Agents may rely without liability to Bondholders or the Issuer on any report, confirmation or certificate or any opinion or advice of any legal advisers, accountants, financial advisers, financial institution or any other expert, whether or not obtained by or addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee, any Agent or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee and the Agents may accept and shall be entitled to rely on any such report, confirmation, certificate, opinion or advice and, in such event, such report, confirmation, certificate, opinion or advice shall be binding on the Issuer and the Bondholders.

15.2 Trustee Contracting with the Issuer and/or the SBLC Bank

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or the SBLC Bank, and/or any of the Issuer's Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of the Issuer's Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Bondholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

16. FURTHER ISSUES

The Issuer is at liberty from time to time without the consent of the Bondholders to create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects save for the issue date and the first payment of interest thereon, the timing for completing the NDRC Post-issue Filing and any subsequent notifications thereof to the Trustee and the Bondholders) and so that the same shall be consolidated and form a single series with the outstanding securities of any series (including the Bonds) constituted by the Trust Deed or any deed supplemental to it. However, such further securities may only be issued if a further or supplemental or replacement standby letter of credit is issued by the SBLC Bank (or an amendment is made to the SBLC) on terms that are substantially similar to the SBLC (including that the stated amount of such further or supplemental or replacement or amended standby letter of credit is at least equal to the principal of and premium (if any) and interest payments due on such further securities) and such supplemental documents are executed. References to the SBLC shall

thereafter include such further or supplemental or replacement or amended standby letter of credit. Any further bonds or securities which are to form a single series with the outstanding bonds or securities of any series (including the Bonds) constituted by the Trust Deed or any supplemental deed shall, and any other further bonds or securities may be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Bondholders and the holders of bonds or securities of other series in certain circumstances where the Trustee so decides.

17. GOVERNING LAW AND SUBMISSION TO JURISDICTION

17.1 Governing Law

The Trust Deed, the Agency Agreement and the Bonds and any non-contractual obligations arising out of or in connection therewith are governed by, and shall be construed in accordance with, English law.

17.2 Jurisdiction

The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes, claims, difference or controversy that may arise out of, in relation to or in connection with the Trust Deed, the Agency Agreement or the Bonds, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them (a **Dispute**) and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed, the Agency Agreement or the Bonds (the **Proceedings**) may be brought in such courts.

All parties to the Trust Deed and the Agency Agreement, submits 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 or inappropriate forum to settle any Dispute.

17.3 Appointment of Process Agent

The Issuer has, in the Trust Deed and the Agency Agreement, irrevocably and unconditionally appointed The Law Debenture Corporation (H.K.) Limited at Suite 1301, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong as its agent for service of process in Hong Kong in respect of any Proceedings.

If for any reason The Law Debenture Corporation (H.K.) Limited shall cease to be such agent for service of process, each of the Issuer shall forthwith appoint a new agent for service of process in Hong Kong and shall deliver to the Trustee a copy of the new agent's acceptance of that appointment within seven days of The Law Debenture Corporation (H.K.) Limited ceasing to be such agent for service of process. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate the relevant proceedings. Nothing in these Conditions shall affect the right to serve process in any other manner permitted by law.

17.4 Waiver of Immunity

To the fullest extent permitted by law, the Issuer has irrevocably and unconditionally:

- (a) submitted to the jurisdiction of the Hong Kong courts in relation to any Dispute and has waived and agreed not to claim any sovereign or other immunity from the jurisdiction of the Hong Kong courts in relation to any Dispute (including to the extent that such immunity may be attributed to it), and agreed to ensure that no such claim is made on its behalf;

- (b) submitted to the jurisdiction of the Hong Kong courts and the courts of any other jurisdiction in relation to the recognition of any judgment or order of the Hong Kong courts in relation to any Dispute and has waived and agreed not to claim any sovereign or other immunity from the jurisdiction of the Hong Kong courts or the courts of any other jurisdiction in relation to the recognition of any such judgment or court order and agreed to ensure that no claim is made on its behalf; and
- (c) consented to the enforcement of any order or judgment made or given in connection with any Dispute and the giving of any relief in the Hong Kong courts and the courts of any other jurisdiction whether before or after final judgment including, without limitation:
 - (i) relief by way of interim or final injunction or order for specific performance or recovery of any property;
 - (ii) attachment of its assets; and
 - (iii) enforcement or execution against and any similar defence, and irrevocably consents to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property, revenues or other assets whatsoever (irrespective of their use or intended use); and
- (d) has waived and agreed not to claim any sovereign or other immunity from the jurisdiction of the Hong Kong courts or the courts of any other jurisdiction in relation to such enforcement and the giving of such relief (including to the extent that such immunity may be attributed to it), and agreed to ensure that no such claim is made on its behalf.

18. 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 Bond, 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 BONDS ENTERED IN CCDC

The Terms and Conditions and the Trust Deed contain provisions which apply to the Bonds while they are entered in CCDC. The following is a summary of certain of those provisions. Terms defined in the Terms and Conditions set out in this Offering Circular have the meaning in the paragraphs below.

Promise to Pay

The Issuer, for value received, promises to pay to CCDC (for distribution to the FTZ Bondholders and to the Custodian for the benefit of the Offshore Bondholders) on the Maturity Date (or on such earlier date as the amount payable upon redemption under the Terms and Conditions may become repayable in accordance with the Terms and Conditions) the amount payable upon redemption under the Terms and Conditions in respect of the Bonds and to pay interest in respect of such Bonds from the date of issue in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Terms and Conditions, save that the calculation is made in respect of the aggregate principal amount of the Bonds outstanding, rounding the resulting figure to the nearest cent (half a cent being rounded upwards), together with such other sums and additional amounts (if any) as may be payable under the Terms and Conditions, in accordance with the Terms and Conditions. The Custodian will then distribute the relevant amount to each Offshore Bondholder shown in the records of CCDC (and to the bank account shown in the records maintained by the Custodian). Each payment made by CCDC and the Custodian will be made to, or to the order of, the persons shown as holders in the books and records of CCDC at the close of business on the CCDC Business Day immediately prior to the date for payment in accordance with the rules of CCDC, where “**CCDC Business Day**” means a day (other than a Saturday, Sunday or public holiday) on which CCDC is operating.

Exchange of Bonds

Owners of interests in the Bonds will be entitled to have title to the Bonds registered in their names and to receive individual definitive Certificates if CCDC is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so. In such circumstances, the Issuer at its own expense will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant holders of the Bonds. A person with an interest in the Bonds must provide the Registrar not less than 30 days’ notice at its specified office of such holder’s intention to effect such exchange and a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

Notices

So long as the Bonds are held in CCDC, notices to the Bondholders shall be validly given by the delivery of the relevant notice to CCDC, for communication by it to entitled accountholders (and in turn by the Custodian to entitled sub-acountholders) in substitution for notification as required by the Terms and Conditions and shall be deemed to have been given on the date of delivery to CCDC.

Bondholders’ Redemption

The Bondholders’ redemption option in Condition 7.3 (*Redemption upon Change of Control*) may be exercised by the entitled accountholder (and by the Custodian on behalf of an entitled sub-acountholder) giving notice to any Paying Agent of the principal amount of the Bonds in respect of which the option is exercised within the time limits specified in the Terms and Conditions.

Issuer's Redemption

The Issuer's redemption option in Condition 7.2 (*Redemption for Taxation Reasons*) shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by the Terms and Conditions.

Transfers

Transfers of beneficial interests in the Bonds must be in a Specified Denomination and will be effected through the records of CCDC in accordance with the rules and procedures of CCDC and the Custodian. Any transferee acquiring such interests in the Bonds will be required to have and maintain an account (in the case of an FTZ Bondholder) or a sub-account via the Custodian (in the case of an Offshore Bondholder) with CCDC. Offshore Bondholders will only be able to effect transfers of their interests in the Bonds through records maintained by the Registrar, and the Registrar will instruct the Custodian to reflect such transfer in the sub-accounts maintained by the Custodian with CCDC.

Cancellation

Cancellation of any Bond by the Issuer following its redemption or purchase by the Issuer or its Subsidiaries will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders, whereupon the Registrar shall procure the making of an appropriate entry in such register.

Trustee's Powers

In considering the interests of Bondholders while the Bonds are held in CCDC, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obliged to do so, (a) have regard to any information as may have been made available to it by or on behalf of CCDC as to the identity of its accountholders and sub-acountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders and sub-acountholders were the holders of the Bonds.

Definitions

"Custodian" means any custodian who maintains an account with, and is recognised as a custodian, by CCDC.

"FTZ Bondholders" means the holders of the Bonds who are located in the China (Shanghai) Pilot Free Trade Zone and maintain an account with CCDC.

"Offshore Bondholders" means the holders of the Bonds who are located outside the PRC and maintain a sub-account via the Custodian with CCDC.

USE OF PROCEEDS

The gross proceeds from the offering of the Bonds will be RMB464.0 million. The Issuer intends to use the net proceeds from the offering of the Bonds for refinancing of the medium to long-term offshore bonds due in July 2023.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the consolidated total indebtedness (both current and non-current portions), total equity and total capitalisation of the Issuer as at 31 December 2021 on an actual basis and as adjusted to give effect to the Bonds to be issued before deducting commissions and other fees expenses payable by the Issuer in connection with the offering of the Bonds. The following table should be read in conjunction with the Audited Financial Statements and related notes included in this Offering Circular.

	As at 31 December 2021	
	Actual	As adjusted
	(RMB '000)	(RMB '000)
	(audited)	(unaudited)
Short-term indebtedness		
Short-term loans	865,000	865,000
Non-current liabilities due within one year	1,824,353	1,824,353
Total short-term indebtedness	2,689,353	2,689,353
Long-term indebtedness		
Long-term loans	6,624,979	6,624,979
Bonds payables	413,089	413,089
Long-term payables ⁽¹⁾	1,026,100	1,026,100
Bonds to be issued ⁽²⁾	—	464,000
Total long-term indebtedness	8,064,168	8,528,168
Total indebtedness ⁽³⁾	10,753,521	11,217,521
Total shareholder's equity	10,066,171	10,066,171
Total capitalisation ⁽⁴⁾	20,819,692	21,283,692

Notes:

- (1) Special payables are not included in this amount as they do not form part of the indebtedness of the Group as at 31 December 2021.
- (2) This amount represents the aggregate principal amount of the Bonds to be issued, before deducting the underwriting fees and commissions, offering discounts and other expenses payable by the Issuer in connection with the issuance of the Bonds.
- (3) Total indebtedness equals the sum of short-term indebtedness and long-term indebtedness.
- (4) Total capitalisation equals the sum of total indebtedness and total shareholder's equity.

Since 31 December 2021, the Group has entered into additional financing arrangements and incurred further indebtedness to replenish its working capital, to finance its business development and for other general corporate purposes. For further details, please see “*Description of the Group — Recent Developments*”. Except as otherwise disclosed in this Offering Circular, there has been no material change in the consolidated capitalisation and indebtedness of the Issuer since 31 December 2021.

DESCRIPTION OF THE GROUP

OVERVIEW

The Issuer is one of the major state-owned entities in Nanchang focusing on infrastructure construction in Linkong Economic Zone and NETDZ. As at the date of this Offering Circular, Linkong Administration Commission indirectly holds 100 per cent. of the equity interest in the Issuer. Since its establishment in 2014, the Group has played an important role in implementing Nanchang Municipal Government's blueprint for urban construction and municipal development in Linkong Economic Zone and NETDZ. Leveraging the strong government support and its revenue generating capability, the Group has recorded strong operating performance over the past few years.

The distinct geographical advantages and rapid economic development in Jiangxi Province and Nanchang have laid a solid foundation for the business growth of the Group. Jiangxi Province is the central hinterland of the Yangtze River Delta Economic Zone, the Pearl River Delta Economic Zone and the West Coast Economic Zone. It boasts rich natural resources and a sound ecological environment. It has the largest freshwater lake in China, Poyang Lake, and is one of the major copper industrial bases in Asia, widely known as "China Copper Capital". By optimising its strengths, Jiangxi Province has experienced strong economic growth and recorded GDP of RMB3,207.5 billion in 2022, representing a year to year growth rate of 4.7 per cent. Nanchang is the provincial capital of Jiangxi province and one of the largest cities in middle Yangtze River region. With well integrated transportation infrastructures, Nanchang is an important transportation hub combining water, land and air transportation in middle Yangtze River region.

Located in the north of Nanchang, Linkong Economic Zone plays an important role in industrial transformation of Jiangxi Province and implementation of the Nanchang-Jiujiang Integration Strategy (昌九一體化戰略). Linkong Economic Zone is a regional transportation hub that is designed to facilitate access to inland cities and connect areas along the Yangtze River Economic Belt. Linkong Economic Zone's industrial blueprint primarily focuses on the electronic information and digital economy industries. In the future, Linkong Economic Zone will expand into a broader area of 64 sq. km surrounding the Nanchang Changbei International Airport. On the other hand, NETDZ primarily targets at developing five key industrial pillars, including new energy automobile and parts, biomedicine, electronic information, smart equipment manufacturing and aviation. NETDZ has experienced continued urbanisation and strong economic growth. For example, for the year ended 31 December 2021, the GDP of NETDZ reached approximately RMB72.1 billion, representing a year to year growth rate of 8.4 per cent.

For the years ended 31 December 2020 and 2021, the Group engaged in the following business segments, namely (i) infrastructure construction, (ii) industrial development, (iii) property leasing, (iv) other principal businesses and (v) non-principal businesses. Set forth below is a brief summary of each of the Group's business segments:

- **Infrastructure Construction:** The Group undertakes the construction of roads, drainage systems and other public facilities in Linkong Economic Zone and NETDZ. For the years ended 31 December 2020 and 2021, the operating income generated from the Group's infrastructure construction business was RMB557.4 million and RMB337.8 million, respectively, representing 56.1 per cent. and 39.3 per cent. of the Group's operating income for the same periods.
- **Industrial Development:** The Group engages in the construction of commercial facilities and residential properties in Linkong Economic Zone and NETDZ. For the years ended 31 December 2020 and 2021, operating income generated from the Group's industrial development business was RMB230.9 million and RMB216.1 million, respectively, representing 23.2 per cent. and 22.5 per cent. of the Group's operating income for the same periods.

- **Property Leasing:** The Group leases and manages certain industrial, commercial and residential properties in Linkong Economic Zone and NETDZ. For the years ended 31 December 2020 and 2021, operating income generated from the Group's property leasing business was RMB113.2 million and RMB99.6 million, respectively, representing 11.4 per cent. and 10.4 per cent. of the Group's operating income for the same periods.
- **Other Principal Businesses:** The Group engages in other principal business including catering services and conference services. For the years ended 31 December 2020 and 2021, operating income generated from the Group's other principal business was RMB10.1 million and RMB5.4 million, respectively, representing 1.0 per cent. and 0.6 per cent. of the Group's operating income for the same periods.
- **Non-principal Businesses:** The Group engages in non-principal businesses including, among others, property management. For the years ended 31 December 2020 and 2021, the operating income generated from the Group's non-principal businesses was RMB82.3 million and RMB262.8 million, respectively, representing 8.3 per cent. and 27.3 per cent. of the Group's operating income for the same periods.

For the years ended 31 December 2020 and 2021, the total operating income generated by the Group amounted to approximately RMB993.8 million and RMB961.6 million, respectively. As at 31 December 2020 and 2021, the Group had total assets of approximately RMB24,576.6 million and RMB24,280.3 million, respectively.

COMPETITIVE STRENGTHS

The Group believes that its competitive strengths outlined below distinguish it from its competitors and are important to its success and future development:

The Group is well-positioned to benefit from the strategic location and economic growth of Linkong Economic Zone and NETDZ in Nanchang, Jiangxi Province.

The Group mainly operates its business within Linkong Economic Zone and NETDZ in Nanchang, Jiangxi Province. The Group is well-positioned to capitalise on the distinct geographical advantages and the rapid development of Linkong Economic Zone, NETDZ and Nanchang. Nanchang is the provincial capital of Jiangxi province and one of the largest cities in middle Yangtze River region. With well-integrated transportation infrastructures, Nanchang is an important transportation hub combining water, land and air transportation in middle Yangtze River region. Nanchang is a large market supported by developed manufacturing capabilities in various industries such as electronic information, equipment manufacturing. Nanchang is also benefited from human resources provided by over 40 research institutions, colleges and universities, including University of Nanchang and Jiangxi University of Finance and Economics. Nanchang has undergone a prolonged period of rapid economic development.

In addition, the Group benefits from its location in Linkong Economic Zone and NETDZ as the key economic and technological development zones in Jiangxi Province. In particular, Linkong Economic Zone and NETDZ both benefit from a well-established transportation network consisting a number of highways, railways, ports and an airport in Nanchang. Various industrial platforms and projects are located in Linkong Economic Zone and NETDZ, including Hongli Tronics Industrial Park (鴻利光電產業園), Kingsoon Optoelectronics Industrial Park (凱迅光電工業園區), Sunwoda Nanchang Base Project (欣旺達南昌基地項目) and Jiangxi Huachuang New Material Lithium Copper Foil Project (江西華創新材鋰電銅箔項目).

The Group is well-positioned to capture numerous business opportunities presented by such economic development in Linkong Economic Zone, NETDZ and Nanchang. As one of the major state-owned entities in Nanchang focusing on infrastructure construction and industrial development in Linkong Economic Zone and NETDZ, the Group believes that it has benefited from and will continue to leverage on strategic geographical location and strong economic development of Linkong Economic Zone, NETDZ and Nanchang as well as the business opportunities that they bring.

The Group plays a strategic role in municipal and industrial development of Linkong Economic Zone and NETDZ.

The Group plays a strategic role in the implementation of the policies of Linkong Administration Commission and other government entities with respect to social, economic and urban development of Linkong Economic Zone and NETDZ. In particular, the Group has, since its establishment, made significant contributions to the municipal and industrial development of Linkong Economic Zone.

The Group is one of the major state-owned entities in Linkong Economic Zone and NETDZ focusing on infrastructure construction and industrial development. The Group is typically commissioned by Linkong Administration Commission to undertake various key infrastructure construction and industrial development projects in Linkong Economic Zone and NETDZ with the aim to facilitate investment in, and development of, Linkong Economic Zone and NETDZ.

Leveraging its strong track record and continued support from Linkong Administration Commission and other government entities, the Issuer believes that the Group will continue to play a significant role in the municipal and industrial development of Linkong Economic Zone and NETDZ, and is placed in an advantageous position to capture business opportunities in Linkong Economic Zone and NETDZ arising from their continued growth and development.

The Group receives strong support from Linkong Administration Commission and Nanchang Municipal Government.

In recognition of the strategic importance of the Group's business to the industrial development of Linkong Economic Zone and NETDZ, the Group has received comprehensive support from the Nanchang Municipal Government in various forms. The support includes:

- *Industrial Guidance.* The Group was established by Linkong Administration Commission to perform government functions, which include fostering urban and industrial development, and the operation and management of Linkong Economic Zone. As at the date of this Offering Circular, Linkong Administration Commission indirectly holds 100 per cent. of the equity interest in the Issuer. As a state-owned enterprise, the Group receives guidance on industrial planning, development and policies from the government entities.
- *Capital Injection.* Linkong Administration Commission provides the Group with credit support in the form of capital injections. In January 2016 and December 2016, Linkong Administration Commission injected capital of RMB400.0 million and RMB27.4 million into the Issuer, respectively.
- *Assets Injection.* Pursuant to the Notice on Publication of the Minutes of the Seventh Party Government Joint Meeting in 2016 in Nanchang Linkong Economic Zone (Hong Linkong Guan Zi [2016] No.44) (《關於印發南昌臨空經濟區2016年第七次黨政聯席會議紀要的通知》(洪臨空管字[2016]44號)), Linkong Administration Commission injected assets of approximately RMB10.4 million into the Issuer in July 2016. Linkong Administration Commission further transferred land use right for certain roads at a book value of approximately RMB873.6 million into the Group in August 2016.

- *Preferential Tax Treatment.* As at the date of this Offering Circular, the Group is recognised as a taxpayer with A-grade credit (the highest grade). Pursuant to the Notice on Several Policies and Service Measures to Support the Development of Ganjiang New Area (江西省地方稅務局關於印發支持贛江新區加快發展的若干政策和服務舉措的通知), the Group's income generated from certain infrastructure construction projects are exempted from taxation for the first three years starting from the year of income generation and are subject to fifty percent reduction of taxation for the next three years.

Such financial support from Nanchang Municipal Government has greatly increased the financial stability, creditability and overall competitiveness of the Group. In addition, the Group has been commissioned by Nanchang Municipal Government and other local governmental entities to participate in a number of high-profile projects with a vision to implement local government's plans for infrastructure construction. The Group believes that strong support by Nanchang Municipal Government will enable it to closely align its business with, and to benefit from the business opportunities emerging from, the social and economic development of Linkong Economic Zone and NETDZ.

The Group has sound relationship with local enterprises in Linkong Economic Zone and NETDZ.

The Group maintains good relationship with local enterprises and has constructed industrial plants and commercial facilities for certain industrial projects led by local enterprises in Linkong Economic Zone and NETDZ. These projects include, among others, Sunwoda Nanchang Base Project (欣旺達南昌基地項目), Hongli Tronics Industrial Park Project (鴻利光電產業園項目), Kingsoon Optoelectronics Industrial Park Project (凱迅光電工業園區項目), and Jiangxi Huachuang New Material Lithium Copper Foil Project (江西華創新材鋰電銅箔項目).

- **Sunwoda Nanchang Base Project:** The project was constructed for Nanchang Sunwoda New Energy Co., Ltd. (南昌欣旺達新能源有限公司). The first phase of construction project was commenced in October 2021 and the project has proceeded to the third phase of construction as of the date of the Offering Circular. In the first half of 2022, the battery production business of Nanchang Sunwoda New Energy Co., Ltd. ranked ninth among the top ten in global battery installation capacity, and of which ranked seventh within the PRC. The core customers of Sunwoda Nanchang Base Project are leading and innovative automobile enterprises.
- **Hongli Tronics Industrial Park Project:** The industrial park project was constructed for Jiangxi Hongli Tronics Co., Ltd. (江西鴻利光電有限公司), a subsidiary of Hongli Zhihui Group Co., Ltd. (鴻利智彙集團股份有限公司) which is a listed company that has a leading market position in the LED lighting industry. It has an integrated business line combining the research, production and sale of LED lighting devices.
- **Kingsoon Optoelectronics Industrial Park Project:** The industrial park was constructed for Nanchang Kingsoon Optoelectronics Co., Ltd. (南昌凱迅光電有限公司). Its key products include high-efficiency Gallium Arsenide (GaAs) solar wafers and solar cell chip, and ALGAINP LED wafers and chips. Nanchang Kingsoon Optoelectronics Co., Ltd. leads the industry in both product production technology and enterprise management. It is entering into the pre-listing tutoring period as at the date of this Offering Circular.
- **Jiangxi Huachuang New Material Lithium Copper Foil Project:** The construction project was commenced in March 2022 and was constructed for Jiangxi Huachuang New Material Co. Ltd. (江西華創新材有限公司) which manufactures ultra-thin lithium battery copper foils. It is expected that mass production will be commenced in the second half of 2023 and will become fully operational in the first half of 2024. The commencement and operation of the project would expand the new energy industries, improve the industrial grade of automobiles and new energy automobiles, and promote the development in the NETDZ and Nanchang.

The Group believes that its well-established relationship with local enterprises in Linkong Economic Zone and NETDZ will enable it to closely align its business with, and to benefit from the business opportunities emerging from, the industrial development of Linkong Economic Zone and NETDZ.

The Group maintains a prudent financing structure and diversified financing channels.

The Group puts great emphasis on maintaining a prudent financial structure, which the Issuer believes is the key to sustainable business development. The Group has adopted prudent financial management policies to achieve greater financial efficiency.

In addition, the Group has access to diversified financing channels, such as bank loans, financial leasing, government special bonds and other financing means in addition to its internal sources of finance. As a key state-owned enterprise in Nanchang, the Group enjoys a strong credit profile and has established extensive cooperative relationship with various commercial banks and financial institutions, including but not limited to, Agricultural Development Bank of China, Bank of China, Industrial and Commercial Bank of China, Jiangxi Bank, China Construction Bank, the Export-Import Bank of China, China Minsheng Bank. These relationships enable the Group to maintain adequate working capital for its operations. As at 31 December 2021, the Group had total credit facilities of RMB15.4 billion, of which approximately RMB0.7 billion had not been utilised. The Group also issued offshore bonds of U.S.\$67,000,000 in 2020. With its diverse sources of funding, the Group believes that it will continue to have access to sufficient capital to support its business operations and expansion.

The Group maintains a comprehensive internal control and risk management system.

The Group has established a comprehensive internal control and risk management system, including robust and practical financial and internal accounting control systems. As part of its risk management practice, the Group has established various procedures for its daily operation to identify and limit its exposure to potential risks. The Group has also incorporated certain levels of flexibility into its risk management system to account for different factors affecting the risk levels of different projects and limit its exposure to potential risks. The Group's internal control system and management structure have enhanced the Group's profit-making capabilities and enabled the Group's sustainable development.

The Group endeavours to strengthen its internal control and update its business practices, and to this effect have established a comprehensive functional management framework. The Group has established a multiple functional department that are supervised by the its senior management, which is in turn supervised by the its board of directors and its shareholder.

The Group is led by an experienced management team.

The Group has an experienced management team which possesses extensive industry knowledge and leadership. The management team has deep professional experience in the infrastructure construction and possesses extensive management skills, specialised knowledge and industry expertise. The vision, experience and entrepreneurial spirit of the Group's management team have contributed to its strong financial and operational performance and its ability to develop various large-scale projects in a disciplined and efficient manner. The management team is subject to stringent performance evaluation criteria from Linkong Administration Commission. Evaluation criteria includes the general overall operations of Linkong Economic Zone and NETDZ, and the financial health and overall stability of the Group. The Group believes that the experience and knowledge of its management team are essential to its success and enable it to capitalise on market opportunities, formulate effective business strategies, evaluate and control risks, implement management plans and enhance its profitability. The Group believes its strong management team is, and will continue to be, a solid foundation for its success.

BUSINESS STRATEGIES

The Group is determined to further enhance its current competitive strengths and plans to implement the following development strategies in order to achieve its overall business objectives:

To continue to capitalise on the development opportunities within Linkong Economic Zone and NETDZ in Nanchang, Jiangxi Province

The Group will continue to capitalise on the development opportunities within Linkong Economic Zone, NETDZ and Nanchang. Linkong Economic Zone and NETDZ have played an important role in the economic development of Nanchang and Jiangxi Province since their establishment. In particular, Linkong Economic Zone and NETDZ have rapidly developed into transportation hubs with well-established transportation and warehousing logistics network. The Group believes it is well-positioned to leverage the growth opportunities created by the implementation of Nanchang-Jiujiang Integration Strategy. Going forward, the Group will continue to utilise its capabilities and expertise to support the growth and development of Linkong Economic Zone and assist NETDZ to be one of the top 20 in the comprehensive development level evaluation of national economic development zones (全國國家級經開區綜合發展水準考核評價) conducted by the Ministry of Commerce by 2025. The Group plans to leverage the strategic location of Linkong Economic Zone and NETDZ as well as the favourable government policies to seize further business opportunities, expand its customer base and occupy a larger market share in the areas.

To further enhance its core competitive advantage in infrastructure construction and industrial development businesses

As a key state-owned entity focusing on infrastructure and industrial development, the Group intends to continue to direct its efforts in expanding its core businesses in infrastructure construction and industrial development in Linkong Economic Zone and NETDZ. The Group intends to consolidate its leading market position in the area of infrastructure construction and industrial development businesses by strengthening cooperation with leading enterprises in the relevant industries and enhance its business operations. The Group will integrate the resources in Linkong Economic Zone and NETDZ, undertake more infrastructure construction and industrial development projects, and further reinforce its unique position in Linkong Economic Zone and NETDZ as a designated state-owned enterprise to promote infrastructure and industrial development. The Group believes that enhancing its advantages in the infrastructure construction and industrial development businesses in Linkong Economic Zone and NETDZ would further strengthen its competitiveness and improve its business and financial performance to achieve sustainable growth.

To further optimise and diversify its business portfolios

In addition to its strategic focus on its core business, the Group intends to further consolidate the state-owned resources within Linkong Economic Zone and NETDZ and expand into other industries and businesses in Linkong Economic Zone and NETDZ. The Group plans to utilise the abundant resources in Linkong Economic Zone and NETDZ to facilitate its transition into an integrated services provider, which could, by itself or through joint ventures or investment funds, offers and invests in diversified services, such as property management, commodity trading and high-tech manufacturing. In addition, the Group will enhance the synergies across its diversified business platforms and continue to invest in business segments that are in line with the Group's business strategies to strengthen its profitability. The Group believes that diversified sources of income will enhance its risk resilience and provides it with a steady stream of operating income from its businesses.

HISTORY AND DEVELOPMENT

The following sets out the significant events in the history and development of the Group.

Year	Events
2014	The Issuer was established by Linkong Administration Commission on 12 September 2014 with a registered capital of RMB70.0 million.
2016	In January 2016, the Issuer's registered capital increased to RMB470.0 million through capital injection by Linkong Administration Commission. In July 2016, the Issuer's registered capital increased to approximately RMB480.4 million through asset injection by Linkong Administration Commission. In December 2016, the Issuer's registered capital increased to approximately RMB1,381.4 million through capital and asset injections by Linkong Administration Commission.
2017	In July 2017, the Issuer was renamed from Nanchang Linkong Economic Zone City Construction Investment and Development Co., Ltd. (南昌臨空經濟區城市建設投資開發有限公司) to Nanchang Linkong Economic Zone City Construction Investment and Development Group Co., Ltd. (南昌臨空經濟區城市建設投資開發集團有限公司). The business scope of the Issuer was extended to domestic trade.
2020	In March 2020, the Group signed a co-operation framework agreement with China CTS Hotel (Group) Co., Ltd. (中國中旅酒店(集團)有限公司), thereby introducing professional hotel operation company into Linkong Economic Zone. In June 2020, Linkong Administration Commission transferred 100 per cent. of its equity interest in the Issuer to Jiangxi Jinlin Industrial Holding Co., Ltd. (江西金臨實業控股有限公司). Linkong Administration Commission and State-owned Assets Supervision and Administration Office of Nanchang Economic and Technological Development Zone (南昌經濟技術開發區國有資產監督管理辦公室) each held 50 per cent. of the equity interest in Jiangxi Jinlin Industrial Holding Co., Ltd.
2022	In June 2022, the Party Working Committee (黨工委) of the NETDZ has in principal approved the Request of Transfer of State-owned Assets of Lehua Town and Qiaoshe Town to Linkong City Investment Group (《關於將樂化鎮、樵舍鎮國有資產無償劃轉至臨空城投集團相關事宜的請示》). The value of the assets involved is estimated to be approximately RMB2,100 million.

Year	Events
2023	In January 2023, Linkong Administration Commission became the sole shareholder of Jinlin Industrial Holding Co., Ltd. As a result, Linkong Administration Commission indirectly holds 100 per cent. of the equity interest in the Issuer.

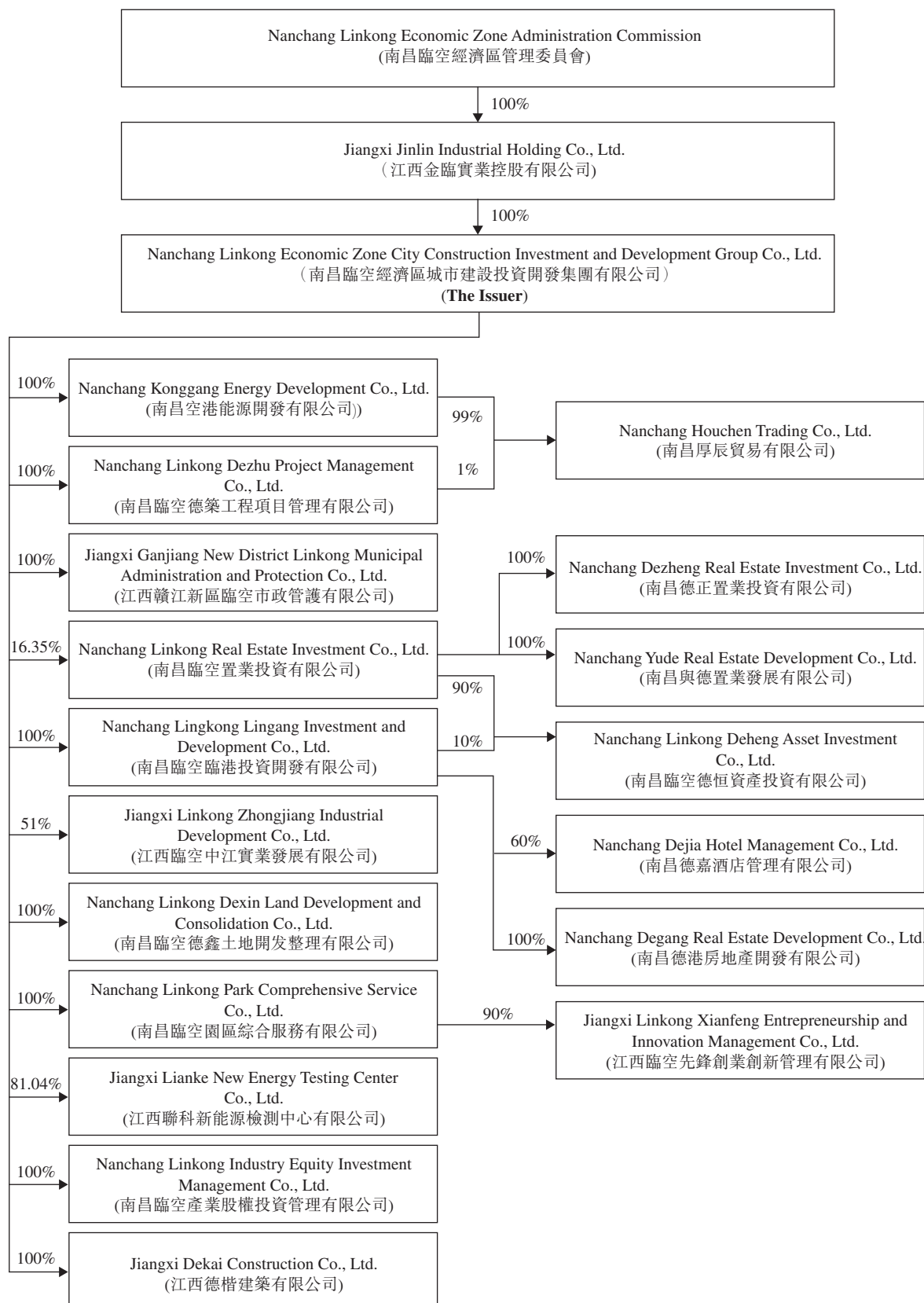
RECENT DEVELOPMENT

In April 2022, the Group expanded into commodity trading business and established Nanchang Houchen Trading Co., Ltd. (南昌厚辰貿易有限公司). Nanchang Houchen Trading Co., Ltd. is jointly owned by the Issuer's wholly-owned subsidiaries, Nanchang Linkong Dezhu Project Management Co., Ltd. (南昌臨空德築工程項目管理有限公司) and Nanchang Konggang Energy Development Co., Ltd. (南昌空港能源開發有限公司).

In June 2022, the Issuer obtained a loan facility of RMB5.3 billion with a term of 24 years from China Development Bank for its Nanchang Airport New City (空港新城) projects.

CORPORATE STRUCTURE

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



AWARDS AND RECOGNITIONS

The Group has received awards as set forth below:

Year	Award
2018	Awarded the title of Excellent Construction Project Developer of the year 2018 (2018 年 度 優 秀 項 目 建 設 單 位) for Phase I of Nanchang Linkong Lingang Industrial Park (南昌臨空臨港工業園一期) Awarded the title of Excellent Construction Project Developer of the year 2018 (2018 年 度 優 秀 專 案 建 設 單 位) for Nanchang Linkong Economic Zone New E-port Project (南昌臨空經濟區新E港項目) Awarded the title of Excellent Construction Project Developer of the year 2018 (2018年度優秀項目建設單位) for Nanchang Linkong Economic Zone Municipal Management Centre Project (南昌臨空經濟區市政管理中心工程) Awarded Model Construction Site for Safety Standards (工程安全文明標準化示範工地)
2019	Awarded Second Prize in National Construction Quality Management Demonstration (2019年度全國市政工程建设優秀品質管制小組) Awarded Class II Achievement in National Construction Quality Management Demonstration (2019年度全國市政工程建设優秀品質管制小組) Awarded First Prize in Jiangxi Provincial Construction Quality Management Demonstration (2019年度江西省市政工程建设優秀品質管制小組) Awarded Class I Achievement in Jiangxi Provincial Construction Quality Management Demonstration (2019年度全國市政工程建设優秀品質管制小組) Awarded First Prize in Jiangxi Provincial Construction Quality Management Demonstration (2019年度全國市政工程建设優秀品質管制小組) Awarded Second Price in the First BIM technology Application Conference in Jiangxi Province (江西省首屆BIM技術應用大會) Awarded Class I Achievement (一類成果) in Beijing Municipal Construction Quality Management Demonstration (2019年度北京市政工程建设優秀品質管制小組)

Year	Award
2021	Awarded China Communications Construction Quality Construction Project Award (中國交建優質工程獎) by China Communications Construction Group Co. Ltd. (中國交通建設集團有限公司)
2022	Awarded Jiangxi Province Quality Construction Project Azalea Award (江西省優質建設工程杜鵑花獎) by Provincial Department of Housing and Urban Rural Development (省住房和城鄉建設廳) Awarded the title of Ganjiang New Area Demonstration Site of Safety, Civilisation and Standardisation (贛江新區安全文明標準化示範工地) by Ganjiang New Area Urban and Rural Construction and Transportation Bureau (贛江新區城鄉建設和交通局)

RELATIONSHIP WITH LINKONG ADMINISTRATION COMMISSION AND NANCHANG MUNICIPAL GOVERNMENT

The Issuer is indirectly wholly owned by Linkong Administration Commission, and ultimately controlled by Nanchang Municipal Government. As a major state-owned enterprise based in Nanchang, the Issuer has extensive connections with other entities directly or indirectly controlled by Linkong Administration Commission and/or Nanchang Municipal Government.

Notwithstanding the Issuer's close relationships with Linkong Administration Commission and/or Nanchang Municipal Government, the various social and public welfare functions performed by the Group and the financial support received by it, the Issuer is not part of the government. The Issuer is operationally and financially separated from Linkong Administration Commission and Nanchang Municipal Government and does not share any premises with Linkong Administration Commission or Nanchang Municipal Government. The Issuer has a budget and financial reporting system and assets and liabilities separate from those of Linkong Administration Committee and Nanchang Municipal Government. Nanchang Municipal Government and Linkong Administration Committee, as the ultimate controller of the Issuer, only has limited liability to the Issuer in the form of its equity contribution in the Issuer. Neither Linkong Administration Commission, Nanchang Municipal Government nor any other PRC governmental entity has any payment or other obligations under the Bonds or the Trust Deed and they will not provide a guarantee of any kind for the Bonds. The Bondholders do not have any recourse against Linkong Administration Commission, Nanchang Municipal Government or any other PRC governmental entity in respect of any obligation arising out of or in connection with the Bonds or the Trust Deed. The Bonds are solely to be repaid by the Issuer and the obligations of the Issuer under the Bonds or the Trust Deed shall solely be fulfilled by the Issuer as independent legal persons. Investments in the Bonds are on the credit risk of the Issuer, rather than that of Linkong Administration Commission, Nanchang Municipal Government or any other PRC governmental entity. In the event that the Issuer does not fulfil its obligations under the Bonds, investors will only be able to claim as an unsecured creditor against the Issuer and its respective assets, and not any other person, Linkong Administration Commission, Nanchang Municipal Government or any other PRC governmental entity.

This position has been reinforced by Circular 23, Circular 706 and Circular 666. However, neither of these government circulars prohibits the PRC Government from providing support (in various forms including capital injection and subsidies, but excluding injecting any kinds of public assets and land reserves as the Group's assets) to the Group in its ordinary course of business in compliance with PRC laws and regulations. The detailed description of the relationships between the Issuer, Linkong Administration Commission and Nanchang Municipal Government in this Offering Circular does not imply in any way any explicit or implicit credit support of Linkong Administration Committee or Nanchang Municipal Government in respect of the Bonds, the repayment of which remains the sole responsibility of the Issuer.

DESCRIPTION OF THE GROUP'S BUSINESS

Overview

The Group is one of the major investment and financing platforms for the management and operation of Linkong Economic Zone and NETDZ. Over the years, the Group has diversified its business portfolio to include the following business segments: (i) infrastructure construction, (ii) industrial development, (iii) property leasing, (iv) other principal businesses and (v) non-principal businesses. The following table sets forth a breakdown of the Group's total operating income by business segments for the periods indicated:

	For the year ended 31 December			
	2020		2021	
	Amount	per cent.	Amount	per cent.
	(RMB in million, except for percentage)			
Infrastructure Construction	557.4	56.1	377.8	39.3
Industrial Development	230.9	23.2	216.1	22.5
Property Leasing	113.2	11.4	99.6	10.4
Other Principal Businesses	10.1	1.0	5.4	0.6
Non-principal Businesses	82.3	8.3	262.8	27.3
Total operating income ⁽¹⁾	993.8	100.0	961.6	100.0

Note:

(1) Figures may not add up due to rounding.

INFRASTRUCTURE CONSTRUCTION

Overview

The Group is the major entity which undertakes infrastructure construction projects within Linkong Economic Zone and NETDZ, such as the construction of roads, bridges, drainage systems, landscaping, road lightening and ancillary facilities. The Group engages in its infrastructure construction business primarily through the Issuer and its subsidiary, Nanchang Linkong Real Estate Investment Co., Ltd. (南昌臨空置業投資有限公司) (“**Linkong Real Estate**”).

For the years ended 31 December 2020 and 2021, the operating income generated from the Group's infrastructure construction business was RMB557.4 million and RMB337.8 million, respectively, representing 56.1 per cent. and 39.3 per cent. of the Group's operating income for the same periods.

Business Model

The Group's infrastructure construction business operates on an agency construction basis. The Issuer generally enters into agency construction agreements with Linkong Administration Commission in relation to its infrastructure construction projects. Pursuant to such agreement, the Group invests in, finances and conducts infrastructure construction projects within Linkong Economic Zone, which include the construction of roads, bridges, drainage systems, landscaping, road lightening and ancillary facilities. The Group is primarily responsible for the formulation of construction plan and timetable, management of the use of funds, handling administrative matters and submissions for governmental approvals, and management of the quality, safety and progress of the construction projects.

Upon completion of the infrastructure construction project, the relevant government entity generally inspects the completed construction. Following satisfactory inspection and acceptance of the

infrastructure construction projects, the Group is entitled to receive payments from Linkong Administration Commission, consisting of the construction costs incurred by the Group and project management fees. Such project management fees was 8 per cent. of the total investment amount of the relevant projects for items listed in the agency construction agreement and 2.5 per cent. for items not included in the agency construction agreement.

Project Description

Completed Projects

As at 31 December 2021, the Group had completed 17 major infrastructure construction projects. The table below sets forth the Group's major completed infrastructure construction projects as at 31 December 2021:

Project	Construction Period	Total Investment Amount	Total Invested Amount	Recognised Operating Income
(RMB in millions)				
Nanchang Lingang Northern Boulevard (Jinshui Boulevard) (南昌市臨港北大道(金水大道))	March 2013-July 2017	526.0	474.9	156.2
Nanchang Linkong Economic Zone Tanshan 2nd Road (南昌臨空經濟區壇山二路)	June 2015-December 2017	114.5	91.1	10.5
Nanchang Linkong Economic Zone 3 square kilometres Starting Area Road Network (南昌臨空經濟區3平方公里起步區路網)	January 2015-January 2020	403.9	361.5	38.8
Nanchang Linkong Economic Zone Landscape Zone North of Rule Hu Street (南昌臨空經濟區儒樂湖大街以北景觀帶)	March 2016-December 2016	86.1	58.1	43.0
Nanchang Linkong Economic Zone Comprehensive Bonded Zone Phase I Road Network (南昌臨空經濟區綜合保稅區一期路網)	June 2016-December 2016	869.1	866.5	280.8
Nanchang Linkong Economic Zone Longtou Gang 3rd Road (南昌臨空經濟區龍頭崗三路)	August 2016-November 2019	144.2	127.8	32.7
Nanchang Linkong Economic Zone Yangjia Lake Water System (南昌臨空經濟區楊家湖水系)	August 2016-December 2019	89.0	73.1	44.8
Nanchang Linkong Economic Zone Ganglong Road Construction (南昌臨空經濟區港隆路工程)	August 2016-August 2017	220.0	182.5	117.7
Nanchang Linkong Economic Zone Temporary Bus Stop Construction (南昌臨空經濟區臨時公交首末站工程)	September 2016-March 2017	2.9	2.5	2.2
Nanchang Linkong Economic Zone Jinshan Boulevard Vegetation (南昌臨空經濟區金山大道兩側綠化)	July 2017-March 2019	347.5	336.8	123.1
Nanchang Linkong Economic Zone Ofilm Plant 1# and 2# Eastside Wall Vegetation Project (南昌臨空經濟區歐菲光1#、2#廠房東面 圍牆外綠化)	November 2017-December 2017	9.7	6.6	4.4
Nanchang Linkong Economic Zone Comprehensive Bonded Zone Phase I Road Network Zhubu 1st Road Westside Extension (Entrepreneurship West Road) (南昌臨空經濟區綜合保稅區一期路網竹埠 一路西延段(創業西路))	June 2019-April 2020	99.1	86.0	0
Nanchang Linkong Economic Zone Xianhe 1st Road, Xianhe 4th Road, Jiahe 4th Road and Jiahe 5th Road (南昌臨空經濟區祥和一路、祥和四路、嘉和四路、嘉和五路)	April 2019-October 2020	102.5	56.6	26.8
Nanchang Linkong Economic Zone Huangtong East Street Extension (南昌臨空經濟區黃堂東街延伸段)	April 2019-October 2020	21.1	11.9	5.1

Project	Construction Period	Total Investment Amount	Total Invested Amount	Recognised Operating Income
(RMB in millions)				
Nanchang Linkong Economic Zone Beijing Industrial Park Jiajie 1st Road, Jiajie 2nd Road and public green space (南昌臨空經濟區北京產業園嘉捷一路、嘉捷二路及公共綠地)	October 2017-June 2021	4.9	3.2	0
Nanchang Linkong Economic Zone Linkong Phase II Road Network (南昌臨空經濟區臨空二期路網)	October 2017-June 2021	1,229.9	883.8	531.8
Ganjiang New Area Linkong Group Garbage Transfer Centre east of Longtou Gang 1st Road (贛江新區臨空組團龍頭崗一路以東垃圾中轉站)	May 2019-April 2021	9.6	5.5	0

Projects under Construction

As at 31 December 2021, the Group had four major infrastructure construction projects under construction. The table below sets forth the Group's major infrastructure construction projects under construction as at 31 December 2021:

No.	Project	Construction Period	Total Investment Amount	Total Invested Amount
(RMB in millions)				
1.	Ganjiang New Area Linkong Group First Class Fire Station (贛江新區臨空組團一級消防站)	January 2020-August 2021	29.8	15.1
2.	Ganjiang New Area Linkong Group Phase II Road Network (贛江新區臨空組團二期路網)	May 2020-May 2022	1,216.8	251.5
3.	Lingang Area Car Park (臨港區停車場)	November 2020-December 2022	457.3	130.4
4.	Yangjia Lake and Surrounding Habitat Restoration Project (楊家湖及周邊生態修復工程)	June 2020-May 2022	700.0	135.7

Projects under Construction

As at 31 December 2021, the Group had two major infrastructure construction projects under planning. The table below sets forth the Group's major infrastructure construction projects under planning as at 31 December 2021:

No.	Project	Construction Period	Total Investment Amount
(RMB in millions)			
1.	Nanchang Linkong Economic Zone Yangjia Lake Electric Discharge Station (南昌臨空經濟區楊家湖電排站工程)	December 2021-May 2023	95.3
2.	Nanchang Linkong Economic Zone Lingang Garden (南昌臨空經濟區臨港花園)	July 2021-May 2023	1,038.1

INDUSTRIAL DEVELOPMENT

Overview

The Group is a major industrial investment entity designated by Nanchang Municipal Government to undertake industrial park construction and industrial investment in Linkong Economic Zone. The Group conducts industrial development business primarily through its subsidiaries, including Linkong Real Estate, Nanchang Linkong Lingang Investment and Development Co., Ltd. (南昌臨空臨港投資開發有限公司) (“**Lingang Investment**”), Nanchang Yude Real Estate Development Co., Ltd. (南昌與德置業發展有限公司) (“**Yude Real Estate**”), Nanchang Dezheng Real Estate Investment Co., Ltd. (南昌德正置業投資有限公司) (“**Dezheng Real Estate**”) and Nanchang Linkong Deheng Asset Investment Co., Ltd. (南昌臨空德恒資產投資有限公司) (“**Deheng Asset Investment**”).

For the years ended 31 December 2020 and 2021, operating income generated from the Group’s industrial development business was RMB230.9 million and RMB216.1 million, respectively, representing 23.2 per cent. and 22.5 per cent. of the Group’s operating income for the same periods.

Business Model

The Group conducts industrial park construction projects in accordance with the industrial investment and industrial park planning guidance prepared by Linkong Administration Commission. The Group acquires land use rights by bidding, auction or listing for sale. The subsidiaries of the Group generally undertake the implementation of projects, and the entities for carrying out the construction, design and supervision works are selected through tender and bidding process. The Group is generally responsible for management of the construction process and supervision of the quality, construction period and construction costs of the projects. The Group derives income from leasing and selling the properties developed under the industrial development projects.

Project Description

Completed Project

As at 31 December 2021, the Group had completed 11 major industrial development projects. The table below sets forth the Group’s major completed industrial development projects as at 31 December 2021:

No.	Project	Construction Period	Site Area	GFA	Total Investment Amount	Total Invested Amount	Sales Amount
			(sq. m)			(RMB in millions)	
1.	Nanchang Linkong Economic Zone Industrial Support Service Centre (Phase I) (南昌臨空經濟區產業配套服務中心(一期))	October 2015-April 2017	27,946.8	79,117.7	317.6	253.1	(For leasing)
2.	Nanchang Linkong Economic Zone Nanchang Ofilm Linkong Park Area 3# Plant (南昌臨空經濟區南昌歐菲臨空園區3#廠房)	February 2016-October 2019	33,453.9	42,510.6	718.2	411.7	(For leasing)
3.	Nanchang Linkong Economic Zone Nanchang Yude Communication Intelligent Manufacturing Technology Park (Phase I) (南昌臨空經濟區南昌與德通訊智能製造科技園(一期))	May 2016-March 2018	47,506.6	153,720.8	1,700.0 (in aggregate for items 3 and 4)	493.7 (in aggregate for items 3 and 4)	(For leasing)
4.	Nanchang Linkong Economic Zone Nanchang Yude Communication Intelligent Manufacturing Technology Park (Phase II) (南昌臨空經濟區南昌與德通訊智能製造科技園(二期))	March 2017-October 2018	56,304.2	93,313.0			(For leasing)
5.	Nanchang Linkong Real Estate Investment Co., Ltd. Linkong Lijing Yuan (南昌臨空置業投資有限公司臨空麗景園)	August 2015-June 2016	13,046.9	20,391.5	7,019.2	4,968.5	(For leasing)

No.	Project	Construction Period	Site Area	GFA	Total Investment Amount	Total Invested Amount	Sales Amount
			(sq. m)			(RMB in millions)	
6.	Nanchang Comprehensive Bonded Zone Goods Inspection Site, Inspection Processing Site, Gate and Patrol Channels (南昌綜合保稅區驗貨場地、檢驗處理場所、卡口及巡邏通道等工程)	June 2016-September 2017	76,759.0	33,308.1	10,235.0	8,947.2	357.7
7.	Nanchang Comprehensive Bonded Zone Commodity Exhibition and Trading Centre (南昌綜合保稅區保稅商品展示交易中心(一期))	June 2017-April 2020	38,371.6	48,936.5	363.5 (in aggregate for items 7 and 8)	116.8	232.7
8.	Nanchang Comprehensive Bonded Zone Comprehensive Services Centre (Phase I) (南昌綜合保稅區綜合服務區(一期))	June 2016-September 2017	37,248.0	20,162.2		132.3	33.9
9.	Nanchang Linkong Economic Zone Industrial Support Service Centre (Phase II) (南昌臨空經濟區產業配套服務中心(二期))	November 2017-December 2020	197,355	382,424	1,482.4	1,267.0	236.3
10.	Nanchang Linkong Economic Zone Municipal Administration Centre (南昌臨空經濟區市政管理中心)	April 2018-May 2020	23,945.2	36,119.8	289.1	180.2	(For leasing)
11.	Nanchang Comprehensive Bonded Zone Comprehensive Service Centre (Phase II) (南昌綜合保稅區綜合服務區(二期))	September 2018-November 2020	29,073.2	68,260.8	149.0	106.8	(For leasing)

Project under Construction

As at 31 December 2021, the Group had six major industrial development projects under construction. The table below sets forth the Group's major industrial development projects under construction as at 31 December 2021:

No.	Project	Construction Period	Site Area	GFA	Total Investment Amount	Total Invested Amount
			(sq. m)			(RMB in millions)
1.	Nanchang Comprehensive Bonded Zone Comprehensive Service Centre (南昌綜合保稅區綜合服務中心)	June 2017-April 2019	29,073.0	85,050.0	360.5	161.6
2.	Nanchang Linkong Economic Zone Ofilm 4#, 5# Plant (南昌臨空經濟區歐菲光4#、5#廠房)	May 2016-April 2020	101,792.3	111,092.5	1,054.8	586.6
3.	Nanchang Linkong Lingang Industrial Park (南昌臨空臨港工業園).	September 2017-August 2020	353,078.7	836,368.9	2,620.3	1,755.7
4.	Nanchang Linkong Economic Zone Linkong Zhongjiang Bonded Logistics Park (南昌臨空經濟區臨空中江保稅物流園)	December 2019-November 2021	41,515.1	17,084.9	357.0	53.4
5.	Nanchang Linkong Economic Zone Lingang Jiayuan (南昌臨空經濟區臨港嘉苑)	May 2020-April 2022	176,666.7	48,619.6	278.7	112.7
6.	Ganjiang New Area Linkong Landmark Plaza (贛江新區臨空置地廣場)	September 2020-December 2022	13,810.1	76,588.0	496.5	140.4

Project under Planning

As at 31 December 2021, the Group had one major industrial development project under planning. The table below sets forth the Group's major industrial development project under planning as at 31 December 2021:

No.	Project	Site Area	GFA	Total Investment Amount	Total Invested Amount
		(sq. m)		(RMB in millions)	
1.	Nanchang Linkong Economic Zone Leyun City (南昌臨空經濟區樂雲城)	78,348.1	265,814.0	1,125.8	85.8

PROPERTY LEASING

Overview

The Group conducts its property leasing business primarily through its subsidiaries, including Linkong Real Estate, Lingang Investment, Yude Real Estate, Dezheng Real Estate and Deheng Asset Investment. The Group leases certain of its properties developed under the industrial development business, including factories, office buildings and residential properties within Linkong Economic Zone. The Group's tenants are primarily electronics manufacturers and government agencies situated within Linkong Economic Zone.

For the years ended 31 December 2020 and 2021, operating income generated from the Group's property leasing business was RMB113.2 million and RMB99.6 million, respectively, representing 11.4 per cent. and 10.4 per cent. of the Group's operating income for the same periods.

The table below sets forth particulars of the Group's leased properties as at 31 December 2021:

No.	Project	Type	Leased Area	Leasing Rate	Unit Price
			(sq. m)		(RMB/sq. m)
1.	Nanchang Linkong Economic Zone Property Support Service Centre (Phase I) (南昌臨空經濟區產業配套服務中心(一期))	Commercial and residential	59,338.3	75.0%	0.4
2.	Nanchang Linkong Economic Zone Nanchang Yude Communication Intelligent Manufacturing Technology Park (南昌臨空經濟區南昌與德通訊智能製造科技園)	Industrial and residential	85,411.8	35.0%	0.4
3.	Nanchang Linkong Economic Zone Nanchang Ofilm Linkong Park Area 3# Plant (南昌臨空經濟區南昌歐菲臨空園區3#廠房)	Industrial	24,675.9	58.0%	1.4
4.	Nanchang Linkong Economic Zone Nanchang Ofilm Park Area 4# Plant (南昌臨空經濟區南昌歐菲光4#廠房)	Industrial	20,514.4	58.0%	0.7
5.	Jiahe Commercial Centre (Phase I) (嘉和商業中心(一期))	Commercial	26,957.0	87.5%	1.1
6.	Jiahe Commercial Centre (Phase II) (嘉和商業中心(二期))	Commercial and residential	19,168.1	33.1%	0.7
7.	Angel Financial Square (天使金融廣場)	Residential	5,774.0	100.0%	1.5
8.	LED Pavilion (發光二極管館)	Commercial	3,967.3	73.0%	1.0
9.	Berkshire (伯克希爾)	Industrial	31,013.5	100.0%	0.7
10.	New-E Port (新E港)	Industrial and Residential	47,169.9	39.6%	0.4
11.	Linkong Lingang Industrial Park (Phase I) (臨空臨港工業園(一期))	Industrial, commercial and residential	245,268.9	57.8%	0.4
12.	Linkong Lingang Industrial Park (Phase II) (臨空臨港工業園(二期))	Industrial and residential	378,045.0	100.0%	0.4
13.	Intelligence Photoelectric Industrial Park (智能光電產業園)	Industrial	88,702.6	39.0%	0.4
14.	Municipal Administration Centre (市政管理中心)	Commercial	26,728.68	74.0%	1.0

OTHER PRINCIPAL BUSINESSES

The Group engages in other principal businesses including catering services and conference services. For the years ended 31 December 2020 and 2021, operating income generated from the Group's principal business was RMB10.1 million and RMB5.4 million, respectively, representing 1.0 per cent. and 0.6 per cent. of the Group's operating income for the same periods.

Catering Services

The Group conducts its catering services through its wholly-owned subsidiary Nanchang Linkong Park Comprehensive Service Co., Ltd. (南昌臨空園區綜合服務有限公司), which primarily engages in the provision of canteen catering services to, among others, Linkong Administration Commission. For the years ended 31 December 2020 and 2021, operating income generated from the Group's catering services business was RMB8.5 million and RMB4.3 million, respectively, representing 0.9 per cent. and 0.4 per cent., respectively, of the Group's total operating income for the same periods.

Conference Services

The Group conducts its conference services business through its wholly-owned subsidiary Nanchang Linkong Park Comprehensive Service Co., Ltd., which primarily engages in the provision of conference security services to, among others, Linkong Administration Commission. For the years ended 31 December 2020 and 2021, the operating income generated from the Group's conference services business was RMB0.4 million and nil, respectively, representing less than 0.1 per cent. and nil, respectively, of the Group's operating income for the same periods.

NON-PRINCIPAL BUSINESSES

The Group also engages in non-principal businesses including, among others, property management. The Group conducts its property management business primarily through its subsidiary Jiangxi Ganjiang New Area Linkong Municipal Management Co., Ltd. (江西贛江新區臨空市政管護有限公司). For the years ended 31 December 2020 and 2021, the operating income generated from the Group's non-principal businesses was RMB82.3 million and RMB262.8 million, respectively, representing 8.3 per cent. and 27.3 per cent. of the Group's operating income for the same periods.

COMPETITION

Due to the Issuer's status as a wholly state-owned entity and the nature of its business, which requires preferential policies, the Issuer faces minimal competition within Linkong Economic Zone and NETDZ. The Issuer's main competitors are similar businesses operating in other locations, including both in Nanchang and elsewhere in China.

GOVERNMENT REGULATIONS

The operations of the Group are subject to various laws and regulations in the jurisdictions in which it operates. See "*PRC Regulations*".

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 governmental proceedings or investigations to which it might become a party and which may have a material adverse effect on its properties and operations. The Group maintains regular dialogue with local governments and regulatory authorities through its management team or representatives, ensuring compliance with the requirements and conditions for obtaining and maintaining the aforementioned licenses, concessions, permits, or certificates.

RISK MANAGEMENT

The Group has established a risk management system to ensure compliance with regulatory requirements and to implement risk control measures to lower operational and investment risks. The risk management system covers different aspects of the Group's operations, including budget management, invested projects finance management, guarantee management, remuneration management, safety production, subsidiaries management, investment and financing management, connected transaction, information disclosure and incidents management. Each level and department of the Group is informed of the Group's internal control and risk management policies. The systematic approach adopted by the Group has helped the Group to manage its business in a disciplined manner.

ENVIRONMENTAL PROTECTION, HEALTH AND SAFETY

The Group adopts a comprehensive work safety system to ensure workplace safety. For instance, it has established safety protocols and implemented workplace safety guidelines setting out the responsibilities of project contractors and construction workers and relevant safety measures managing onsite safety and emergency incidents. However, conditions in construction sites are ever-changing and the Group's safety protocols may fail to prevent workplace accidents. The Group believes that, as of the date of this Offering Circular, it is in compliance in all material respects with applicable PRC safety regulations.

The Group is subject to environmental laws and regulations governing air pollution, noise emissions, hazardous substances, water and waste discharge and other environmental matters issued by various governmental authorities in Nanchang Municipality. The Group believes that it is in compliance in all material respects with applicable environmental laws and regulations.

INSURANCE

The Group purchases pension insurance, unemployment insurance and medical insurance for its employees according to the relevant PRC laws and regulations. Contractors engaged by the Group in connection with its construction projects are required to obtain contractors all-risk and third-party liability insurance for most of the projects the Group undertakes and such policies generally extend for the entire contract period, including the maintenance period following completion of the project. The Group maintains insurance coverage in amounts that it believes are commensurate with its risk of loss and industry practice.

Consistent with what the Group believes to be customary practice in the PRC, it does not carry any business interruption insurance, key-man insurance or insurance covering potential environmental damage claims. Such insurance is not mandatory under the laws and regulations of the PRC, and such insurance is either unavailable in the PRC or requires substantial cost.

EMPLOYEES

As at 31 December 2021, the Group has 160 employees, among which 122 hold a bachelor degree or above, representing approximately 76.3 per cent. of total employees.

In accordance with the applicable regulations of local governments of the regions in which the Group has business operations, the Group makes contributions to the pension contribution plan, medical insurance, unemployment insurance, maternity insurance and personal injury insurance. The amount of contributions is based on the specified percentages of employees' aggregate salaries as required by relevant PRC authorities. The Group also makes contributions to an employee housing fund according to applicable PRC regulations. In addition to statutory contributions, the Group provides annual bonuses and supplemental commercial insurance policies to employees.

The Group enters into an employment contract with each of its employees in accordance with applicable laws. Such contracts include provisions on wages, vacation, employee benefits, training programs, health and safety, confidentiality obligations and grounds for termination.

LEGAL PROCEEDINGS

The Group is from time to time involved in disputes and legal proceedings arising in the ordinary course of its business. See “*Risk Factors — Risks relating to the Group and the Group’s Businesses — The Group may be involved in disputes, legal and other proceedings arising out of its operations from time to time and may face significant liabilities as a result*”.

To the best of its knowledge, there are no current litigation or arbitration proceedings against the Group or any of its directors as at the date of this Offering Circular that could have a material adverse effect on its financial condition or results of operations.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

The board of directors (the “**Board**”) of the Issuer consists of three members. The Board is primarily responsible for, among others, determining the operation plans and investment plans, formulating the annual budget and final accounts, formulating the profit distribution and loss recovery plan, and exercising other powers, functions and duties as stipulated in the articles of association of the Issuer.

The following table sets forth the Issuer’s directors as at the date of this Offering Circular:

Name	Age	Position/Title
Deng Yuhui (鄧於慧)	50	Chairman of the Board
Chen Fang (陳芳)	42	Director, deputy general manager
Lai Xiaofan (賴小凡)	59	Director

Ms. Deng Yuhui (鄧於慧), aged 50, has been the chairman of the Board and the legal representative of the Issuer since December 2021.

Prior to joining the Group, Ms. Deng served as deputy director of Nanchang Economic Technology Development District Administration Commission (南昌經濟技術開發區管委會), director and deputy general manager of Jiangxi New District Development Investment Group Company (贛江新區開發投資集團公司), and the first deputy director of Nanchang Rule Lake New Town Office Headquarters (南昌市儒樂湖新城指揮部辦公室).

Ms. Deng holds a master’s degree in education, a bachelor’s degree in laws, and a Practitioner Qualification Certificate from the Asset Management Association of China.

Ms. Chen Fang (陳芳), aged 42, has been a director of the Issuer since September 2020 and the deputy general manager of the Issuer since November 2019.

Prior to joining the Group, Ms. Chen served as the head of business promotion department of Nanchang Jingdong Tourism Economic Development Zone Administration Commission (南昌京東旅遊經濟開發區管委會) from 2003 to 2011, and chief supervisor of the Jiangxi property department of Greenland Holdings Corporation Limited (綠地控股集團有限公司) from 2012 to 2018.

Ms. Chen obtained a bachelor’s degree in marketing from Jiangxi College of Applied Technology (江西應用技術職業學院) in 1998. She studied for a degree in law at the Open University of China (國家開放大學), formerly known as the China Central Radio and Television University (中央廣播電視大學), from 2004 to 2006 and a bachelor’s degree in law jointly run by the Open University of China and the China University of Political Science and Law (中國政法大學) from 2006 to 2009.

Mr. Lai Xiaofan (賴小凡), aged 59, has been a director of the Issuer since September 2020.

Prior to joining the Group, Mr. Lai served as technician and construction worker of the project department of Nanchang No.1 Construction Engineering Company (南昌市第一建築工程公司) from 1988 to 2005 and the director of project office of Nanchang Urban Construction and Development Co., Ltd (南昌城市建設發展有限公司) from 2005 to 2015. He then served as the deputy general manager of engineering of Linkong Real Estate from 2015 to 2016 and the general manager of Linkong Real Estate from 2016 to 2021.

Mr. Lai holds a bachelor’s degree in civil engineering.

SUPERVISORS

The board of supervisors of the Issuer consists of five members. The following table sets forth the Issuer's supervisors as at the date of this Offering Circular:

Name	Age	Position/Title
Liu Xiaoyun (劉曉雲)	44	Chairman of the board of supervisors
Huang Ming (黃明)	39	Employee representative supervisor
Chen Ying (陳瑩)	37	Employee representative supervisor
Yi Le (易樂)	39	Supervisor
Fu Rou (付柔)	34	Supervisor

Mr. Liu Xiaoyun (劉曉雲), aged 44, has been the chairman of the board of supervisors of the Issuer since September 2020.

Prior to joining the Group, Mr. Liu worked at South Rail Second Construction Engineering Company (南鐵第二建築工程公司) from 2001 to 2006, Jiangxi Metallurgical Group Corporation (江西省冶金集團公司) from 2006 to 2009, Nanchang Urban Construction Investment Development Co. Ltd. (南昌城市建設投資發展有限公司) from 2009 to 2010 and Jiangxi Rare Earth Metal Tungsten Industry Group Co., Ltd. (江西稀有稀土金屬鎢業集團有限公司) from 2011 to 2017. Since June 2017, he has been serving as the secondary-level director of the Finance Bureau of Nanchang Linkong Economic Zone (南昌臨空經濟區財政局).

Mr. Liu obtained a bachelor's degree in accounting from East China Jiaotong University (華東交通大學) and holds the title of intermediate accountant.

Mr. Huang Ming (黃明), aged 39, has been an employee representative supervisor of the Issuer since October 2021 and has been employed by the Issuer since 2015.

Prior to joining the Group, Mr. Huang served at the Jiangxi Energy Investment Group Limited (江西高能投資集團有限公司) from 2007 to 2012, Nanchang International Trade Real Estate Co., Ltd. (南昌國貿地產有限公司) from 2012 to 2014, and back at Jiangxi Energy Investment Group Limited from 2014 to 2015.

Mr. Huang obtained a bachelor's degree in engineering cost management in 2005 and a bachelor's degree in civil engineering in 2012 at the Nanchang Institute of Technology (南昌工程學院).

Ms. Chen Ying (陳瑩), aged 37, has been an employee representative supervisor of the Issuer since June 2017. Prior to joining the Group, Ms. Chen worked at Nanchang Third Architecture Engineering Company (南昌市第三建築工程公司) from 2003 to 2005, and Jiangxi Jintao Co., Ltd. (江西金濤工程有限公司) from 2005 to 2015.

Ms. Chen obtained a bachelor's degree in civil engineering from Nanchang University (南昌大學) in 2008.

Mr. Yi Le (易樂), aged 39, has been a supervisor of the Issuer since June 2017.

Prior to joining the Group, Mr. Yi served as a foreign trading staff at Zhejiang Yongda Stainless Steel Products Co., Ltd. (浙江省義烏永達不銹鋼有限公司) from 2005 to 2007, a deputy attendant at a 500kw electric substation at State Grid Jiangxi Electric Power Co. Ltd. (國網江西省電力有限公司) from 2009 to 2013, member of the party representative liaison office at the Organisation Department of the Nanchang Jinxian County Commission (南昌市進賢縣委組織部) from 2013 to 2015. He has been the tertiary-level director of the human resources department at Nanchang Linkong Economic Zone Administration Commission (南昌臨空經濟區管委會) since September 2015.

Mr. Yi graduated from Wuhan University of Technology (武漢理工大學) with a degree in international economics and trade in 2005 and obtained a master's degree in international relations from Wuhan University (武漢大學) in 2009.

Ms. Fu Rou (付柔), aged 34, has been a supervisor of the Issuer since June 2017, and is currently a tertiary-level director of the Finance Bureau of Linkong Administration Commission.

Ms. Fu obtained a master's degree in administration from Nanchang University (南昌大學).

SENIOR MANAGEMENT

The following table sets forth the Issuer's senior management as at the date of this Offering Circular:

Name	Age	Position/Title
Chen Fang (陳芳)	42	Deputy general manager

Ms. Chen Fang (陳芳), aged 42, has been the deputy general manager of the Issuer since November 2019. For Ms. Chen's biography, see "*Directors, Supervisors and Senior Management — Directors*" above.

DESCRIPTION OF THE SBLC BANK

The information included below is for information purposes only and is based on, or derived or extracted from, among other sources, publicly available information. The Group has taken reasonable care in the compilation and reproduction of the information. None of the Issuer, the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, employees or professional advisers has independently verified such information. No representation or warranty, express or implied, is made or given by the Issuer, the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, employees or professional advisers or any person who controls any of them as to the accuracy, completeness or sufficiency of such information. Accordingly, such information should not be unduly relied upon.

The Bonds will have the benefit of the SBLC which will be issued by Industrial and Commercial Bank of China Limited, Jiangxi Provincial Branch as the SBLC Bank. Under PRC laws, the SBLC Bank is not a separate and independent legal person but has capacity to carry on its activities within its scope of authorisation given by ICBC, and if the assets of the SBLC Bank are not sufficient to meet the obligations of the SBLC Bank under the SBLC, ICBC would have an obligation to satisfy the balance of the obligations under the SBLC.

OVERVIEW

Established on 1 January 1984, ICBC was restructured to become a joint-stock limited company on 28 October 2005. On 27 October 2006, ICBC was successfully listed on both the Shanghai Stock Exchange (stock code: 601398) and The Stock Exchange of Hong Kong Limited (stock code: 1398).

ICBC has developed into the leading bank in the world, possessing an excellent customer base, a diversified business structure, strong innovation capabilities and market competitiveness. ICBC has established presence in six continents, with a global network covering 49 countries and regions and 421 overseas institutions as at 30 June 2022. ICBC provides customers with a wide range of financial products and services and have formed a cross-market, internationalised and integrated business model with a focus on commercial banking. ICBC have maintained a leading position among PRC commercial banks in most of its core and emerging businesses.

In 2022, ICBC was ranked the first place among the “Top 1000 World Banks” for the tenth consecutive year in 2022 by *The Banker* and the first place in the list of commercial banks of the Global 500 for the tenth consecutive year in 2022 by *Fortune*.

ICBC’S BUSINESS OPERATIONS

ICBC’s principal businesses include corporate banking, personal banking, asset management services and treasury operations.

Corporate Banking

ICBC believes it has the largest corporate banking customer base in the PRC. ICBC provides a wide range of corporate banking products and services to state-owned enterprises, privately-owned enterprises, foreign-invested enterprises, government authorities and other entities. ICBC’s corporate banking business has maintained a leading position in the PRC banking industry.

Corporate Loans

Corporate loans represent the largest portion of ICBC’s loan portfolio. ICBC’s corporate loans include short-term loans and medium to long-term loans.

ICBC provides short-term loans with maturities of up to one year to its corporate banking customers. A substantial majority of its short-term corporate loans are working capital loans including trade finance loans. In addition, ICBC provides its corporate banking customers with bills discounting, factoring and forfeiting loans.

ICBC's medium to long-term corporate loans generally feature terms ranging from one year to ten years and primarily comprise project loans and property loans.

Corporate Deposits

ICBC provides corporate banking customers with multiple demand and time deposit-taking services in RMB and major foreign currencies. Corporate deposits constitute its major source of funds. In response to challenges posed by the liberalisation of interest rates, ICBC leveraged its advantages in integrated financial services such as corporate wealth management, cash management, E-banking and assets custody to increase its market competitiveness in the corporate deposits business.

Inclusive Finance

ICBC continued to roll out serial campaigns to bring inclusive financial services to small and micro enterprises. ICBC established in-depth cooperative relationships with specialised markets, E-commerce platforms and leading enterprises, and signed agreements on deepening cooperation with local governments, industry associations and industrial parks. Besides, ICBC actively provided cross-border matchmaking services for small and micro enterprise customers and served China's Belt and Road Initiative by virtue of domestic and overseas branches.

Institutional Banking

ICBC's institutional banking businesses include financial services provided via its cooperation with securities companies, insurance companies, other banks, governmental agencies and futures companies.

ICBC offers diversified financial services to institutional customers covering assets, liabilities and intermediary services.

Settlement and Cash Management

ICBC provides domestic clearing and settlement services for its customers and comprehensive services such as centralised payments and cash management for large companies and their subsidiaries.

ICBC has expanded its cash management services into financial asset management and has developed a variety of management products such as management of account transactions, liquidity management, supply chain finance, investment, risk management and wealth management. ICBC offers personalised and professional cash management service plans to meet the cash management needs of rapidly developing industries, including cultural industries, logistics, tourism, high-tech industry and equipment manufacturing. ICBC built the brand system called "Caizhi Account" as the core brand to enhance its influence in the cash management market.

With diversified products and services, ICBC offers comprehensive cash management solutions to corporate customers such as information services, account management, liquidity management, collection and payment management, short-term investment and financing service and risk management. ICBC provides corporate groups with centralised treasury management services of cross-border bilateral RMB cash pool, centralised operation management services for cross-border funds and cross-border cash management services based on domestic and overseas treasury management policies, extending the cash management business to more than 80 countries and regions. In recent years, ICBC was named the "Best Cash Management Bank in China" by *The Asset*, *Global Finance* and *The Asian Banker*.

International Settlement and Trade Finance

In recent years, ICBC has accelerated the development of its international settlement and trade finance business and actively promoted its brand, and ICBC believes it has established a competitive edge in the international business area through initiatives, such as leveraging its advantages in domestic and foreign currency business and close interaction between domestic and overseas branches, improving its product portfolios by integrating financing, settlement, wealth management and trading, accelerating the expansion of global supply chain products, integrated products denominated in RMB and foreign currencies, optimising its business structure, launching an import and export business and e-presentation of documents of letter of credit, rolling out a global documents management system, strengthening its systems for checking trade backgrounds, participating in cross-border RMB pilot programmes in various regions, improving the “ICBC Cross-border Express” product system and launching innovative RMB cross-border products.

Investment Banking

ICBC’s investment banking business mainly includes regular financial advisory services, enterprise credit services, investment and financing advisory services, syndicated loan arrangement and management services, corporate assets and debt restructuring services, corporate acquisition and merger services, asset securitisation services, credit capital transfer and trading services, underwriting of corporate debt financing instruments such as commercial paper, medium-term notes and financial bonds, direct investment advisory services, financial advisory services for corporate issuance of equities and bonds and services for equity investment funds.

ICBC provides diversified financing services for its corporate customers, quality investment products for its high net-worth customers and restructuring and mergers and acquisitions services for its corporate customers with global operations.

Personal Banking

ICBC’s personal banking products and services include savings deposits, personal loans, private banking, bank cards, personal wealth management and others.

In 2021 and the first half of 2022, ICBC continued to deepen the No. 1 Personal Bank Strategy, to make it a bank satisfactory to the people. Focusing on the building of an individual customer ecosystem, we promoted the high-quality business development relying on the “intelligent brain” decision pivot and full-spectrum operation system.

Personal Deposits

ICBC provides demand deposits and term deposits in RMB and foreign currencies. ICBC targeted important customer groups, constantly expanded its customer base and optimised the customer structure.

Personal Loans

Loans to personal customers include residential mortgages, personal consumption loans, personal business loans and credit card overdrafts. Personal loans are a major component of ICBC’s personal banking business. In recent years, residential mortgages have become an important component of its personal loans business, and have been growing in a steady and healthy manner. In light of ICBC’s consumers’ changing consumption patterns and transaction practices, it applied “Easy Loan” in a wider scope. “Easy Loan” is an unsecured retail consumer loan product characterised by small value, speed and convenience designed to meet its customers’ varied financial needs. Its personal customers can pledge their financial assets and quickly and conveniently obtain loans by providing different kinds of collaterals.

Private Banking

With the implementation of its globalisation strategy, ICBC has established private banking network and service teams in many countries and regions, among which the Asia-Pacific region is the key area. ICBC's key offshore institutions providing private banking services include but not limited to Industrial and Commercial Bank of China (Asia) Limited, Industrial and Commercial Bank of China (Macau) Limited, ICBC International Holdings Limited and Industrial and Commercial Bank of China Limited, Singapore Branch.

ICBC received a number of awards from well-known domestic and international media, symbolising its excellent brand value. ICBC was awarded the "Overall Best State-Owned Private Bank in China" by the *Asiamoney*, the "Excellent Private Bank of the Year" by the *National Business Daily*, the "The Competitive Private Bank in 2021" by the *China Business Journal* in 2021, and the "Best Private Bank for Digital Portfolio Management — Asia" by *The Professional Wealth Management* magazine of the *Financial Times* in 2022.

Bank Cards Business

ICBC provides personal customers with comprehensive bank card products and services, including single-currency and dual-currency credit and debit cards. Its "Peony Card" brand is one of the most renowned bank card brands in the PRC.

Credit Cards

In terms of the number of credit cards issued and the total number of customers, ICBC is the largest credit card issuing bank in the PRC. ICBC offers RMB credit cards, dual-currency credit cards and multi-currency credit cards. ICBC meets its customers' unique needs by leveraging its advanced technology and service capabilities.

Debit Cards

ICBC issues RMB debit cards and dual currency debit cards, such as RMB-U.S. dollar debit cards, to its customers. In recent years, ICBC adopted measures to improve the safety of chip cards, promoted single chip cards and improved card replacement services. Chip cards have wider industry applications such as social security, medical care, transportation, education and electronic identification, as one card could be applied in many sectors.

Asset Management Services

ICBC's asset management services include wealth management services, asset custody services and pension services.

Wealth Management Services

ICBC offers comprehensive asset management services to different types of clients, including individuals, corporate clients, private banking clients and institutions.

Asset Custody Services

As the first asset custody bank in the PRC, ICBC has established a complete custodial service system after 22 years of development and innovation, in order to provide customers with comprehensive custodial services. At present, ICBC's custody products include but are not limited to securities investment funds, insurance assets, commercial bank wealth management products, pension assets,

securities company customer asset management plans, trust plans, qualified domestic institutional investors (QDII) assets and qualified foreign institutional investors (QFII) assets. ICBC's custody service is embedded in the whole process of customer asset management. ICBC can provide customers with basic custody services such as asset custody, fund clearing, accounting, asset valuation, investment supervision and information disclosure, as well as value-added custody services such as performance analysis, information consultation, transaction convenience and investor services. At the same time, ICBC can provide customers with outsourcing services such as valuation accounting and registration of various asset management products.

Pension Services

In recent years, leveraging on the strengths of its business qualifications, professionalism, service experience, service network, information systems, customer resource and market reputation, ICBC has promoted the development of its pension businesses.

Also, diversifying the product system, ICBC optimised its integrated enterprise annuity scheme "Ruyi Pension Management" and serial pension- related wealth management products "Ruyi Benefit Plan" and issued Taikang Golden Banking Co-brand Card for Special Medical Services. A variety of service channels including sales outlets, internet banking, telephone banking and mobile banking were made available, enabling customers to have better transaction experience. Its pension services won awards from the *China Banking Association* such as the "Best Performance Award" and the "Best Development Award". ICBC was also awarded the "Tianji Award for Pension Financial Services Bank of the Year" by the Securities Times, the "2021 Top 10 Supply Wealth Management Innovation" by The Chinese Banker, and the "2020-2021 Investible Pension Financial Institution" by the Economic Observer

Financial Market Business

ICBC's financial market business operations include money market, investment business, financing business, franchise treasure business, asset securitisation business and precious metals business.

Money Market Activities

ICBC's money market activities include: (i) short-term borrowing and lending with other banks and financial institutions; and (ii) bond repurchase and purchase.

Investment

ICBC makes investments in RMB-denominated bonds issued by the PRC government, the PBOC, policy banks and a few other local financial institutions, short-term commercial paper issued by domestic enterprises, and foreign currency bonds issued by foreign governments, financial institutions, and corporations. ICBC also trades bonds and bills that are issued by the PRC government, the PBOC and foreign governments as well as derivatives, foreign exchange and foreign/local currency dominated bonds.

Financing

ICBC engages in active liability management. ICBC has diversified the sources of funding from different channels and with different tenors through a variety of liability management instruments to support the growth of its business.

Franchise Treasury Business

ICBC offers a wide range of treasury operations services to enterprises and individual customers on an agency basis. ICBC provides spot and forward foreign exchange trading services, swap transaction services for RMB and foreign currencies and interest rate swap for RMB. In addition, ICBC acts as an agent for foreign exchange trading on behalf of its clients 24 hours a day, and ICBC trades foreign currencies, precious metal, forward foreign currency contracts, interest rate swaps, currency swaps, options and other financial derivatives on behalf of its customers.

Asset Securitisation Business

Asset securitisation is the process of converting assets with low liquidity into liquid securitisation products through risk isolation, conversion and packaging of cash flows and credit enhancement. The assets with low liquidity that can be converted are generally assets with stable cash flows such as residential mortgage loans, commercial property mortgage loans, project loans and other cash generating assets.

Precious Metal Business

ICBC operates four product lines in its precious metals business: physical bullion, trading, precious metals linked financing and wealth management. Due to fluctuations of the precious metals market, ICBC diversified its products to promote its precious metals business. In 2021, ICBC ranked the first place among all dealers in Shanghai Gold Exchange in terms of gold and silver trading volume, clearing amount and gold leasing scale. ICBC was reelected “First Prize Winner of the Excellent Financial Member” by Shanghai Gold Exchange, and was named “Best Provider of Precious Metals Services” by *Global Finance*.

FinTech

Centering on the FinTech development plan (2021-2023), ICBC practised technology self-reliance, strengthened the “dual wheel drive” of technological innovation and system reform, built new advantages in FinTech development, and empowered the development of “D-ICBC” with technology, which assisted in its high-quality development and better fostered a new development pattern.

Internet Finance

ICBC actively adapted to new needs of the digital development of the national economy. Based on key strategies, ICBC accelerated reform and innovation, made overall plans for all channels, services via all channels and online customer operation, promoted the development of e-ICBC 4.0, and built the “One Body, Two Wings” development pattern featuring “own platforms + open banking”.

GENERAL INFORMATION

ICBC is headquartered at No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, China. Its website addresses are www.icbc.com.cn and www.icbc-ltd.com. Information contained on ICBC’s websites is subject to change from time to time and does not form part of this Offering Circular. No representation, express or implied, is made or given by the Issuer, the Joint Lead Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents and advisers or any person who controls any of them, and none of them takes any responsibility, for the accuracy, completeness or sufficiency of any information available on such websites.

The audited consolidated annual financial statements of ICBC as at and for the year ended 31 December 2022 are included in this Offering Circular. None of the Issuer, the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them has independently verified or checked the audited financial statements of ICBC and can give no assurance that the information contained therein is accurate, truthful or complete.

PRC REGULATIONS

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

MAIN REGULATORY AUTHORITIES AND CONTENTS OF SUPERVISION

China's building and construction industry implements a regulatory system with the combination of comprehensive supervision and professional supervision. Government supervision over the building and construction industry mainly includes three aspects: the management on the competency and qualification of market players, the whole process management on the construction projects, and the management on the economic and technical standards of construction projects. The main regulatory authorities include:

- MOHURD (formerly Ministry of Construction of the PRC, the “MOC”) and the competent local departments of MOHURD at various levels are responsible for the comprehensive supervision over the construction industry as well as the real estate development qualifications. Such management mainly includes: management on the competency and qualification of market players, approval and verification of the qualifications of various construction enterprises for access to market, examination and approval of occupational qualifications of individuals in the construction industry, supervision over and management on construction projects, and establishment of industrial standards.
- Ministry of Transport of the PRC (the “MOT”) and the competent local departments of MOT at various levels are responsible for the construction projects of ports and highways nationwide.
- NDRC and the local development and reform commissions at various levels are responsible for the investment planning, examination and approval of city infrastructure construction projects.
- Ministry of Environmental Protection of the PRC (former Ministry Environmental Protection of the PRC and State Environmental Protection Administration, the “SEPA”) and the competent local departments of environmental protection at various levels are responsible for the environmental protection management of construction projects.

MAJOR LAWS AND REGULATIONS

Regulations on Fiscal Debts of Local Governments

In accordance with Guidance on Further Strengthening Adjustment of Credit Structure to Promote Fast and Smooth Development of National Economy(中國人民銀行、中國銀行業監督管理委員會關於進一步加強信貸結構調整促進國民經濟平穩較快發展的指導意見)issued jointly by the PBOC and CBRC in 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, Circular of the State Council on Relevant Issues Concerning Strengthening the Management of Financing Platform Companies of Local Governments(國務院關於加強地方政府融資平臺公司管理有關問題的通知)(“Circular 19”) and Circular of the General Office of the NDRC on Relevant Issue Concerning Further Regulating the Issuance of Bonds of Local Government Investment and Financing Platform Enterprise(國家發展改革委辦公廳關於進一步規範地方政府投融資平臺公司發行債券行為有關問題的通知)(“Circular 2881”) were separately promulgated in June 2010 and November 2010, 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 financing platform's issuance of enterprise notes.

On 21 September 2014, Circular 43 was promulgated by the State Council. Circular 43 aims at regulating financing system of local government and the three channels are presented. In accordance with Circular 43, financing platforms shall no longer serve the fiscal financing functions nor incur new government debts. Public interest projects may be funded by the government through issuing government notes, since the new Budget Law of the PRC (the “**New Budget Law**”), which took effect on 29 December 2018, Circular 43 empowers local governments to issue government notes, and public interest projects with income generated, such as city infrastructure construction, may be operated independently by social investors or jointly by the government and social investors through the establishment of special purpose companies. Social investors or such special purpose companies shall invest in accordance with market-oriented principles and may be funded by, among other market-oriented approaches, bank loans, enterprise notes, project revenue notes and asset-backed securitisation. Social investors or the special purpose companies shall bear the obligation to pay off such debts and the government shall not be liable for any of the social investors’ or special purpose companies’ debts. Circular 43 also sets forth the general principles of dealing with existing debts of financing platforms. Based on the auditing results of such debts run by the local governments, the existing debts that should be repaid by the local governments shall be identified, reported to State Council for approval, and then included in the budget plan of local governments. In On 26 April 2017, the MOF, the NDRC, the Ministry of Justice, the People’s Bank of China, the CBRC and the China Securities Regulatory Commission jointly issued the Circular on Further Regulating the Debt Financing Behaviours of Local Government (關於進一步規範地方政府舉債融資行為的通知) to emphasise the principles and policies set out in Circular 43. In the event the Issuer is deemed a financing platform of the relevant local government, the Group’s results of operations and financial condition may be heavily affected by such changes in applicable regulations, including Circular 43. Consequently, the Group should rely upon the cash flow generated from its operations and external borrowings to satisfy its cash needs for servicing its outstanding indebtedness and for financing its operating activities.

On 11 May 2015, Opinion on the Proper Solution of the Follow-up Financing Issues for Projects under Construction of Financing Platform of Local Governments issued jointly by the Ministry of Finance of the PRC, the PBOC and the CBRC (財政部人民銀行銀監會關於妥善解決地方政府融資平臺公司在建項目後續融資問題意見)(“**Circular 40**”) was promulgated by the General Office of the State Council of the PRC. 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 the Circular 43 was promulgated.

In addition, on 28 March 2018, the MOF issued the Notice of the Ministry of Finance on Issues concerning Regulating the Investment and Financing Behaviours of Financial Enterprises 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), which aims to strengthen oversight of state-owned financial institutions and increase the responsibility of the PRC state-owned financial institutions to investigate the financial independence and liquidity level of local government financing vehicles that they assist in fundraising. 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 local governments’ debt. The Joint Circular requires companies that plan to borrow medium and long-term foreign debt to establish a sound and standardized corporate governance structure, management decision-making mechanism and financial management system. It further requires assets owned by such companies be of good quality with clear ownership and public interest assets are prohibited from being included in corporate assets.

Circular 666 was issued by NDRC on 6 June 2019 and became effective on the same date. Notice of the General Office of the National Development and Reform Commission on Requiring Real Estate Enterprises to Apply for Record-filing and Registration of the Issuance of Offshore Bonds (國家發展和改革委員會辦公廳關於對房地產企業發行外債申請備案登記有關要求的通知) (“Circular 778”) was issued by NDRC on 7 September 2019 and became effective on the same date.

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

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

Regulation on the Issuance of Foreign Bonds

Pursuant to the NDRC New Rules, which became effective on 10 February 2023 and replaced the NDRC Circular, where domestic enterprises, overseas enterprises controlled by them or their overseas branches issue foreign debts, which are debt instruments of no less than one year of tenor that are denominated in domestic currency or foreign currency with the capital repaid and interest paid as agreed, including notes issued overseas and long and medium-term international commercial loans, the enterprises shall apply to NDRC for dealing with the formalities of record-filing and registration before issuance. The NDRC shall decide to accept it or not within five working days upon the receipt of the application and certificate of

review and registration within three months after acceptance. The enterprises shall submit the issuance information to NDRC within 10 working days after the end of issuance each time.

Pursuant to the NDRC New Rules, before borrowing foreign debts, an enterprise shall undergo formalities for approval and registration procedure managed by NDRC to obtain the Certificate of Approval and Registration of Enterprise Borrowing of Foreign Debts (the Certificate of Approval and Registration). Without approval and registration, no foreign debt may be borrowed.

The enterprise also undertakes to (i) file or cause to be filed with the NDRC the requisite information and documents within ten PRC Business Days upon the expiry of the Certificate of Review and Registration in accordance with the NDRC New Rules, (ii) so long as any bonds remains outstanding, file or cause to be filed with the NDRC the requisite information and documents within five PRC Business Days before the end of January and the end of July each year in accordance with the NDRC New Rules, (iii) so long as any bonds remains outstanding, file or cause to be filed the requisite information and documents in accordance with the NDRC New Rules upon the occurrence of any material event that may affect the enterprise's due performance of its debt obligations.

Bidding and Tendering Management

Bidding and tendering of various construction projects have been provided in the Bidding and Tendering Law of the People's Republic of China (中華人民共和國招標投標法) promulgated by SCNPC on 30 August 1999 which became effective on 1 January 2000 and was amended on 28 December 2017, Regulation on the Implementation of the Bidding and Tendering Law of the People's Republic of China (中華人民共和國招標投標法實施條例) promulgated by State Council on 20 December 2011 which became effective on 1 February 2012, and amended on 1 March 2017, 19 March 2018 and 2 March 2019, Measures for the Construction Bidding and Tendering of Construction Projects (工程建設項目施工招標投標辦法) jointly promulgated by NDRC, MOC, Ministry of Railways, MOT, Ministry of Information Industry of the People's Republic of China, Ministry of Water Resources of the People's Republic of China, and Civil Aviation Administration of China in 8 March 2003 which became effective on 1 May 2003, amended on 11 March 2013 and became effective on 1 May 2013, Administrative Measures for the Bidding and Tendering of Design of Construction Projects (建設工程設計招標投標管理辦法) issued by MOHURD on 24 January 2017 and became effective on 1 May 2017, the Provisions on Construction Projects Where a Bidding is Legally Required (關於《必須招標的工程項目規定》) promulgated by NDRC on 27 March 2018, Administrative Measures for the Bidding and Tendering of Housing Construction and Municipal Infrastructure Work (房屋建築和市政基礎設施工程施工招標投標管理辦法) issued by MOC on 1 June 2001 and became effective on the same date and was amended on 28 September 2018 and on 13 March 2019.

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

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

In accordance with the Bidding and Tendering Law of the People's Republic of China and Measures for the Construction Bidding and Tendering of Construction Projects, if any project that shall undergo

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

Quality Management

Laws and regulations on project quality mainly include Construction Law of the People's Republic of China, Regulation on Quality Management of Construction Projects (建設工程質量管理條例) issued by the State Council on 30 January 2000 and became effective on the same date and was amended on 7 October 2017 and on 23 April 2019, Administrative Measures for Quality Management of Construction Project Survey (建設工程勘察質量管理辦法) amended by MOC on 22 November 2007 and became effective on the same date, Notice of the Ministry of Housing and Urban-Rural Development and the Ministry of Finance on Issuing the Measures for the Management of Construction Project Quality Deposits (建設工程質量保證金管理辦法) issued jointly by MOHURD and MOF on 20 June 2017 and became effective on 1 July 2017, Administrative Measures for Completion Acceptance Record of Building Construction and Municipal Infrastructure Projects (房屋建築和市政基礎設施工程竣工驗收備案管理辦法) issued by MOHURD on 19 October 2009 and became effective on the same date, Measures for Quality Warranty of Building Construction Projects (房屋建築工程質量保修辦法) issued by MOC on 30 June 2000 and became effective on the same date, Provisions on Construction Management of Port Projects (港口工程建設管理規定) amended by MOT on 28 November 2018 and 28 November 2019 which became effective on the same day, and Measures for Completion (Delivery) Acceptance of Highway Works (公路工程竣(交)工驗收辦法) promulgated by Ministry of Communications, which has been issued on 15 March 2004 and became effective on 1 October 2004, and its Implement which is promulgated on 27 January 2010 and became effective on 1 May 2010.

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

Environmental Protection Management

Major laws and regulations on environmental protection during the project construction process include the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法) amended by SCNPC on 24 April 2014 which became effective on 1 January 2015, Law on Environmental Impact Assessment of the People's Republic of China (中華人民共和國環境影響評價法) promulgated by SCNPC on 28 October 2002 and amended on 2 July 2016 and 29 December 2018, Administrative Regulations on Environmental Protection of Construction Projects (建設項目環境保護管理條例) issued by State Council on 29 November 1998, which became effective on the same date and amended on 1 October 2017.

In accordance with the provisions of the Administrative Regulations on Environmental Protection of Construction Projects and Administrative Measures for Environmental Protection Acceptance of Construction Projects upon Completion, the PRC government implements the system of environmental

impact assessment on construction projects. After the completion of a construction project for which an environment impact report or environment impact statement is formulated, the construction developer shall conduct acceptance inspection of the complementary environmental protection facilities pursuant to the standards and procedures stipulated by the environmental protection administrative authorities of the State Council, and formulate the acceptance inspection report.

Environmental Protection

The Environmental Protection Law (環境保護法), promulgated on 26 December 1989 by the Standing Committee of the National People's Congress, which became effective on 26 December 1989, as amended on 24 April 2014, and became effective on 1 January 2015, establishes the legal framework for environmental protection in the PRC.

The environmental protection department of the State Council supervises environmental protection work in the PRC, and establishes national standards for the discharge of pollutants. Each of the local environmental protection bureaus is responsible for the environmental protection work within their respective jurisdictions.

Air Pollution

The Air Pollution Prevention Law (大氣污染防治法), amended on 26 October 2018 by the Standing Committee of the National People's Congress, which became effective on the same day, establishes the legal framework for air pollution prevention in the PRC. The environmental protection department of the State Council formulates national air quality standards. Each of the local environmental protection bureaus is authorised to regulate air pollution within each of their respective jurisdictions by formulating more specific local standards, and may impose penalties for violation.

Water Pollution

The Water Pollution Prevention Law (水污染防治法), amended on 27 June 2017 and became effective on 1 January 2018, establishes the legal framework for water pollution prevention in the PRC. The environmental protection department of the State Council formulates national waste discharge standards. Enterprises that discharge waste into water shall pay a treatment fee. Each of the local environmental protection bureaus is authorised to regulate water pollution within each of their respective jurisdictions by formulating more specific local standards, and may impose penalties for violation, including suspending operations.

Noise Pollution

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

Construction Projects

The Environmental Impact Appraisal Law (環境影響評價法), promulgated by the Standing Committee of the National People's Congress on 28 October 2002, amended on 2 July 2016 and on 29 December 2018,

the Administration Rules on Environmental Protection of Construction Projects (建設項目環境保護管理條例), promulgated by the State Council on 29 November 1998, which became effective on the same date and amended on 1 October 2017, require enterprises planning construction projects to engage qualified professionals to provide assessment reports on the environmental impact of such projects. The assessment report shall be filed with and approved by the relevant environmental protection bureau, prior to the commencement of any construction work. The construction project shall not commence operation, unless inspected and approved by the relevant environmental protection bureau.

Labour

Employment Contracts

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

Employee Funds

Under applicable PRC laws, regulations and rules, including the Social Insurance Law (社會保險法), promulgated by the Standing Committee of the National People's Congress on 28 October 2010, which became effective on 1 July 2011, amended on 29 December 2018 and became effective on the same date, the Interim Regulations on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例), promulgated by the State Council on 22 January 1999, which became effective on 22 January 1999, amended on 24 March 2019 and became effective on the same date, and Administrative Regulations on the Housing Provident Fund (住房公積金管理條例), promulgated by the State Council on 3 April 1999, which became effective on 3 April 1999 and as amended on 24 March 2002 and on 24 March 2019, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance, and to housing provident funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to pay the outstanding amount within a stipulated time period.

REGULATIONS REGARDING OVERSEAS INVESTMENT, FINANCING AND ACQUISITION ACTIVITIES

NDRC Supervision

According to the Administrative Measures for the Overseas Investment by Enterprises (企業境外投資管理辦法) (the “**Measures for Overseas Investment by Enterprises**”) which became effective from 1 March 2018, the procedure of approval and filing shall be respectively applied to different overseas investment projects. In particular, overseas investment projects involving sensitive countries and regions or sensitive industries shall be subject to confirmation by NDRC.

For a project which requires filing, the authority in charge of the filing is (i) NDRC, if the investor is a centrally administered enterprise (which includes a centrally administered financial enterprise or an

enterprise directly subordinate to the administration by the State Council or its subordinate organ); (ii) NDRC, if the investor is a local enterprise and the amount of Chinese investment is U.S.\$0.3 billion or above; and (iii) the provincial development and reform authority at the place where the investor is registered, if the investor is a local enterprise and the amount of Chinese investment is less than U.S.\$0.3 billion.

The Measures for Overseas Investment by Enterprises apply *mutatis mutandis* to the investments in Hong Kong, the Macau Special Administrative Region or Taiwan made by investors directly or through enterprises under their control, the outbound investments made by investors through the enterprises that are in Hong Kong, the Macau Special Administrative Region or Taiwan and under their control, and the outbound investments by domestic natural persons through overseas enterprises under their control or enterprises located in Hong Kong, the Macau Special Administrative Region or Taiwan. These Measures are not applicable to direct outbound investments by domestic natural persons or direct investments in Hong Kong, the Macau Special Administrative Region or Taiwan by domestic natural persons.

According to the NDRC Circular, which was issued by NDRC on 14 September 2015 and came into effect on the same day, if a PRC enterprise or an offshore enterprise controlled by a PRC enterprise wishes to issue notes outside of the PRC with a maturity of more than one year, such enterprise must in advance of issuing such notes, file certain prescribed documents with NDRC and procure a registration certificate from NDRC in respect of such issue.

The NDRC Circular relates to the matters as listed below:

- remove the quota review and approval system for the issuance of foreign debts by enterprises, reform and innovate the ways that foreign debts are managed, and implement the administration of record-filing and the registration system. Realise the supervision and administration of the size of foreign debts borrowed on a macro level with the record-filing, registration, and information reporting of the issuance of foreign debts by enterprises;
- before the issuance of foreign debts, enterprises shall first apply to NDRC for the handling of the record-filing and registration procedures and shall report the information on the issuance to NDRC within 10 working days of completion of each issuance;
- record-filing and registration materials to be submitted by an enterprise for the issuance of foreign debts shall include: application report for the issuance of foreign debts and issuance plan, including the currency, size, interest rate, and maturity of foreign debts, the purpose of the funds raised, back flow of funds, etc. The applicant shall be responsible for the authenticity, legality, and completeness of the application materials and information;
- the NDRC shall decide whether to accept the application for record-filing and registration within 5 working days of receiving it and shall issue a Certificate for Record-filing and Registration of the Issuance of Foreign Debts by Enterprises within seven working days of accepting the application and within the limit of the total size of foreign debts;
- the issuer of foreign debts shall handle the procedures related to the outflow and inflow of foreign debt funds with the Certificate for Record-filing and Registration according to the regulations. When the limit of the total size of foreign debts is exceeded, the NDRC shall make a public announcement and no longer accept applications for record-filing and registration;
- if there is a major difference between the actual situation of the foreign debts issued by the enterprises and the situation indicated in the record-filing and registration, an explanation shall be given when reporting relevant information. The NDRC shall enter the poor credit record of an enterprise which maliciously and falsely reports the size of its foreign debts for record-filing and registration into the national credit information platform.

The NDRC issued the NDRC New Rules on 5 January 2023, which came into effect from 10 February 2023 and replaced the NDRC Circular. In addition to the post-issue reporting requirements under the NDRC Circular, domestic enterprises and/or their overseas controlled entities are subject to further reporting obligations. According to the NDRC New Rules, enterprises are required, among others, to report the foreign debts borrowing information within ten PRC working days after the expiry of the validity of the relevant certificate of review and registration, report on the use of proceeds raised from foreign debts, the repayment of principal and interest and the related plans and major business indicators of the enterprise within five PRC working days before the end of January and July each year, and promptly report on any material event that may affect the due performance of their debt obligations. If the enterprise fails to report the relevant information described in the above in accordance with the NDRC New Rules, the NDRC may direct the enterprise to make corrections within a prescribed time period and if the violation is serious or if the enterprise fails to correct within the prescribed time period, the NDRC may give a warning to the relevant enterprise and its main responsible persons.

MOFCOM Supervision

MOFCOM issued the new version of the Overseas Investment Administration Rules(境外投資管理辦法) on 6 September 2014, effective from 6 October 2014 (the “**New Overseas Investment Rules**”). Under the New Overseas Investment Rules, a domestic enterprise intending to carry out any overseas investment shall report to the competent department of commerce for verification or filing and the competent department of commerce shall, with regard to an enterprise so verified or filed, issue thereto an Enterprise Overseas Investment Certificate (企業境外投資證書). If two or more enterprises make joint investment to establish an overseas enterprise, the larger (or largest) shareholder shall be responsible for the verification or filing procedure after obtaining written consent of other investing parties.

An enterprise that intends to invest in a sensitive country or region or a sensitive industry shall apply for the verification by MOFCOM. “Sensitive countries and regions” refer to those countries without a diplomatic relationship with the PRC, or subject to the United Nations Security Council sanctions or otherwise under the list of verified countries and regions published by MOFCOM from time to time. “Sensitive industries” refer to those industries involving the products and technologies which are restricted from being exported, or affecting the interests of more than one country (or region). In accordance with the New Overseas Investment Rules, a central enterprise shall apply to MOFCOM for verification and MOFCOM shall, within 20 working days after accepting such application, decide whether or not the verification is granted. For a local enterprise, it shall apply through the provincial department of commerce to MOFCOM for such verification. The provincial department of commerce shall give a preliminary opinion within 15 working days after accepting such local enterprise’s application, and submit all application documents to MOFCOM. MOFCOM shall decide whether or not to grant the verification within 15 working days of receipt of such preliminary opinion from the provincial department of commerce. Upon verification, the Enterprise Overseas Investment Certificate shall be issued to the investing enterprise by MOFCOM.

All overseas investments other than those subject to MOFCOM verification as described above are subject to a filing procedure. The investing enterprise shall complete the filing form through the Overseas Investment Management System, an online system maintained by MOFCOM, print out a copy of such filing form for stamping with the company chop, and then submit such stamped filing form together with a copy of its business licence for filing at MOFCOM (for a central enterprise (中央企業) or the provincial department of commerce (for a local enterprise) respectively.

MOFCOM or the provincial department of commerce shall accept the filing and issue the Enterprise Overseas Investment Certificate within three working days upon receipt of such filing form, if the filing form meets all the relevant requirements.

The investing enterprise must carry out the investment within two years of the date of the relevant Enterprise Overseas Investment Certificate, otherwise such certificate will automatically become invalid and a new filing or verification application has to be made by the investing enterprise. In addition, if any item specified in such certificate is changed, the investing enterprise shall make the change of registration at MOFCOM or the provincial department of commerce (as the case may be).

If an overseas invested company carries out a re-investment activity offshore, the investing enterprise shall report such re-investment activity to MOFCOM or the provincial department of commerce (as the case may be) after the legal process of the investment is completed offshore. The investing enterprise shall complete and print out a copy of the Overseas Chinese-invested Enterprise Re-investment Report Form (境外中資企業再投資報告表) from the Overseas Investment Management System and stamp and submit such form to MOFCOM or the provincial department of commerce.

Foreign Exchange Administration

According to Regulation of the People's Republic of China on Foreign Exchange Administration (中華人民共和國外匯管理條例) and Provisions on the Foreign Exchange Administration of the Overseas Direct Investment of Domestic Institutions (境內機構境外直接投資外匯管理規定), corporations, enterprises or other economic organisations (domestic investors) that have been permitted to make outbound investment shall go through the procedures of registration to the Foreign Exchange Bureau (外匯管理機構). The Foreign Exchange Bureau shall issue the Foreign Exchange Registration Certificate (外匯登記證) for overseas direct investment or an IC card to the domestic institution. The domestic institution shall go through the formalities for outward remittance of funds for overseas direct investment at a designated foreign exchange bank by presenting the approval document issued by the department in charge of overseas direct investment and the Foreign Exchange Registration Certificate for overseas direct investment. The scope of foreign exchange funds for overseas direct investment of domestic institutions includes their own foreign exchange funds, domestic loans in foreign currencies in compliance with relevant provisions, foreign exchange purchased with Renminbi, material objects, intangible assets and other foreign exchange funds approved by the Foreign Exchange Bureaus for overseas direct investment. The profits gained from overseas direct investment of domestic institutions may be deposited in overseas banks and used for overseas direct investment.

According to the Administrative Measures for Foreign Debt Registration and its operating guidelines, effective as at 13 May 2013, amended on 4 May 2015 and became effective on the same date, issuers of foreign debts are required to register with SAFE. Issuers other than banks and financial departments of the government shall go through registration or record-filing procedures with the local branch of SAFE within the prescribed time limit. If the receipt and payment of funds related to the foreign debt of such issuer is not handled through a domestic bank, the issuer shall, in the event of any change in the amount of money withdrawn, principal and interest payable or outstanding debt, go through relevant record-filing procedures with the local branch of SAFE.

On 11 January 2017, PBOC issued the PBOC Notice. To further enlarge the space of cross border financing activities, facilitating the using of overseas low-cost capital by domestic enterprises and lowering the financing cost of real economy, PBOC further improved the framework of policy on the basis of overall assessment on implementation of the macro-prudence management of cross-border financing in full aperture. A one-year transitional period has been set for this pilot program, during which foreign invested enterprise and foreign invested financial institution in the PRC will be required to follow the new PBOC Notice or the existing Foreign Debt Registration Measures. After the one-year transitional period, the new PBOC Notice will automatically become applicable for foreign invested financial institution. PBOC and SAFE will decide the cross border financing management mode applicable to foreign invested enterprise upon the overall assessment on implementation of the new PBOC Notice. The Issuer has been informed by the local counterpart of SAFE that the Issuer is required to register its foreign debt issue with the local branch of SAFE within five PRC Business Days after the Issue Date in accordance with the Foreign Debt Registration Measures and the PBOC Notice. Neither PBOC nor SAFE has promulgated implementation rules of the PBOC Notice as at the date of this Offering Circular. The filing process for the aforementioned selection, the interpretation and enforcement of the PBOC Notice thus involve substantial uncertainties due to its recent promulgation and publication. If following the date of this Offering Circular, the Issuer is required to make any reporting or take other steps to comply with the PBOC Notice, the Issuer will take the necessary steps to comply with such requirements.

TAXATION

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

HONG KONG

Withholding tax

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

Profits tax

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

Under the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the “Inland Revenue Ordinance”), as it is currently applied in the Inland Revenue Department, interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (a) interest on the Bonds is 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, notwithstanding that the money in respect of which the interest is received or accrues are made available outside Hong Kong; or
- (b) interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong and such interest is derived from Hong Kong; or
- (c) interest on the Bonds is derived from Hong Kong and is received by or accrues to a person (other than a corporation) carrying on a trade, profession or business in Hong Kong and such interest is derived from Hong Kong and is in respect of the funds of the trade, profession or business; or
- (d) 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), even if the moneys in respect of which the interest is received or accrues are made available outside Hong Kong.
- (e) Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Bonds will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of the Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a corporation, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired or disposed of. 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 (as defined in section 16(3) of the Inland Revenue Ordinance) from the sale, disposal or redemption of the Bonds will be subject to profits tax.

Stamp duty

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

Estate duty

No Hong Kong estate duty is payable in respect of the Bonds.

PRC

The following summary accurately describes the principal PRC tax consequences of ownership of the Bonds by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes.

These beneficial owners are referred to as non-PRC Bondholders in this “PRC” section. In considering whether to invest in the Bonds, investors should consult their individual tax advisors with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction. Reference is made to PRC taxes from the taxable year beginning on or after 1 January 2008.

Withholding on interest

Pursuant to the Enterprise Income Tax Law of the PRC (the “**EIT Law**”), which was amended on 29 December 2018 and took effect on the same date, and its implementation regulations and Individual Income Tax Law of the PRC (“**IIT Law**”), which was amended on 31 August 2018 and took effect on 1 January 2019, and its implementation regulations, an income tax is imposed on payment of interest by way of withholding in respect of debt securities, issued by PRC enterprises to non-PRC Bondholders, including non-PRC resident enterprises and non-PRC resident individuals. The current rates of such income tax are 10 per cent. for non-PRC resident enterprises and 20 per cent. for non-PRC resident individuals. However, as there is no specific regulations or guidelines relating to the taxation of the issuance of foreign debt securities in the China (Shanghai) Pilot Free Trade Zone, there is uncertainty as to whether or not China (Shanghai) Pilot Free Trade Zone resident investors would be treated as non-resident enterprises or individuals of the PRC. In the event that China (Shanghai) Pilot Free Trade Zone resident investors holding the Bonds are treated as PRC tax residents, such holders may be subject to additional PRC taxes (or higher PRC tax rates) in relation to any interest income or gains realised on the transfer of the Bonds. China (Shanghai) Pilot Free Trade Zone resident investors should further consult their own legal and tax advisors in relation to their EIT and IIT obligations.

Such income tax shall be withheld by the Issuer that is acting as the obligatory withholder and such PRC enterprise shall withhold the tax amount from each payment due. To the extent that the PRC has entered into arrangements relating to the avoidance of double taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified non-PRC resident enterprise Bondholders. The tax so charged on interests paid on the Bonds to non-PRC Bondholders who, or which are residents of Hong Kong (including enterprise holders and individual holders) as defined in the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for

the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) which was promulgated on 21 August 2006 (the “**Arrangement**”) will be 7 per cent. of the gross amount of the interest pursuant to the Arrangement and relevant interpretation of the Arrangement formulated by the State Administration of Taxation. To enjoy this preferential tax rate of 7 per cent., the Issuer could apply, on behalf of the Bondholders, to the State Administration of Taxation of the PRC for the application of the tax rate of 7 per cent. in accordance with the Arrangement on the interest payable in respect of the Bonds.

VAT

On 23 March 2016, MOF and the State Administration of Taxation issued Circular 36 which confirms that business tax will be completely replaced by VAT from 1 May 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, VAT.

According to Circular 36, the entities and individuals providing the services within China shall be subject to VAT. The services are treated as being provided within China where either the service provider or the service recipient is located in China. 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. Based on the definition of “loans” under Circular 36, the issuance of Bonds is likely to be treated as the holders of the Bonds providing loans to the Issuer, which thus shall be regarded as financial services subject to VAT. Further, given that the Issuer is located in the PRC, the holders of the Bonds would be regarded as providing the financial services within China and consequently, the holders of the Bonds shall be subject to VAT at the rate of 6 per cent. when receiving the interest payments under the Bonds. In addition, the holders of the Bonds shall be subject to the local levies at approximately 12 per cent. of the VAT payment and consequently, the combined rate of VAT and local levies would be around 6.72 per cent. Given that the Issuer pays interest income to Bondholders who are located outside of the PRC, the Issuer, acting as the obligatory withholding in accordance with applicable law, shall withhold VAT and local levies from the payment of interest income to Bondholders who are located outside of the PRC.

However, there is uncertainty as to whether gains derived from a sale or exchange of Bonds consummated outside of the PRC between non-PRC resident Bondholders will be subject to VAT. VAT is unlikely to be applicable to any transfer of Bonds between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Bonds, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. However, as there is no specific regulations or guidelines relating to the taxation of the issuance of foreign debt securities in the China (Shanghai) Pilot Free Trade Zone, there is uncertainty as to whether or not China (Shanghai) Pilot Free Trade Zone resident investors would be treated as non-resident enterprises or individuals of the PRC. In the event that China (Shanghai) Pilot Free Trade Zone resident investors holding the Bonds are treated as PRC tax residents, such holders may be subject to additional PRC VAT on the transfer of the Bonds. China (Shanghai) Pilot Free Trade Zone resident investors should further consult their own legal and tax advisors in relation to their VAT obligations.

Circular 36 has been partly amended by the Notice of the Ministry of Finance and the State Administration of Taxation on the Policies on Construction Services and Other Items during the Period of the Pilot Program of Replacing Business Tax with Value-Added Tax (財政部、國家稅務總局關於建築服務等營改增試點政策的通知) issued on 11 July 2017, Notice of the Ministry of Finance and the State Administration of Taxation on the Value-added Tax Policies for the Deduction of Input Taxes on Rented Fixed Assets and other Matters (財政部、稅務總局關於租入固定資產進項稅額抵扣等增值政策的公告) issued on 25 December 2017 and became effective on 1 January 2018 and Announcement on Policies for Deepening the VAT Reform (關於深化增值稅改革有關政策的公告) issued on 20 March 2019 and become effective on 1 April 2019. There is uncertainty as to the application of Circular 36.

Pursuant to the EIT Law and the VAT reform detailed above, the Issuer shall withhold EIT (should such tax apply) from the payments of interest in respect of the Bonds for any non-PRC-resident Bondholder and the Issuer shall withhold VAT (should such tax apply) from the payments of interest in respect of the Bonds for any Bondholders located 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 agreed to pay such additional amounts as will result in receipt by the Bondholders 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 Bonds — Taxation*”.

Capital gains

Under the EIT Law and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a “non-resident enterprise” means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. There remains uncertainty as to whether the gains realised on the transfer of the Bonds by enterprise holders located outside of the PRC would be treated as incomes derived from sources within the PRC and be subject to PRC enterprise income tax. In addition, under the IIT Law, any individual who has no domicile and does not live within the territory of the PRC or who has no domicile but has lived within the territory of China for less than 183 days cumulatively within a tax year shall pay individual income tax for any income obtained within the PRC. There is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to the Arrangement, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds if such capital gains are not connected with an office or establishment that the Bondholders have in the PRC and all the other relevant conditions are satisfied.

Stamp Duty

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

SUBSCRIPTION AND SALE

The Issuer has entered into a subscription agreement with the Joint Lead Managers dated 5 May 2023 (the “**Subscription Agreement**”), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have severally but not jointly agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Bonds indicated in the following table.

	Principal amount of the Bonds to be subscribed
	RMB
Sigma Capital Management Limited	10,000,000
CLSA Limited	134,000,000
ICBC International Securities Limited	120,000,000
ABCI Capital Limited	40,000,000
CEB International Capital Corporation Limited	40,000,000
China Everbright Securities (HK) Limited	40,000,000
Industrial Bank Co., Ltd. Hong Kong Branch	40,000,000
SPDB International Capital Limited	40,000,000
Total	464,000,000

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

The Joint Lead Managers and certain of their respective subsidiaries or affiliates have performed certain investment banking and advisory services for, and entered into certain commercial banking transactions with, the Issuer and/or its subsidiaries, from time to time, for which they have received customary fees and expenses. The Joint Lead Managers and their respective subsidiaries or affiliates may, from time to time, engage in transactions with and perform services for the Issuer and/or its subsidiaries in the ordinary course of business.

In connection with the offering of the Bonds, the Joint Lead Managers and/or their respective affiliates may act as an investor for its own account and may take up Bonds in the offering and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Issuer and may offer or sell such securities or other investments otherwise than in connection with the offering. Accordingly, references herein to the Bonds being offered should be read as including any offering of the Bonds to the Joint Lead Managers and/or their respective affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. The Joint Lead Managers or their respective affiliates may purchase the Bonds for its own account or for the accounts of their customers and enter into transactions, including credit derivative, such as asset swaps, repackaging and credit default swaps relating to the Bonds and/or other securities of the Issuer or the Issuer’s subsidiaries or associates at the same time as the offer and sale of the Bonds 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 Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds).

In connection with the issue of the Bonds, the Joint Lead Managers appointed and acting in its capacity as the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager may, to the extent permitted by applicable laws and regulations, over-allot the Bonds or effect transactions with a view to

supporting the market price of the Bonds at a level higher than that which might otherwise prevail, but in so doing, the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager shall act as principal and not as agent of the Issuer. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the offer of the Bonds 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 Bonds and 60 days after the date of the allotment of the Bonds. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules. Any loss or profit sustained as a consequence of any such over-allotment or stabilisation shall be for the account of the Stabilisation Manager.

GENERAL

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

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

UNITED STATES

The Bonds and the SBLC have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States except in accordance with Regulation S or pursuant to any other exemption from the registration requirements of the Securities Act. Each Joint Lead Manager has represented, warranted and undertaken that it has not offered or sold, and agrees that it will not offer or sell, any Bonds constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act and, accordingly, that neither it nor any of its affiliates (nor any person acting on behalf of such Joint Lead Manager or any of its affiliates) has engaged or will engage in any directed selling efforts with respect to the Bonds.

Terms used in the paragraph above have the meanings given to them by Regulation S under the Securities Act.

EUROPEAN ECONOMIC AREA

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bond 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; and
- b. the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds.

UNITED KINGDOM

Each of the Joint Lead Manager represents and agrees that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in United Kingdom. For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following:

- (a) 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 (the “**EUWA**”); or
- (b) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “**FSMA**”) and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, 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.

Each of the Joint Lead Managers represented and agreed that:

- (a) 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 Financial Services and Markets Act 2000 (the “**FSMA**”)) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the SBLC Bank; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Bonds in, from or otherwise involving the United Kingdom.

HONG KONG

Each of the Joint Lead Managers represents and agrees that:

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

PRC

Each of the Joint Lead Managers has represented and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, by it or any of its affiliates in the PRC (for such purposes, not including the Hong Kong Special Administrative Region, the Macau Special Administrative Region or Taiwan) as part of the initial distribution of the Bonds, except in compliance with applicable laws and regulations of the People’s Republic of China. This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC to any person to whom it is unlawful or make the offer or solicitation in the PRC.

Neither this Offering Circular nor any advertisement or other offering material may be distributed or published in the PRC, except under circumstances that will result in compliance with any applicable laws and regulations.

SINGAPORE

Each Joint Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented, warranted and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “SFA”)) 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 and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

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

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

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

- (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.

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

JAPAN

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the “**FIEA**”) and each of the Joint Lead Managers has represented and agreed that it will not offer or sell any Bonds, 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.

NOTICE TO CAPITAL MARKET INTERMEDIARIES AND PROSPECTIVE INVESTORS PURSUANT TO PARAGRAPH 21 OF HONG KONG SFC CODE OF CONDUCT — IMPORTANT NOTICE CMIS (INCLUDING PRIVATE BANKS)

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

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

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

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

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

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

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

When placing an order for the Bonds, Private Banks should disclose, at the same time, if such order is placed other than on a “principal” basis (whereby it is deploying its own balance sheet for onward selling to investors). Private Banks who do not provide such disclosure are hereby deemed to be placing their order on such a “principal” basis. Otherwise, such order may be considered to be an omnibus order pursuant to the Code. Private Banks should be aware that placing an order on a “principal” basis may require the Joint Lead Managers to apply the “proprietary orders” of the Code to such order and will require the Joint Lead Managers to apply the “rebates” requirements of the Code (if applicable) to such order.

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

SUMMARY OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS

The Audited Financial Statements of the Issuer have been prepared in accordance with PRC GAAP. PRC GAAP are substantially in line with IFRS, except for certain modifications which reflect China'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 Issuer. The differences identified below are limited to those significant differences that are appropriate to the Issuer's consolidated financial statements. Since the summary is not meant to be exhaustive, there is no assurance that the summary below is complete. The Issuer has not prepared a complete reconciliation of the consolidated financial information and related footnote disclosure between PRC GAAP and IFRS and has not quantified such differences. Had any such quantification or reconciliation been undertaken by the Issuer, 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 projects ongoing that could affect future comparisons such as this one. Finally, no attempt has been made to identify future differences between PRC GAAP and IFRS that may affect the financial information as a result of transactions 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, investors must rely upon your own examination of the Issuer, the terms of the offering and other disclosure contained herein. Investors should consult their 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

Under PRC GAAP, government subsidy is required to be recognised as capital surplus if it is stipulated as a capital invested by government in the provisions of the relevant documents, and an assets-related government grant is only required to be recognised as deferred income, and evenly amortized to profit or loss over the useful life of the related asset.

Under IFRS, such assets-related government grants are allowed to be presented in the consolidated balance sheet either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

FIXED ASSETS AND INTANGIBLE ASSETS

Under PRC GAAP, only the cost model is allowed.

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

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 whose fair value cannot be reliably measured, cost model shall be applied.

Under IFRS, available-for-sale financial assets shall be measured at fair value.

GENERAL INFORMATION

1. **Clearing System:** The Bonds will be initially issued in uncertificated book-entry form held in CCDC (CCDC Code: G2380123).
2. **Authorisations:** The issue of the Bonds was authorised by resolutions of the board of directors of the Issuer dated 28 November 2022, and by resolutions of the sole shareholder of the Issuer dated 16 June 2022. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Bonds, the Trust Deed, the Agency Agreement and the SBLC except for (i) the filing of the requisite information and documents with NDRC within the time frame prescribed by the NDRC after the Issue Date, (ii) the filing with SAFE by the SBLC Bank in relation to the SBLC in accordance with the relevant laws and regulations, and (iii) the relevant registration with SAFE (if applicable) within the prescribed time.
3. **No Material Adverse Change:** There has been no material adverse change, or any development or event involving a prospective material adverse change, in the financial condition, prospects, results of operations or general affairs of the Issuer or the Group since 31 December 2021.
4. **Litigation:** None of the Issuer or any other member of the Group is involved in any litigation or arbitration proceedings which could have a material adverse effect on their business, results of operations and financial condition nor is the Issuer aware that any such proceedings are pending or threatened.
5. **Available Documents:** Copies of the Trust Deed, the SBLC and the Agency Agreement will be available during normal business hours (being 9:00 a.m. and 3:00 p.m. Hong Kong time) on any weekday (Saturdays, Sundays and public holidays excepted) at the Trustee's specified office at 1/F, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong from the Issue Date so long as any Bond is outstanding.
6. **Financial Statements:** The consolidated financial statements of the Issuer as at and for the year ended 31 December 2021, which are included elsewhere in this Offering Circular, have been audited by Zhongxinghua, as stated in its report appearing herein.
7. **Listing of Bonds:** Approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Offering Circular. Approval in-principle from, admission to the Official List of, and listing and quotation of the Bonds on, the SGX-ST are not to be taken as an indication of the merits of the offering of the Bonds, the Issuer, the Group, its subsidiaries or the quality of disclosure in this Offering Circular. For so long as such Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, such Bonds, if traded, will be traded on the SGX-ST in a minimum board lot size of at least S\$200,000 (or its equivalent in foreign currencies). For so long as the Bonds are listed on the SGX-ST and the rules of SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore where the Bonds may be presented or surrendered for payment or redemption, in the event that a global security is exchanged for Bonds in definitive form. In addition, an announcement of such exchange shall be made by the Issuer or on its behalf through the SGX-ST and such announcements will include all material information with respect to the delivery of the Bonds in definitive form, including details of the paying agent in Singapore.

INDEX TO THE FINANCIAL STATEMENTS

	Page
The Audited Consolidated Financial Statements of the Issuer as at and for the year ended 31 December 2021	
Auditor’s Report	F-3
Consolidated Balance Sheet	F-6
Balance Sheet	F-8
Consolidated Income Statement	F-10
Income Statement	F-11
Consolidated Cash Flow Statement	F-12
Cash Flow Statement	F-13
Consolidated Statement of Changes in Owners’ Equity	F-14
Statement of Changes in Owners’ Equity	F-16
Notes to the Financial Statements	F-18
 The Audited Consolidated Financial Statements of ICBC as at and for the year ended 31 December 2022	
Independent Auditor’s Report	F-105
Consolidated Statement of Profit or Loss	F-114
Consolidated Statement of Profit or Loss and Other Comprehensive Income	F-115
Consolidated Statement of Financial Position	F-116
Consolidated Statement of Changes in Equity	F-118
Consolidated Statement of Cash Flows	F-120
Notes to the Consolidated Financial Statements	F-122

**Nanchang Linkong Economic Zone City Construction
Investment and Development Group Co., Ltd. Financial
Statements 2021 - Auditor's Report**

Table of Contents

I. Auditor's Report.....	1-2
II. Audited Financial Statements	
1. Consolidated Balance Sheet.....	1-2
2. Balance Sheet.....	3-4
3. Consolidated Income Statement.....	5
4. Income Statement.....	6
5. Consolidated Cash Flow Statement.....	7
6. Cash Flow Statement.....	8
7. Consolidated Statement of Changes in Owner's Equity.....	9-10
8. Statement of Changes in Owner's Equity.....	11-12
9. Notes to Financial Statements.....	13-71
III. Annexes	
1. Practicing Certificate of Accounting Firm	
2. Practicing Certificates of Project Partner and Certified Public Accountants	

**Zhongxinghua Certified Public Accountants (Special General
Partnership) Jiangxi Branch
Nanchang, China**

Auditor's Report

Zhongxinghua Audit (2022) No. 520034

To all shareholders of Nanchang Linkong Economic Zone City Construction Investment and Development Group Co., Ltd.,

I. Audit Opinion

We have audited the attached financial statements of Nanchang Linkong Economic Zone City Construction Investment and Development Group Co., Ltd. (hereinafter referred to as "Linkong City Construction Investment"), including the consolidated and company's balance sheets as of December 31, 2021, the consolidated and company's income statements, the consolidated and company's cash flow statements and the consolidated and company's statements of changes in owner's equity for the year then ended, and the relevant notes to financial statements.

In our opinion, the attached financial statements present fairly, in all material respects, the consolidated and company's financial positions of Linkong City Construction Investment as at December 31, 2021, and the consolidated and company's operating results and cash flows for the year then ended in accordance with the requirements of the Accounting Standards for Business Enterprises.

II. Basis for Audit Opinion

We have conducted our audit in accordance with the Auditing Standards for Chinese Certified Public Accountants. "Responsibilities of Certified Public Accountants for Audit of Financial Statements" in the auditor's report further states our responsibilities under these standards. As per the code of ethics of Chinese certified public accountants, we are independent of Linkong City Construction Investment and have fulfilled other responsibilities as required by the code of ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Responsibilities of Management and Those Charged with Governance for these Financial Statements

The management of Linkong City Construction Investment is responsible for the preparation of financial statements in accordance with the Accounting Standards for Business Enterprises to achieve fair presentation, and design, implementation and maintenance of necessary internal control to enable these financial statements are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, the management is responsible for assessing Linkong City Construction Investment's ability to continue as a going concern, disclosing, as applicable, matters relevant to going concern and using the going concern basis of accounting unless the management either intends to liquidate Linkong City Construction Investment or to ceases operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Linkong City Construction Investment's financial reporting process.

IV. Responsibilities of Certified Public Accountants for Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether these 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 the Auditing Standards for Chinese Certified Public Accountants 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 the Auditing Standards for Chinese Certified Public Accountants, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

(I) Identify and assess the risks of material misstatement of these financial statements, whether due to fraud or error; design and perform audit testing in response 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.

(II) 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 internal control.

(III) Evaluate the appropriateness of accounting policies used and the rationality of accounting estimates and relevant disclosures made by the management.

(IV) 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 relevant to events or conditions that may cast significant doubt on Linkong City Construction Investment's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the relevant disclosures in these financial statements or, if such disclosures are inadequate, we are required to express unqualified opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Linkong City Construction Investment to cease to continue as a going concern.

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

(VI) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Linkong City Construction Investment to express an opinion on these financial statements. We are responsible for directing, supervising and executing the group audit, and assume full responsibility for the audit opinions.

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



Chinese CPA:



Chinese CPA:



April 18, 2022

Consolidated Balance Sheet

December 31, 2021

Prepared by: Nanchang Linkong Economic Zone City Construction Investment and Development Group Co., Ltd.

Monetary Unit: RMB Yuan

Item	Note V	Closing balance	Opening balance
Current assets:			
Monetary capital	(I)	1,540,904,984.99	2,405,788,269.44
Trading financial assets			
Derivative financial assets			
Notes receivable			
Accounts receivable	(II)	1,807,191,290.55	2,625,157,873.79
Accounts receivable financing			
Prepayment	(III)	381,413,352.50	423,756,096.43
Other receivables	(IV)	5,152,838,443.28	3,397,967,547.24
Inventory	(V)	4,760,631,378.62	4,813,545,012.02
Contract assets			
Held-for-sale assets			
Non-current assets maturing within one year	(VI)	7,000,000.00	144,000,000.00
Other current assets	(VII)	450,109,086.35	412,684,118.42
Total current assets		14,100,088,536.29	14,222,898,917.34
No-current assets:			
Debt investments	(VIII)	173,596,800.00	173,596,800.00
Other debt investments			
Long-term receivables	(IX)	35,070,140.28	384,070,140.28
Long-term equity investment	(X)	18,515,886.61	19,423,501.68
Other equity instrument investment	(XI)		50,000,000.00
Other non-current financial assets			
Investment real estate	(XII)	9,881,869,245.99	9,648,005,307.00
Fixed assets	(XIII)	64,890,147.27	68,070,892.45
Construction in progress			
Productive biological assets			
Oil-and-gas assets			
Right-of-use assets			
Intangible assets	(XIV)	94,600.22	103,492.75
Development expenditure			
Goodwill	(XV)	43,656.56	43,656.56
Long-term deferred expenses	(XVI)	3,641,164.42	861,132.14
Deferred tax assets	(XVII)	2,488,499.55	9,484,697.47
Other non-current assets			
Total non-current assets		10,180,210,140.90	10,353,659,620.33
Total assets		24,280,298,677.19	24,576,558,537.67

(The attached notes form an integral part of these financial statements)

Legal Representative:

Person in Charge of Accounting:

Person in Charge of Accounting Firm:

Consolidated Balance Sheet (Continued)

December 31, 2021

Prepared by: Nanchang Linkong Economic Zone City Construction Investment and Development Group Co., Ltd.

Monetary Unit: RMB Yuan

Item	Note V	Closing balance	Opening balance
Current liabilities:			
Short-term loans	(XVIII)	865,000,000.00	1,190,000,000.00
Trading financial liabilities			
Derivative financial liabilities			
Notes payable			
Accounts payable	(XIX)	1,502,290,748.61	1,838,949,468.68
Advances from customers			
Contract liabilities	(XX)	10,010,028.97	54,113,356.93
Payroll payable	(XXI)	1,032,088.62	3,330,298.83
Taxes payable	(XXII)	74,064,470.15	76,363,418.01
Other payables	(XXIII)	797,397,373.34	582,577,022.70
Held-for-sale liabilities			
Non-current liabilities maturing within one year	(XXIV)	1,824,353,203.09	571,006,450.00
Other current liabilities	(XXV)	895,205.38	4,870,202.12
Total current liabilities		5,075,043,118.16	4,321,210,217.27
Non-current liabilities:			
Long-term loans	(XXVI)	6,624,979,000.00	7,715,978,550.00
Bonds payable	(XXVII)	413,088,510.51	422,755,340.15
Lease liabilities			
Long-term payables	(XXVIII)	1,047,354,447.13	1,079,763,597.36
Provisions			
Deferred income	(XXIX)	9,866,789.72	15,077,800.62
Deferred tax liabilities	(XVII)	1,043,795,635.55	1,030,061,106.63
Other non-current liabilities			
Total non-current liabilities		9,139,084,382.91	10,263,636,394.76
Total liabilities		14,214,127,501.07	14,584,846,612.03
Owner's equity:			
Paid-in capital (or share capital)	(XXX)	1,381,421,161.00	1,381,421,161.00
Other equity instruments			
Capital reserve	(XXXI)	25,868,799.58	25,868,799.58
Less: Treasury stocks			
Other comprehensive income	(XXXII)	1,330,515,931.81	1,331,634,665.10
Special reserve			
Surplus reserve	(XXXIII)	7,195,621.60	6,826,788.42
Undistributed profit	(XXXIV)	582,788,914.96	548,323,287.63
Total of shareholders' equity attributable to parent company		3,327,790,428.95	3,294,074,701.73
Minority interests		6,738,380,747.17	6,697,637,223.91
Total shareholder's equity		10,066,171,176.12	9,991,711,925.64
Total liabilities and shareholder's equity		24,280,298,677.19	24,576,558,537.67

(The attached notes form an integral part of these financial statements)

Legal Representative:

Person in Charge of Accounting:

Person in Charge of Accounting Firm:

Balance Sheet

December 31, 2021

Prepared by: Nanchang Linkong Economic Zone City Construction Investment and Development Group Co., Ltd.

Monetary Unit: RMB Yuan

Item	Note XII	Closing balance	Opening balance
Current assets:			
Monetary capital		346,145,169.03	764,283,903.73
Trading financial assets			
Derivative financial assets			
Notes receivable			
Accounts receivable	(I)	407,353,502.22	295,563,738.53
Accounts receivable financing			
Prepayment		217,399,103.61	285,809,777.58
Other receivables	(II)	2,824,431,015.47	3,454,586,759.73
Inventory		54,785,211.14	34,503,776.79
Contract assets			
Held-for-sale assets			
Non-current assets maturing within one year			
Other current assets		32,187,787.91	8,250,221.57
Total current assets		3,882,301,789.38	4,842,998,177.93
No-current assets:			
Debt investments			
Other debt investments			
Long-term receivables		35,070,140.28	35,070,140.28
Long-term equity investment	(III)	3,237,094,011.81	3,234,094,927.04
Other equity instrument investment			
Other non-current financial assets			
Investment real estate		217,952,812.00	213,760,595.00
Fixed assets		108,649.17	144,395.43
Construction in progress			
Productive biological assets			
Oil-and-gas assets			
Right-of-use assets			
Intangible assets		12,817.75	15,894.91
Development expenditure			
Long-term deferred expenses		3,453.12	
Deferred tax assets		42,357.67	238,986.16
Other non-current assets			
Total non-current assets		3,490,284,241.80	3,483,324,938.82
Total assets		7,372,586,031.18	8,326,323,116.75

(The attached notes form an integral part of these financial statements)

Legal Representative:

Person in Charge of Accounting:

Person in Charge of Accounting Firm:

Balance Sheet (Continued)

December 31, 2021

Prepared by: Nanchang Linkong Economic Zone City Construction Investment and Development Group Co., Ltd.

Monetary Unit: RMB Yuan

Item	Note XII	Closing balance	Opening balance
Current liabilities:			
Short-term loans			
Trading financial liabilities			
Derivative financial liabilities			
Notes payable			
Accounts payable		11,787,418.20	493,215,067.61
Advances from customers		1,750,000,000.00	1,750,000,000.00
Contract liabilities			
Payroll payable			
Taxes payable			11,175.00
Other payables		2,067,690,835.03	2,643,309,393.57
Held-for-sale liabilities			
Non-current liabilities maturing within one year		66,000,000.00	35,000,000.00
Other current liabilities			
Total current liabilities		3,895,478,253.23	4,921,535,636.18
Non-current liabilities:			
Long-term loans		1,110,000,000.00	955,000,000.00
Bonds payable		413,088,510.51	422,755,340.15
Lease liabilities			
Long-term payables		466,746,681.32	543,493,147.88
Provisions			
Deferred income			
Deferred tax liabilities		10,355,328.56	10,310,066.75
Other non-current liabilities			
Total non-current liabilities		2,000,190,520.39	1,931,558,554.78
Total liabilities		5,895,668,773.62	6,853,094,190.96
Owner's equity:			
Paid-in capital (or share capital)		1,381,421,161.00	1,381,421,161.00
Other equity instruments			
Capital reserve			
Less: Treasury stocks			
Other comprehensive income		30,770,281.68	30,770,281.68
Special reserve			
Surplus reserve		7,195,621.60	6,826,788.42
Undistributed profit		57,530,193.28	54,210,694.69
Total shareholder's equity		1,476,917,257.56	1,473,228,925.79
Total liabilities and shareholder's equity		7,372,586,031.18	8,326,323,116.75

(The attached notes form an integral part of these financial statements)

Legal Representative:

Person in Charge of Accounting:

Person in Charge of Accounting Firm:

Consolidated Income Statement

2021

Prepared by: Nanchang Linkong Economic Zone City Construction Investment and Development Group Co., Ltd.

Monetary Unit: RMB Yuan

Item	Note V	Amount for the current period	Amount for the previous period
I. Total operating income		961,596,658.19	993,792,762.71
Including: Operating income	(XXXV)	961,596,658.19	993,792,762.71
II. Total operating costs		926,607,855.97	927,698,014.07
Including: Operating costs	(XXXV)	832,131,370.53	818,634,740.29
Taxes and surcharges	(XXXVI)	27,820,091.57	30,376,945.08
Selling expenses	(XXXVII)	1,366,599.02	1,565,818.47
Administrative expenses	(XXXVIII)	35,268,401.20	40,310,941.04
R&D expenses			
Financial expenses	(XXXIX)	30,021,393.65	36,809,569.19
Including: Interest expenses	(XL)	9,522,865.17	15,859,605.62
Investment income (loss indicated with "-")	(XLI)	-819,952.11	1,225,089.89
Including: Income from investments in associates and joint ventures		-819,952.11	1,225,089.89
Incomes from de-recognition of financial assets measured by amortized cost			
Exchange gains (losses indicated with "-")			
Income from net exposure hedging (loss indicated with "-")			
Income from change of fair value (loss indicated with "-")	(XLII)	59,058,679.57	693,359,606.61
Credit impairment loss (loss indicated with "-")	(XLIII)	27,984,791.77	
Asset impairment loss (loss indicated with "-")	(XLIV)		-18,751,502.37
Income from disposal of asset (loss indicated with "-")	(XLV)		213,749.54
III. Operating profit (loss indicated with "-")		130,735,186.62	758,001,297.93
Add: Non-operating income	(XLVI)	299,504.04	402,175.63
Less: Non-operating expenditures	(XLVII)	4,550,987.56	196,911.76
IV. Total profit (total loss indicated with "-")		126,483,703.10	758,206,561.80
Less: Income tax expenses	(XLVIII)	51,934,029.18	196,061,785.37
V. Net profit (net loss indicated with "-")		74,549,673.92	562,144,776.43
(I) Classification by going concern			
1. Net profits from going concern (net loss indicated with "-")		74,549,673.92	562,144,776.43
2. Net profits from termination of operation (net loss indicated with "-")			
(I) Classification by ownership			
1. Net profits attributable to the shareholders of the parent company (net losses indicated with "-")		34,834,460.51	402,120,427.62
2. Minority interest income (net losses indicated with "-")		39,715,213.41	160,024,348.81
VI. Post-tax net amount of other comprehensive income		-3,090,423.44	19,320,531.12
(I) Post-tax net amount of other comprehensive income attributable to the owners of the parent company		-1,118,733.29	6,994,032.27
1. Other comprehensive income that cannot be reclassified into profit or loss			
(1) Changes from re-measurement of defined benefit plan			
(2) Other comprehensive income that cannot be carried over to profit or loss under equity method			
(3) Changes in fair value of other equity instrument investments			
(4) Changes in the fair value of the enterprise's own credit risks			
2. Other comprehensive income that will be re-classified into profit or loss		-1,118,733.29	6,994,032.27
(1) Other comprehensive income that can be carried over to profit or loss under the equity method			
(2) Changes in fair value of other debt investments			
(3) Amounts of financial assets reclassified into other comprehensive income			
(4) Credit impairment provision of other debt investments			
(5) Hedging reserve of cash flows			
(6) Conversion of owner-occupied real estate or inventories to investment real estate measured using the fair value model		-1,118,733.29	6,994,032.27
(II) Post-tax net amount of other comprehensive income attributable to minority shareholders		-1,971,690.15	12,326,498.85
VII. Total comprehensive income		71,459,250.48	581,465,307.55
(I) Total comprehensive income attributable to the owners of the parent company		33,715,727.22	409,114,459.89
(II) Total comprehensive income attributable to minority shareholders		37,743,523.26	172,350,847.66
VIII. Earnings per share (EPS):			
(I) Basic EPS			
(II) Diluted EPS			

(The attached notes form an integral part of these financial statements)

Legal Representative:

Person in Charge of Accounting:

Person in Charge of Accounting Firm:

Income Statement

2021

Prepared by: Nanchang Linkong Economic Zone City Construction Investment and Development Group Co., Ltd.

Monetary Unit: RMB Yuan

Item	Note XII	Amount for the current period	Amount for the previous period
I. Total operating income		385,036,716.70	385,087,640.22
Including: Operating income	(IV)	385,036,716.70	385,087,640.22
II. Total operating costs		381,109,182.58	367,518,540.43
Including: Operating costs	(IV)	374,163,868.55	357,476,770.18
Taxes and surcharges		1,647,223.01	1,636,261.05
Selling expenses			
Administrative expenses		5,280,832.53	8,385,108.21
R&D expenses			
Financial expenses		17,258.49	20,400.99
Including: Interest expenses		5,302.34	24,843.01
Investment income (loss indicated with "-")	(V)	-915.23	9,668.08
Including: Income from investments in associates and joint ventures		-915.23	9,668.08
Incomes from de-recognition of financial assets measured by amortized cost			
Exchange gains (losses indicated with "-")			
Income from net exposure hedging (loss indicated with "-")			
Income from change of fair value (loss indicated with "-")		181,047.27	213,224.74
Credit impairment loss (loss indicated with "-")		786,513.97	
Asset impairment loss (loss indicated with "-")			-955,796.35
Income from disposal of asset (loss indicated with "-")			90,943.80
III. Operating profit (loss indicated with "-")		4,899,482.47	16,951,983.07
Add: Non-operating income		18,307.53	0.02
Less: Non-operating expenditures		10.74	196,800.00
IV. Total profit (total loss indicated with "-")		4,917,779.26	16,755,183.09
Less: Income tax expenses		1,229,447.49	4,187,981.04
V. Net profit (net loss indicated with "-")		3,688,331.77	12,567,202.05
(I) Net profits from going concern (net losses indicated with "-")		3,688,331.77	12,567,202.05
(II) Net profit from termination of operation (net loss indicated with "-")			
VI. Post-tax net amount of other comprehensive income			
(I) Other comprehensive income that cannot be re-classified into profit or loss			
1. Re-measurement of change of defined benefits plan			
2. Other comprehensive income that cannot be transferred into profit or loss under equity method			
3. Changes in fair value of other equity instrument investments			
4. Changes in the fair value of the enterprise's own credit risk			
(II) Other comprehensive income that will be re-classified into profit or loss			
1. Other comprehensive income that can be transferred into profit or loss under equity method			
2. Changes in fair value of other debt investments			
3. Amount of financial assets reclassified into other comprehensive income			
4. Credit impairment reserve for other debt investments			
5. Hedging reserve of cash flows			
6. Conversion of owner-occupied real estate or inventories to investment real estate measured using the fair value model			
VII. Total comprehensive income		3,688,331.77	12,567,202.05

(The attached notes form an integral part of these financial statements)

Legal Representative:

Person in Charge of Accounting:

Person in Charge of Accounting Firm:

Consolidated Cash Flow Statement

2021

Prepared by: Nanchang Linkong Economic Zone City Construction Investment and Development Group Co., Ltd.

Monetary Unit: RMB Yuan

Item	Amount for the current period	Amount for the previous period
I. Cash flow from operating activities:		
Cash received from sale of goods and rendering of services	493,379,843.99	716,927,574.83
Refund of tax and levies	5,080,993.73	
Other cash received relating to operating activities	1,374,587,809.97	508,516,356.25
Subtotal of cash inflows of operating activities	1,873,048,647.69	1,225,443,931.08
Cash paid for goods or receiving services	290,022,799.15	1,560,334,645.60
Cash paid to and for employees	32,190,928.74	32,294,229.06
Tax payments	90,199,603.84	77,926,815.50
Other cash paid relating to operating activities	1,253,080,809.06	1,121,045,092.33
Subtotal of cash outflows of operating activities	1,665,494,140.79	2,791,600,782.49
Net cash flows from operating activities	207,554,506.90	-1,566,156,851.41
II. Cash flows from investing activities:		
Cash received from return on investments		
Cash received from investment income	87,662.96	
Net cash from disposal of fixed assets, intangible assets and other long-term assets		320,000.00
Net cash received for disposing of subsidiaries and other business entities		
Other cash received relating to investing activities	50,000,000.00	15,030,060.12
Subtotal of cash inflows from investing activities	50,087,662.96	15,350,060.12
Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets	639,005,827.79	432,493,037.32
Cash paid for investment		111,236,000.00
Net cash paid for acquisition of subsidiaries and other business entities		
Other cash paid relating to investing activities	451,080,294.33	200,000,000.00
Subtotal of cash outflow from investing activities	1,090,086,122.12	743,729,037.32
Net cash flows from investing activities	-1,039,998,459.16	-728,378,977.20
III. Cash flows from financing activities:		
Cash received from absorbing investment	3,000,000.00	51,000,000.00
Including: Cash received from minority shareholder investment by subsidiaries	3,000,000.00	
Cash received from loans	1,715,000,000.00	3,613,000,000.00
Cash received from issuing bonds		457,204,759.20
Other cash received relating to financing activities	1,376,669,329.48	370,000,000.00
Subtotal of cash inflow from financing activities	3,094,669,329.48	4,491,204,759.20
Cash paid for repaying debts	1,929,209,000.00	3,075,515,000.00
Cash paid for distribution of dividends and profits or for interests	497,839,459.64	332,634,289.75
Including: Dividends and profits paid to minority shareholders by subsidiaries		
Other cash paid relating to financing activities	700,060,202.03	49,498,400.00
Subtotal of cash outflow from financing activities	3,127,108,661.67	3,457,647,689.75
Net cash flows from financing activities	-32,439,332.19	1,033,557,069.45
IV. Effect of exchange rate changes on cash and cash equivalents		
V. Net increase in cash and cash equivalents	-864,883,284.45	-1,260,978,759.16
Add: Opening balance of cash and cash equivalents	1,756,289,869.44	3,017,268,628.60
VI. Closing balance of cash and cash equivalents	891,406,584.99	1,756,289,869.44

(The attached notes form an integral part of these financial statements)

Legal Representative:

Person in Charge of Accounting:

Person in Charge of Accounting Firm:

Cash Flow Statement

2021

Prepared by: Nanchang Linkong Economic Zone City Construction Investment and Development Group Co., Ltd.

Monetary Unit: RMB Yuan

Item	Amount for the current period	Amount for the previous period
I. Cash flow from operating activities:		
Cash received from sale of goods and rendering of services	137,760,527.19	94,427,977.76
Refund of tax and levies		
Other cash received relating to operating activities	107,551,807.55	1,735,846,763.30
Subtotal of cash inflows of operating activities	245,312,334.74	1,830,274,741.06
Cash paid for goods or receiving services		373,994,587.82
Cash paid to and for employees	3,160,028.58	4,675,361.98
Tax payments	16,131,833.43	13,176,400.53
Other cash paid relating to operating activities	107,122,646.51	5,141,371,332.35
Subtotal of cash outflows of operating activities	126,414,508.52	5,533,217,682.68
Net cash flows from operating activities	118,897,826.22	-3,702,942,941.62
II. Cash flows from investing activities:		
Cash received from return on investments		1,750,000,000.00
Cash received from investment income		
Net cash from disposal of fixed assets, intangible assets and other long-term assets		116,000.00
Other cash received relating to investing activities	1,933,218,773.62	15,030,060.12
Subtotal of cash inflows from investing activities	1,933,218,773.62	1,765,146,060.12
Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets	319,230,477.72	33,055,770.88
Cash paid for investment	3,000,000.00	52,416,000.00
Net cash paid for acquisition of subsidiaries and other business entities		
Other cash paid relating to investing activities	2,676,612,197.70	
Subtotal of cash outflow from investing activities	2,998,842,675.42	85,471,770.88
Net cash flows from investing activities	-1,065,623,901.80	1,679,674,289.24
III. Cash flows from financing activities:		
Cash received from absorbing investment		
Cash received from loans	230,000,000.00	1,090,000,000.00
Cash received from issuing bonds		457,204,759.20
Other cash received relating to financing activities	952,085,070.38	370,000,000.00
Subtotal of cash inflow from financing activities	1,182,085,070.38	1,917,204,759.20
Cash paid for repaying debts	44,000,000.00	
Cash paid for distribution of dividends and profits or for interests	74,199,428.61	
Other cash paid relating to financing activities	535,298,300.89	49,498,400.00
Subtotal of cash outflow from financing activities	653,497,729.50	49,498,400.00
Net cash flows from financing activities	528,587,340.88	1,867,706,359.20
IV. Effect of exchange rate changes on cash and cash equivalents		
V. Net increase in cash and cash equivalents	-418,138,734.70	-155,562,293.18
Add: Opening balance of cash and cash equivalents	714,785,503.73	870,347,796.91
VI. Closing balance of cash and cash equivalents	296,646,769.03	714,785,503.73

(The attached notes form an integral part of these financial statements)

Legal Representative:

Person in Charge of Accounting:

Person in Charge of Accounting Firm:

Consolidated Statement of Changes in Owner's Equity

Prepared by: Nanchang Linkong Economic Zone City Construction Investment and Development Group Co., Ltd. 2021 Monetary Unit: RMB Yuan

Item		Amount for the current year											Total owner's equity	
		Owner's equity attributable to the parent company												Minority interests
		Paid-in capital	Other equity instruments			Capital reserve	Less: Treasury stocks	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Subtotal		
			Preferred stocks	Perpetual bond	Other									
I. Closing balance for the previous year		1,381,421,161.00			25,868,799.58		1,331,634,665.10		6,826,788.42	548,323,287.63	3,294,074,701.73	6,697,637,223.91	9,991,711,925.64	
Add: Changes in accounting policies														
Correction of previous accounting errors														
Other														
II. Opening balance for the current year		1,381,421,161.00			25,868,799.58		1,331,634,665.10		6,826,788.42	548,323,287.63	3,294,074,701.73	6,697,637,223.91	9,991,711,925.64	
III. Increase or decrease for the current year (decrease indicated with "-")							-1,118,733.29		368,833.18	34,465,627.33	33,715,727.22	40,743,523.26	74,459,250.48	
(I) Total comprehensive income							-1,118,733.29			34,834,460.51	33,715,727.22	37,743,523.26	71,459,250.48	
(II) Capital invested and reduced by owners												3,000,000.00	3,000,000.00	
1. Ordinary shares invested by owners (or shareholders)														
2. Capital invested by holders of other equity instruments														
3. Amount of share-based payments recognized in the owner's equity														
4. Other														
(III) Profit distribution														
1. Withdrawal of surplus reserve									368,833.18	-368,833.18				
2. Distribution to owners (or shareholders)									368,833.18	-368,833.18				
3. Other														
(IV) Internal carryover of owner's equity														
1. Conversion of capital reserve into capital (or paid-in capital (or share capital))														
2. Conversion of surplus reserve into capital (or paid-in capital (or share capital))														
3. Recovery of losses with surplus reserve														
4. Retained earnings carried over from changes of defined benefit plan														
5. Retained income carried over from other comprehensive income														
6. Other														
IV. Closing balance for the current year		1,381,421,161.00			25,868,799.58		1,330,515,931.81		7,195,621.60	582,788,914.96	3,327,790,428.95	6,738,380,747.17	10,066,171,176.12	

(The attached notes form an integral part of these financial statements)

Person in Charge of Accounting:

Person in Charge of Accounting Firm:

Legal Representative:

Consolidated Statement of Changes in Owner's Equity (Continued)

Prepared by: Nanchang Linkong Economic Zone City Construction Investment and Development Group Co., Ltd. 2021 Monetary Unit: RMB Yuan

Item	Amount for the current year											Minority interests	Total owner's equity	
	Owner's equity attributable to the parent company													
	Paid-in capital	Other equity instruments			Capital reserve	Less: Treasury stocks	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Subtotal			
Preferred stocks		Perpetual bond	Other											
I. Closing balance for the previous year	1,381,421,161.00											2,859,091,442.26	6,509,775,175.83	9,368,866,618.09
Add: Changes in accounting policies														
Correction of previous accounting errors														
Other														
II. Opening balance for the current year	1,381,421,161.00											2,859,091,442.26	6,509,775,175.83	9,368,866,618.09
III. Increase or decrease for the current year (decrease indicated with "-")												434,983,259.47	187,862,048.08	622,845,307.55
(I) Total comprehensive income												409,114,459.89	172,350,847.66	581,465,307.55
(II) Capital invested and reduced by owners												25,868,799.58	15,511,200.42	41,380,000.00
1. Ordinary shares invested by owners (or shareholders)														
2. Capital invested by holders of other equity instruments														
3. Amount of share-based payments recognized in the owner's equity														
4. Other												25,868,799.58	15,511,200.42	
(III) Profit distribution														
1. Withdrawal of surplus reserve														
2. Distribution to owners (or shareholders)														
3. Other														
(IV) Internal carryover of owner's equity														
1. Conversion of capital reserve into capital (or paid-in capital (or share capital))														
2. Conversion of surplus reserve into capital (or paid-in capital (or share capital))														
3. Recovery of losses with surplus reserve														
4. Retained earnings carried over from changes of defined benefit plan														
5. Retained income carried over from other comprehensive income														
6. Other														
IV. Closing balance for the current year	1,381,421,161.00											3,294,074,701.73	6,697,637,223.91	9,991,711,925.64

(The attached notes form an integral part of these financial statements)

Legal Representative:

Person in Charge of Accounting:

Person in Charge of Accounting Firm:

Statement of Changes in Owner's Equity

Prepared by: Nanchang Linkong Economic Zone City Construction Investment and Development Group Co., Ltd. 2021 Monetary Unit: RMB Yuan

Item	Paid-in capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury stocks	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total owner's equity
		Preferred stocks	Perpetual bond	Other							
I. Closing balance for the previous year	1,381,421,161.00						30,770,281.68		6,826,788.42	54,210,694.69	1,473,228,925.79
Add: Changes in accounting policies											
Correction of previous accounting errors											
Other											
II. Opening balance for the current year	1,381,421,161.00						30,770,281.68		6,826,788.42	54,210,694.69	1,473,228,925.79
III. Increase or decrease for the current year (decrease indicated with "-")											
(I) Total comprehensive income									368,833.18	3,319,498.59	3,688,331.77
(II) Capital invested and reduced by owners											
1. Ordinary shares invested by owners (or shareholders)											
2. Capital invested by holders of other equity instruments											
3. Amount of share-based payments recognized in the owner's equity											
4. Other											
(III) Profit distribution											
1. Withdrawal of surplus reserve									368,833.18	-368,833.18	
2. Distribution to owners (or shareholders)									368,833.18	-368,833.18	
3. Other											
(IV) Internal carryover of owner's equity											
1. Conversion of capital reserve into capital (or paid-in capital (or share capital))											
2. Conversion of surplus reserve into capital (or paid-in capital (or share capital))											
3. Recovery of losses with surplus reserve											
4. Retained earnings carried over from changes of defined benefit plan											
5. Retained income carried over from other comprehensive income											
6. Other											
IV. Closing balance for the current year	1,381,421,161.00						30,770,281.68		7,195,621.60	57,530,193.28	1,476,917,257.56

(The attached notes form an integral part of these financial statements)

Legal Representative:

Person in Charge of Accounting:

Person in Charge of Accounting Firm:

Statement of Changes in Owner's Equity (Continued)

Prepared by: Nanchang Linkong Economic Zone City Construction Investment and Development Group Co., Ltd. 2021 Monetary Unit: RMB Yuan

Item	Amount for the previous year						Special reserve	Surplus reserve	Undistributed profit	Total owner's equity
	Paid-in capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury stocks	Other comprehensive income			
		Preferred stocks	Perpetual bond	Other						
I. Closing balance for the previous year	1,381,421,161.00						30,770,281.68	5,570,068.22	42,900,212.84	1,460,661,723.74
Add: Changes in accounting policies										
Correction of previous accounting errors										
Other										
II. Opening balance for the current year	1,381,421,161.00						30,770,281.68	5,570,068.22	42,900,212.84	1,460,661,723.74
III. Increase or decrease for the current year (decrease indicated with "-")										
(I) Total comprehensive income										
(II) Capital invested and reduced by owners										
1. Ordinary shares invested by owners (or shareholders)										
2. Capital invested by holders of other equity instruments										
3. Amount of share-based payments recognized in the owner's equity										
4. Other										
(III) Profit distribution										
1. Withdrawal of surplus reserve								1,256,720.20	-1,256,720.20	
2. Distribution to owners (or shareholders)								1,256,720.20	-1,256,720.20	
3. Other										
(IV) Internal carryover of owner's equity										
1. Conversion of capital reserve into capital (or paid-in capital (or share capital))										
2. Conversion of surplus reserve into capital (or paid-in capital (or share capital))										
3. Recovery of losses with surplus reserve										
4. Retained earnings carried over from changes of defined benefit plan										
5. Retained income carried over from other comprehensive income										
6. Other										
IV. Closing balance for the current year	1,381,421,161.00						30,770,281.68	6,826,788.42	54,210,694.69	1,473,228,925.79

(The attached notes form an integral part of these financial statements)

Legal Representative: Person in Charge of Accounting: Person in Charge of Accounting Firm:

Nanchang Linkong Economic Zone City Construction Investment and Development Group Co., Ltd. Notes to Financial Statements 2021

Prepared by: Nanchang Linkong Economic Zone City Construction
Investment and Development Group Co., Ltd.

Monetary Unit: RMB Yuan

I. General Information about the Company

(I) General Information

Nanchang Linkong Economic Zone City Construction Investment and Development Group Co. (hereinafter referred to as “Company” or “the Company”) is a wholly state-owned company established through the investment of the Nanchang Linkong Economic Zone Administrative Committee and was registered with the Nanchang Administration for Market and Quality Supervision on September 12, 2014. The Company’s uniform social credit code is 91360126314657064K, registered capital is RMB One Billion Three Hundred and Eighty-One Million Four Hundred and Twenty-One Thousand One Hundred and Sixty-One Yuan in Total, and paid-in capital is RMB One Billion Three Hundred and Eighty-One Million Four Hundred and Twenty-One Thousand One Hundred and Sixty-One Yuan in Total.

In accordance with the Notice (Hong Lin Kong Guan Ban Chao Zi No. [2020] 12) of the Office of the Party Working Committee of Nanchang Linkong Economic Zone, with the consent of the Nanchang Linkong Economic Zone Administrative Committee, all the assets of the Company were injected into Jiangxi Jinlin Industrial Holding Co., Ltd. as equity capital, and the final amount of the injected assets shall be subject to the appraisal amount. The shareholder of the Company was changed from Nanchang Linkong Economic Zone Administrative Committee to Jiangxi Jinlin Industrial Holding Co., Ltd. and such business change registration was completed on June 8, 2020.

Registered office of the Company: 3/F, No. 360, Xianghe 4th Road, Nanchang Linkong Economic Zone, Jiangxi Province; Legal representative: Deng Yuhui.

Business scope of the Company: Construction, management and operation of urban infrastructure and supporting projects; project investment consulting, planning and feasibility study; comprehensive urban development (including land level development, except for those restricted by law), project investment and management; housing rental; domestic trade. (Any business item which requires

examination and approval as stipulated by laws and regulations cannot be engaged until all required approval documents have been granted by the relevant departments)

These financial statements have been approved by the Company's Board of Directors on April 18, 2022.

(II) Scope of Consolidated Financial Statements

The scope of consolidation included in the consolidated financial statements of the Company for the reporting period included Nanchang Linkong Real Estate Investment Co., Ltd. (hereinafter referred to as "Linkong Real Estate"), Nanchang Linkong Deheng Asset Investment Co., Ltd. (hereinafter referred to as "Linkong Deheng"), Nanchang Dezheng Real Estate Investment Co., Ltd. (hereinafter referred to as "Dezheng Real Estate"), Nanchang Yude Real Estate Development Co., Ltd. (hereinafter referred to as "Yude Real Estate"), Nanchang Linkong Debin Real Estate Development Co., Ltd. (hereinafter referred to as "Linkong Debin"), Nanchang Linkong Park Comprehensive Service Co., Ltd. (hereinafter referred to as "Linkong Park"), Jiangxi Linkong Xianfeng Entrepreneurship and Innovation Management Co., Ltd. (hereinafter referred to as "Linkong Xianfeng"), Jiangxi Linkong Zhongjiang Industrial Development Co., Ltd. (hereinafter referred to as "Linkong Zhongjiang"), Nanchang Linkong Dexin Land Development and Consolidation Co., Ltd. (hereinafter referred to as "Linkong Dexin"), Nanchang Linkong Industry Equity Investment Management Co., Ltd. (hereinafter referred to as "Linkong Industry"), Jiangxi Ganjiang New Area Linkong Municipal Administration and Protection Co., Ltd. (hereinafter referred to as "Linkong Municipal Administration and Protection"), Nanchang Linkong Lingang Investment and Development Co., Ltd. (hereinafter referred to as "Linkong Lingang"), Jiangxi Dekai Construction Co., Ltd. (hereinafter referred to as "Linkong Dekai"), Nanchang Linkong Dezhu Engineering Project Management Co., Ltd. (hereinafter referred to as "Linkong Dezhu"), Nanchang Linkong Dekai Real Estate Development Co., Ltd. (hereinafter referred to as "Dekai Real Estate") and Nanchang Degang Real Estate Development Co., Ltd. (hereinafter referred to as "Degang Real Estate") and Jiangxi Deshu Information Technology Co., Ltd. (hereinafter referred to as "Deshu Information"), a total of 17 subsidiaries. A new subsidiary Jiangxi Dejiu Information Technology Co., Ltd. was added during the reporting period.

The changes in the scope of consolidated statements are more fully described in Note VI "Changes in the Scope of Consolidation". Subsidiaries are more fully described in the relevant content of Note VII "Equity in Other Entities".

II. Basis of Preparation of Financial Statements

(I) Basis of Preparation

Based on the actual transactions and events, the Company prepares its financial statements on a going concern basis and in accordance with the *Accounting Standards for Business Enterprises - Basic Standards* and other specific accounting standards, application guidance, interpretations of standards and other relevant provisions (hereinafter collectively referred to as “Accounting Standards for Business Enterprises”), as well as the significant accounting policies and estimates described below.

(II) Going Concern

The Company has the ability to continue as a going concern for at least 12 months from the end of the reporting period and. Using all available information, no material events have come to light that would affect the Company’s ability to continue as a going concern for the 12 months from the end of the reporting period.

III. Significant Accounting Policies and Accounting Estimates

(I) Statement on Compliance with the Accounting Standards for Business Enterprises

These financial statements prepared by the Company conform to the requirements of the Accounting Standards for Business Enterprises, and have given true and complete views on the Company’s financial position, the operating results, the changes in shareholder’s equity and cash flows, etc.

(II) Accounting year

The accounting year of the Company commences from January 1 to June 31 of the Gregorian calendar.

(III) Business cycle

The Company takes 12 months as a business cycle and as a dividing standard for the liquidity of assets and liabilities.

(IV) Functional currency

RMB is the currency of the primary economic environment in which the Company operates. Accordingly, the Company has adopted RMB as its functional currency and the currency used in the preparation of these financial statements.

(V) Business combination

Business combination refers to a transaction or event that two or more separate enterprises merge and form a reporting entity. Business combinations are classified into business combinations involving

enterprises under common control and business combinations not involving enterprises under common control.

1. Business combination involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. In a business combination involving enterprises under common control, the party which obtains control of other combining enterprise(s) on the combining date is the combining party, the other combining enterprise(s) is (are) the combined party. The “combining date” refers to the date on which the combining party actually obtains control on the combined party.

The assets and liabilities that the combining party obtains in a business combination shall be measured on the basis of their book value in the combined party on the combining date. As for the balance between the book value of the net assets obtained by the combining party and the book value of the consideration paid by it (or the total par value of the shares issued), the capital reserve (paid-in capital (or share capital) premium) shall be adjusted. If the capital reserve (capital stock premium) is not sufficient to be offset, the retained earnings shall be adjusted.

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

2. Business combinations not involving enterprises under common control

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination. In a business combination not involving enterprises under common control, the party which obtains the control on other combining enterprise(s) on the purchase date is the acquirer, and other combining enterprise(s) is (are) the acquiree. The “acquisition date” refers to the date on which the acquirer actually obtains the control on the acquiree.

For business combinations not involving enterprises under common control, the cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are charged to the profit or loss for the current period. The acquirer’s transaction costs for

the issuance of equity securities or debt securities as merger consideration are charged to the initial recognition amounts of equity securities or debt securities, and contingent consideration involved is charged to the cost of the merger at its fair value at the acquisition date. Within twelve months after the acquisition, if the contingent consideration needs to be adjusted as new or further evidence is obtained in respect of circumstances existed as of the acquisition date, consolidated goodwill shall be adjusted correspondingly. The acquiree's identifiable assets, liabilities and contingent liabilities, acquired by the acquirer in a business combination, that meet the recognition criteria shall be measured at fair value at the acquisition date. If the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is treated as an asset and recognized as goodwill, which is measured at cost on initial recognition. If the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognizes the remaining difference immediately in the profit or loss for the current period.

If the acquirer obtains deductible temporary differences from the acquiree, no determination shall be made for those that do not qualify for determination as deferred tax assets on the purchase date. In the 12 months following the purchase date, if any new or further information is obtained that proves the relevant situation existed on the purchase date and it is expected that economic benefits generated by the deductible temporary differences of the acquirer on the purchase date may be realized, the relevant deferred tax assets shall be determined and any allowance for creditworthiness or lack thereof shall be deducted and the balance shall be charged to the profit or loss for the current period; other than in the aforesaid circumstances, deferred tax assets determined to be relevant to the merger of enterprises shall be accounted for as the profit or loss for the current period.

If such multiple transactions are subject to a "package deal", refer to the previous paragraphs in this Section and Note III (XII) "Long-term Equity Investment" for accounting treatment; if such multiple transactions are not subject to a "package deal", the relevant accounting treatment shall be effected by differentiating between individual financial statements and consolidated financial statements:

In individual financial statements, the sum of the book value of equity investments held by the acquiree before the purchase date and new investment costs added on the purchase date shall be accounted for as the initial investment cost of such investments; if equities held by the acquiree before

the purchase date involve any other comprehensive income, such other relevant comprehensive income, upon the disposal of such investment, shall be treated according to the same basis for the acquiree's direct disposal of relevant assets or liabilities (that is, except for corresponding shares in the changes caused by the acquiree's re-measuring and re-define benefit plan of net liabilities or net assets as per the equity method, the rest are transferred into the current investment income).

In consolidated financial statements, equities held by the acquiree before the purchase date shall be revalued on a fair value basis on their purchase date and the gap between fair value and book value shall be accounted for as investment income for the current period; if equities held by the acquiree before the purchase date involve any other comprehensive income, such other relevant comprehensive income shall be treated according to the same basis for the acquiree's direct disposal of relevant assets or liabilities (that is, except for corresponding shares in the changes caused by the acquiree's re-measuring and re-define benefit plan of net liabilities or net assets as per the equity method, the rest are transferred into the current investment income on purchase date).

(VI) Consolidated financial statements

1. Principles for determining the scope of consolidation

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control refers to the Company has the power to govern the investee, obtain a variable return through participation in its relevant activities, and has the ability to use the power to govern the investee to affect such return. The Company includes subsidiaries over which it has effective control (including separate entities controlled by the parent company) in the scope of the consolidated financial statements.

2. Principles, procedure and methods for preparing the consolidated financial statements

(1) Principles, procedure and basic methods for preparing the consolidated financial statements. If the accounting policies and accounting period adopted by all subsidiaries that are incorporated in the consolidation scope of the consolidated financial statements are inconsistent with the Company's accounting policies and accounting period, in preparation of the consolidated financial statements, necessary adjustment shall be made based on the accounting policies and accounting period of the Company. The consolidated financial statements are prepared by the Company on the basis of the financial statements of the parent company and the subsidiaries included in the scope of consolidation, after adjusting the long-term equity investments in subsidiaries under the equity method based on other relevant information, and offsetting the parent company's equity capital investment and the shares held by the parent company in the owner's equity of subsidiaries, major intra-company transactions and

internal dealings. For the balance resulting from the excess of the minority shareholders' share of the subsidiary's current loss over the minority shareholders' share of the subsidiary's opening shareholder's equity, if the Company's Articles of Association or agreement does not stipulate that the minority shareholders are obliged to bear such balance, the balance shall be written off against the Company's shareholder's equity. If the Company's Articles of Association or agreement stipulates that the minority shareholders are obliged to bear such balance, the balance will offset the minority interests.

(2) Treatment of additions or disposals of subsidiaries during the reporting period. During the reporting period, if a subsidiary is added as a result of business combinations involving enterprises under common control, the opening book balance of the consolidated balance sheet shall be adjusted, the income, expenses and profit for the period from the beginning of the period in which the subsidiary is consolidated to the end of the reporting year shall be included in the consolidated income statement, and the cash flows for the period from the beginning of the period in which the subsidiary is consolidated to the end of the reporting year shall be included in the consolidated cash flow statement. If a subsidiary is added as a result of business combinations not involving enterprises under common control, the opening book balance of the consolidated balance sheet will not be adjusted, the income, expenses and profit of the subsidiary from the date of purchase to the end of the reporting year shall be included in the consolidated income statement, and the cash flows of the subsidiary from the date of purchase to the end of the reporting year shall be included in the consolidated cash flow statement. During the reporting period, when the Company disposes of a subsidiary, then, income, expenses and profits of such subsidiary from the beginning of the period to the disposal date are recorded in the consolidated income statements; the cash flows of such subsidiary from the beginning of the period to the disposal date are recorded in the consolidated cash flow statements.

(VII) Cash and cash equivalents

For the purpose of preparing the cash flow statement, cash is recognized as the cash on hand and the deposits available for payment at any time.

Short-term (usually maturing within three months from the date of purchase) and highly liquid investments (including investments in bonds maturing within three months, but excluding equity investments), which are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value, are recognized by the Company as cash equivalents.

(VIII) Foreign currency business and translation of foreign currency financial statements

1. Foreign currency business

Foreign currency transactions occurring in the Company are recorded in the functional currency using the spot exchange rate at the date of transaction.

At the balance sheet date, different monetary items denominated in foreign currencies are translated at the spot rate of exchange at the balance sheet date. The resulting translation differences which belong to exchange gains or losses arising from specialized borrowings in foreign currencies relating to the acquisition and construction of fixed assets are treated in accordance with the principle of capitalizing borrowing costs, and the remaining shall be charged to the profit or loss for the current period. Non-monetary items measured in foreign currencies using the fair value model are translated using the spot exchange rate at the date when the fair value is determined, with the translation difference being accounted for as a gain or loss on changes in fair value or recognized as other comprehensive income. Non-monetary items measured in foreign currencies at historical cost are still translated using the spot exchange rate at the date of the transaction.

2. Translation of foreign currency financial statements

Asset and liability items in the balance sheet of overseas operations shall be translated at the spot exchange rate at the balance sheet date. Other items in the owner's equity interest except undistributed profit items shall be translated at the spot exchange rate at the time of occurrence. The income and expense items in the income statement of overseas operations are translated at the spot exchange rate on the transaction date. The translation differences of foreign currency financial statements generated by the above translation are presented separately under the item of owner's equity in the balance sheet. Cash flow items from foreign operations are translated using the spot exchange rate at the date the cash flows occur. The cash amount affected by the exchange rate changes is presented separately in the cash flow statement.

(IX) Financial instruments

Financial instruments refer to contracts that form financial assets of one party and form financial liabilities or equity instruments of the other party. When the Company becomes a party to the financial instrument contract, the relevant financial assets or financial liabilities are recognized.

1. Classification, recognition and measurement of financial assets

Based on the business model of managing financial assets and the contractual cash flow characteristics of financial assets, the Company divides financial assets into financial assets measured at amortized cost, financial assets at fair value through other comprehensive income ("FVTOCI"), and financial assets at fair value through profit or loss ("FVTPL").

Financial assets are initially measured at fair value. For financial assets at FVTPL, relevant transaction costs are directly included in current profits and losses; for other types of financial assets, the relevant transaction costs are included in the initial recognition amount. Accounts receivable or notes receivable arising from the sale of products or the provision of services that do not contain or take into account significant financing components are initially recognized at the amount of the consideration to which the Company is expected to be entitled.

(1) Financial assets at amortized cost. The Company's business model for managing such financial assets to collect contractual cash flows as the objective, and the contractual cash flow characteristics of such financial assets are consistent with basic lending arrangements. That is, the cash flows generated on a specific date are only used to pay the principal and the interest based on the outstanding principal amount. Such financial assets are subsequently measured at the amortized cost using the effective interest method, and the gains or losses arising from amortization or impairment are charged to the profit or loss for the current period.

(2) Financial assets at FVTOCI. The Company's business model for managing such financial assets is to both collect and sell contractual cash flows as the objective, and the contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangements. The Company measures such financial assets at FVTOCI, but impairment losses or gains, exchange gains and losses, and interest income calculated in accordance with the actual interest rate method are charged to the profit or loss for the current period. In addition, the Company designates certain investments in non-trading equity instruments as financial assets that are designated at FVTPL, and charges the dividend income related to such financial assets to the profit or loss for the current period, and the changes in fair value to other comprehensive income. When the financial asset is derecognized, the accumulated gains or losses previously included in other comprehensive income will be transferred from other comprehensive income to retained earnings, and not charged to the profit or loss for the current period.

(3) Financial assets at FVTPL. Except for the financial assets measured at amortized cost and that at fair value with their changes included in other comprehensive income, all other financial assets are classified by the Company as financial assets at FVTPL. The Company designates some financial assets as financial assets at FVTPL at the time of initial recognition, in order to eliminate or significantly reduce accounting mismatches. For this kind of financial assets, the Company makes subsequent measurement at fair value and includes changes in fair value in the profit or loss for the current period.

2. Impairment of financial assets

In respect of the financial assets measured at amortized costs, debt instrument investment measured at FVTOCI, the Company recognizes provision for losses on the basis of expected credit loss.

The Company calculates and recognizes ECL taking into account reasonable and substantiated information about past events, current conditions and projections of future economic conditions.

3. Derecognition of financial assets

If a financial asset meets one of the following conditions, it shall be derecognized: (1) The contractual right to collect the cash flow of the financial asset shall be terminated; (2) The financial asset has been transferred, and the Company has transferred almost all risks and rewards of ownership of the financial asset to the transferee; (3) The financial asset has been transferred. Although the Company has neither transferred nor retained almost all the risks and rewards in the ownership of the financial asset, it has waived its control over the financial asset.

When other equity instrument investments are derecognized, the difference between its carrying value and the received consideration and the sum of the cumulative amount of changes in fair value originally directly included in other comprehensive income is included in retained earnings; when the remaining financial assets are derecognized, the difference between its carrying value and the sum of the consideration received and the cumulative amount of fair value changes originally directly included in other comprehensive income is included in the current profits and losses.

4. Classification, recognition and measurement of financial liabilities

Financial liabilities are classified into financial liabilities at FVTPL and other financial liabilities upon initial recognition.

(1) Financial liabilities at FVTPL Financial liabilities at FVTPL include trading financial liabilities (including derivative instruments belonging to financial liabilities) and financial liabilities that are designated at FVTPL upon initial recognition. Trading financial liabilities (including derivatives that are financial liabilities) are subsequently measured at fair value, and changes in fair value are charged to the profit or loss for the current period, except those related to hedge accounting. For financial liabilities that are designated at FVTPL, the portion of the change in fair value that arises from changes in own credit risk is charged to other comprehensive income and the remaining is charged to the profit or loss for the current period. Financial liabilities are cumulative gains or losses arising from changes in the Company's own credit risk that are charged to other comprehensive income, and shall not be transferred to the profit or loss for the current period upon derecognition.

(2) Other financial liabilities. Financial liabilities other than financial liabilities and financial

guarantee contracts formed by the transfer of financial assets that do not meet the conditions for derecognition or continue to be involved in the transferred financial assets are classified as financial liabilities measured at amortized cost and subsequently measured at amortized costs. The gains or losses arising from derecognition or amortization shall be charged to the profit or loss for the current period.

5. Derecognition of financial liabilities

If all or parts of the current obligations of a financial liability have been discharged, the Company derecognizes the financial liability or the part whose obligation has been discharged. The difference between the carrying value of the derecognized part and the consideration paid is included in the current profit or loss.

6. Recognition method for fair value of financial assets and financial liabilities

In respect of the financial instruments that have active market, fair value is determined with the quotation of the active market. In respect of the financial instruments that have no active market, fair value is determined by valuation techniques. At the time of valuation, the Company adopts the valuation technique which is applicable under the current circumstances and supported by sufficient available data and other information, selects the input values which are consistent with the characteristics of assets or liabilities considered by market participants in the transaction of related assets or liabilities, and gives priority to the relevant observable input values as much as possible. Unobservable input values are used when relevant observable input values are unavailable or impractical.

(X) Recognition and accounting methods for ECL

On the basis of expected credit loss (ECL), the Company carries out impairment treatment and recognizes the provision for loss on financial assets at amortized cost, debt investments at FVTOCI, rental receivable, loan commitments other than financial liabilities at FVTPL, financial liabilities not at FVTPL, or financial guarantee contracts not formed by transfer of financial assets that do not meet the conditions for derecognition or continue to be involved in transferred financial assets. The ECL model does not apply to other financial assets held by the Company at fair value, including the bond investments or equity instrument investments at FVTPL, the equity instrument investments designated at FVTCOI, and the derivative financial assets.

ECL refers to the weighted average of credit losses of financial instruments weighted by the risk of default. Credit loss refers to the difference between all contract cash flows discounted by the Company according to the original effective interest rate and receivable according to the contract and all cash flows expected to be collected, that is, the current value of all cash shortages. Wherein, the financial

assets purchased by or originated from the Company with credit impairment shall be discounted according to the actual interest rate of the financial assets adjusted by credit.

For the purchased or originated financial assets with credit impairment, only the cumulative changes of the lifetime ECL after initial recognition are recognized as loss reserves at the balance sheet date.

For the receivables which do not contain major financing components or for which Company does not consider the financing components in contracts not exceeding one year, the Company uses the simplified measurement method to measure the provision for loss at an amount equivalent to the lifetime ECL.

Receivables include notes receivable, accounts receivable, receivables financing and other receivables, etc. For receivables, whether or not they contain a major financing component, the Company always measures their provision for losses at an amount equivalent to the lifetime ECL, with the resulting increase or reversal of the provision for losses being charged to the profit or loss for the current period as an impairment loss or gain. If there is objective evidence that a receivable has suffered credit impairment, the Company shall accrue and recognize a separate ECL for such receivable.

1. For notes receivable, whether or not they contain a major financing component, the Company always measures their provision for losses at an amount equivalent to the lifetime ECL, with the resulting increase or reversal of the provision for losses being charged to the profit or loss for the current period as an impairment loss or gain. The Company's management evaluates banker's acceptance bills receivable as having low credit risk. If there is objective evidence that a note receivable has suffered credit impairment, the Company shall make a separate provision for loss and recognize an ECL for such note receivable. For commercial acceptance bills receivable, ECL is accrued by reference to the bad debt accrual policy for accounts receivable.

2. For accounts receivable, whether or not they contain a major financing component, the Company always measures their provision for losses at an amount equivalent to the lifetime ECL, with the resulting increase or reversal of the provision for losses being charged to the profit or loss for the current period as an impairment loss or gain. The accrual method is as follows: (1) If there is objective evidence that a receivable has suffered credit impairment, the Company shall make separate provision for losses and recognize ECL on such receivable. (2) When information on ECL cannot be assessed at a reasonable cost for a single financial asset, the Company classifies a portfolio of accounts receivable based on credit risk characteristics and calculates ECL on a portfolio basis.

Basis for determining portfolios	
Accounts receivable with ECL provision by portfolio 1	The aging of receivables is used as a credit risk feature to divide the portfolio
Accounts receivable with ECL provision by portfolio 2	Portfolio by the credit characteristics based on receivables - related party transactions within the scope of consolidation of Linkong City Construction Investment
Accounts receivable with a separate ECL provision	Portfolio by credit risk characteristics based on the specific relationship between the receivables and the counterparty
Accrual of ECL provision by portfolio	
Accounts receivable with ECL provision by portfolio 1	Accrual of ECL provision based on aging analysis
Accounts receivable with ECL provision by portfolio 2	ECL provision is not made if there is no objective evidence of impairment
Accounts receivable with a separate ECL provision	ECL provision on a single determination

The ECL provision accrual ratio that is divided into portfolios based on the age as credit risk characteristics is estimated as follows:

Proportion of accrual of accounts receivable (%)	
Within 1 year	0
1-2 years	10
2-3 years	20
3-5 years	50
More than 5 years	100

3. For other receivables, the Company calculates the ECL provision in the following circumstances: As to the financial assets with credit risks not significantly increased since initial recognition, the Company accrues the provision for loss based on the 12-month ECL; as to the financial assets with significantly increased credit risks since initial recognition, the Company accrues the provision for loss at an amount equivalent to the lifetime ECL of such financial instruments; as to the purchased or derivative financial assets with credit impairment, the Company accrues the provision for loss at an amount equivalent to the lifetime ECL.

For other receivables, the Company is unable to obtain sufficient evidence of a significant increase in credit risk at the individual instrument level at a reasonable cost, and it is feasible to assess whether there is a significant increase in credit risk on a portfolio basis. Therefore, the Company groups other receivables according to the type of financial instrument, credit risk rating, initial recognition date and remaining contractual maturity as common risk characteristics and considers assessing on a portfolio basis whether there has been a significant increase in credit risk.

Basis for determining portfolios	
Accounts receivable with ECL provision by portfolio 1	The aging of receivables is used as a credit risk feature to divide the portfolio
Accounts receivable with ECL provision by portfolio 2	Portfolio by credit risk characteristics based on margin and deposit
Accounts receivable with ECL provision by portfolio 3	Portfolio by the credit characteristics based on receivables - related party transactions within the scope of consolidation of Linkong City Construction

	Investment
Accounts receivable with a separate ECL provision	Portfolio by credit risk characteristics based on the specific relationship between the receivables and the counterparty
Accrual of ECL provision by portfolio	
Other receivables with ECL provision by portfolio 1	Accrual of ECL provision based on aging analysis
Accounts receivable with ECL provision by portfolio 2	ECL provision is not made if there is no objective evidence of impairment
Accounts receivable with ECL provision by portfolio 3	ECL provision is not made if there is no objective evidence of impairment
Other receivables with ECL provision on an individual assessment basis	ECL provision on a single determination

(1) The proportion of the ECL provision for the portfolio by aging as a credit risk characteristic is estimated as follows.

Proportion of accrual of other receivables (%)	
Within 1 year	0
1-2 years	10
2-3 years	20
3-5 years	50
More than 5 years	100

(2) For other receivables arising from non-operating low-risk businesses, ECL provision is made separately according to the business nature.

(3) For other receivables secured by mortgages and pledges, ECL provision is separately made based on the balance of the original value less the recoverable value of the collateral as an exposure and the business nature.

(4) For receivables financing, the provision for losses is measured at an amount equivalent to the lifetime ECL. In addition to receivables financing for which credit risk is assessed individually, receivables financing is classified into the following portfolios based on their credit risk characteristics:

Portfolio	ECL provision method
Portfolio 1: Banker's acceptance bills	Due to the low credit risk of banker's acceptance bills and considering the historical default rate of zero, the Company generally does not make ECL provision on banker's acceptance bills. The Company makes and recognizes a separate ECL provision on such notes receivable if there is objective evidence that such notes receivable have suffered credit impairment.
Portfolio 2: Commercial acceptance bills	The provision method is the same as that for "(2) Accounts receivable".

5. For the financial assets other than the above measurement methods, the Company shall assess whether the credit risk has been increased significantly since initial recognition at each balance sheet date. If the credit risk has been increased significantly since the initial recognition, the Company measures the loss provision at the amount of the lifetime ECL; if the credit risk has not been increased significantly since the initial recognition, the Company measures the loss provision at the 12-month ECL of such financial instruments. By comparing the risk of default of financial instruments at the balance

sheet date with the risk of default on the initial recognition date, the Company can determine whether the credit risk of financial instruments has been increased significantly since the initial recognition by using the available reasonable and well-founded information, including forward-looking information. At the balance sheet date, if the Company judges that the financial instrument only has low credit risk, it is assumed that the credit risk of the financial instrument has not been increased significantly since the initial recognition.

(XI) Inventories

1. Classification of inventories

Inventory refers to finished products or goods held by the Company for sale in daily activities, work in process, materials and supplies consumed in the production process or the rendering of services, etc. Inventories mainly include raw materials, unfinished products, self-made semi-finished products, finished products (goods on hand), goods, revolving materials, etc. Revolving materials include low-value consumables and packaging materials, etc.

2. Methods for measuring delivered inventories

The inventory is initially measured at cost upon acquisition, including the purchase cost, the processing cost and other costs. When inventory is delivered, the weighted average method is adopted to recognize the actual cost of the inventory.

3. Recognition basis of realizable net value of inventory and the accrual method of inventory falling price reserve

At the balance sheet date, inventories are measured at the lower one between cost and net realizable value. On the basis of a comprehensive inventory count of inventories, an inventory falling price reserve is made when the cost of inventories is higher than their net realizable value due to mould and deterioration, persistent decline in market prices with no prospect of recovery in the foreseeable future, obsolescence in whole or in part, renewal of products, etc., and then charged to the profit or loss for the current period. The Company makes inventory falling price reserves on an individual inventory item basis. For inventories with a large quantity and a low unit price, an inventory falling price reserve is made according to the category of inventories. Inventory falling price reserves are made on a consolidated basis for inventories that are related to a product line manufactured and sold in the same region, have the same or similar end use or purpose and are difficult to measure separately from other items.

Net realizable value refers to amount subtracting estimated selling price of inventory by estimated

cost to be incurred up to completion, estimated selling expenses and relevant taxes during normal operation.

If the previous factors that reduce the value of the inventories disappear, the reduced amount will be reversed through the amount of the previous inventory falling price reserve, and the reversed amount is charged to the profit or loss for the current period.

4. Inventory system

The Company's inventories are subject to the perpetual inventory system. Inventory gains and losses are charged to the profit or loss for the current period.

5. Amortization method for revolving materials

Low-value consumables are amortized by one-off amortization method;

(XII) Long-term equity investment

The Company's long-term equity investments mainly include the equity investments held by the Company that enable it to exercise control, joint control or significant influence over the investees.

1. Determination of investment cost of long-term equity investments

For a long-term equity investment acquired through a business combination, if it is a business combination involving enterprises under common control, the initial investment cost of the long-term equity investment shall be based on the share of the owner's equity of the combined party in the book value in the consolidated financial statements of the ultimate controlling party at the combining date; if it is a business combination not involving enterprises under common control, the initial investment cost of the long-term equity investment shall be the combination cost recognized at the purchase date; for a long-term equity investment acquired by paying cash, its initial investment cost is the purchase price actually paid; for a long-term equity investments obtained by issuing equity securities, its initial investment cost is the fair value of the issued equity securities; for a long-term equity investment obtained through debt restructuring, its initial investment cost is recognized in accordance with the relevant provisions of the *Accounting Standards for Business Enterprises No. 12 - Debt Restructuring*; for a long-term equity investment obtained from the exchange of non-monetary assets, its initial investment cost shall be recognized in accordance with the relevant provisions of the *Accounting Standards for Business Enterprises No. 7 - Exchange of Non-monetary Assets*.

2. Method of subsequent measurement and profit or loss recognition of long-term equity investments

The long-term equity investment where the Company can control the investee shall be accounted

for by the cost method. The long-term equity investment in associates and joint ventures shall be accounted for by equity method. For the Company's equity investment in an associate, part of which is indirectly held through a venture capital institution, a mutual fund, a trust company or a similar entity including an investment-linked insurance fund, regardless of whether the above entities have a significant impact on this part of the investment, the Company shall, in accordance with the relevant provisions of the *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments*, measure them and account for the remaining part under the equity method.

3. Basis for determining joint control and significant influence on the investee

If the Company together with other participants jointly control a certain arrangement in accordance with relevant provisions, and the decision-making on activity with significant impact on the return of the arrangement may only exist when the control-sharing participants unanimously agree, the Company and other participants shall be deemed as jointly controlling the arrangement, and the arrangement belongs to joint arrangement.

If the joint-venture arrangement is achieved through an independent entity, and the Company is judged to have rights over the net assets of the independent entity in accordance with relevant provisions, the independent entity shall be treated as joint venture and be accounted through the equity method. If the Company is judged not to have right over the net assets of the independent entity, the independent entity shall be cooperative business. The Company shall recognize the items related to the shares of interest from cooperative business, and apply accounting treatment in accordance with relevant Accounting Standards for Business Enterprises.

Significant influence refers to the power of the investor to participate in formulating financial and operation policies of the investee, but cannot control or jointly control with other parties these policies. The Company judges its significant influence on the investee in any one or more circumstances below by comprehensively considering all facts and situations: (1) Appoint representatives in the board of directors or similar organizations of the investee; (2) Participate in formulation of the financial and operation policies of the investee; (3) Conduct important transactions with the investee; (4) Appoint management personnel to the investee; (5) Provide key technical data to the investee.

(XIII) Investment real estate

The Company's investment real estate includes land use rights for lease, buildings for lease, and land use rights held and intended to be transferred upon appreciation. Investment real estate is initially measured at cost and subsequently measured using the cost model.

1. Recognition of investment real estate

Investment real estate is recognized when both of the following conditions are met: (1) It is probable that the economic benefits associated with the investment real estate will flow to the Company.

(2) The costs of the investment real estate can be measured reliably.

2. Initial measurement of investment real estate

(1) The costs of a purchased investment real estate include the purchase price, related taxes and other expenses directly attributable to the asset.

(2) The cost of self-built investment real estate consists of the necessary expenses incurred before the assets are built for intended use.

(3) The costs of investment real estate acquired by other means are recognized in accordance with the provisions of the relevant accounting standards.

(4) Subsequent expenditure relating to investment real estate is charged to the costs of investment real estate if the conditions for recognition of investment real estate are met. Those that do not meet the conditions for recognition are charged to the profit or loss for the current period.

3. Subsequent measurement of investment real estate

At the balance sheet date, the Company adopts fair value model for subsequent measurement of investment real estate.

The Company does not calculate depreciation or amortization of the investment real estate. At the balance sheet date, the book value of the investment real estate is adjusted at the fair value of the investment real estate. The difference between the fair value and the original book value is included in the profit or loss. The fair value of an investment real estate is assessed periodically by an independent appraisal company based on open market prices and other relevant information.

For an investment real estate that is subsequently measured using the fair value model, the accounting policy shall be selected based on: (i) The existence of an active market for real estate transactions in the location of the investment real estate. (ii) The Company is able to obtain market prices and other relevant information for similar or comparable properties from the real estate transaction market, and then makes a reasonable estimate of the fair value of the investment real estate.

4. Conversion of investment real estate

If the Company has conclusive evidence that the purpose of the real estate has changed, it shall convert the investment real estate into other assets, or convert other assets into investment real estate, and use the book value of the real estate before conversion as the recorded value after conversion.

(XIV) Fixed assets

1. Conditions for recognition of fixed assets

A fixed asset refers to a tangible asset with a service life of more than one accounting year that is held for the production of goods, rendering of services, rental or management and that satisfies both the conditions that it is probable that the economic benefits associated with the fixed asset will flow to the Company and that the costs of the fixed asset can be measured reliably.

2. Initial measurement of fixed assets

The Company's fixed assets are initially measured at cost. Wherein, the cost of purchasing fixed assets includes the purchase price, import tariff, relevant taxes and other expenses that are directly attributable to the fixed assets before they become usable for intended purposes. The cost of self-built fixed assets consists of the necessary expenses incurred before the assets are built for intended use. The fixed assets invested by investors shall be recorded at the value agreed under the investment contract or agreement. But if the value agreed thereunder is unfair, it shall be recorded as the fair value. If the purchase price of fixed assets is delayed beyond the normal credit conditions and has the nature of financing in substance, the costs of fixed assets shall be recognized at the present value of purchase price. The difference between the actual paid price and the present value of the purchase price shall be charged to the profit or loss for the current period within the credit period, except for those that shall be capitalized.

3. Classification of fixed assets and depreciation methods

The Company depreciates all fixed assets, except for those which are fully depreciated and continue to be used, and land which is separately valued as a fixed asset in accordance with the relevant regulations. The depreciation method is the straight line method. The classification of fixed assets, depreciation period, estimated net residual value and annual depreciation rate are as follows:

Category of fixed assets	Expected service life (years)	Estimated net residual value rate (%)	Annual depreciation rate (%)
Houses and buildings	20-30	5	3.17-4.75
Transportation tools	4	5	23.75
Electronic equipment	3-5	5	19-31.67
Office equipment	5	5	19-31.67
Other equipment	3	5	31.67

4. Subsequent expenditure on fixed assets

Subsequent expenditure relating to fixed assets that qualify for recognition as fixed assets is charged to the cost of fixed assets, and the book value is derecognized for those parts that are replaced.

Those that do not qualify for recognition as fixed assets, such as routine and general overhauls to fixed assets are charged to the profit or loss for the current period as they are incurred.

5. Disposal of fixed assets

The fixed assets are derecognized when such fixed assets are disposed, or are expected not bring about economic benefits through use or disposal thereof. The income from the sales, transfer, scrape or damage disposal of fixed assets less carrying value and relevant taxes is charged to the profit or loss for the current period.

(XV) Construction in progress

1. Measurement of construction in progress

The construction in process is measured at actual cost of the projects. When the construction in process is ready for the intended use, the construction in process is converted into the fixed assets at the actual cost of the projects. The capitalizable borrowing costs incurred before the construction is completed and delivered are recorded in the project costs; after delivery, the relevant interest expenditures are charged to the profit or loss for the current period.

2. Standard and timing for converting the construction in progress into the fixed assets

The Company's construction in progress is carried forward to fixed assets when the work is completed and is ready for intended use. The criteria for determining the intended serviceability status shall meet one of the following conditions:

(1) The physical construction (including installation) of fixed assets has been completed completely or substantially completely;

(2) The assets have been put into trial production or trial operation, and the results show that the assets can run normally or produce qualified products stably, or the trial operation results show that the assets can run normally or operate normally;

(3) The amount of expenditure on the construction of fixed assets is little or almost no longer incurred;

(4) The fixed assets purchased and built have already met the design or contract requirements, or are basically consistent with the design or contract requirements.

(XVI) Borrowing costs

Borrowing costs refer to the interest and other related costs incurred by the company due to borrowing, including interest on borrowing, amortization of discount or premium, auxiliary expenses and exchange differences incurred due to foreign currency borrowing. The borrowing costs incurred by

the Company that are directly attributable to acquisition, construction or production of the qualifying assets are capitalized and charged to the costs of those assets. Other borrowing costs are recognized as an expense as incurred based on the amount incurred and charged to the profit or loss for the current period.

1. Recognition principle of capitalization of borrowing costs

Capitalization begins when the borrowing costs meet the following conditions at the same time: the asset expenditures have been incurred; the borrowing costs have been incurred; the necessary acquisition, construction or production activities before the assets are ready for their intended use have been commenced.

2. Capitalization period of borrowing costs

The capitalization period shall be from the time when the capitalization of borrowing costs starts to the time when such capitalization ends, excluding the period when capitalization is suspended.

If the acquisition, construction or production process is interrupted abnormally, and the interruption period exceeds 3 months, capitalization of the borrowing costs shall be suspended. The borrowing costs incurred during the suspension period are recognized as expenses and charged to the profit or loss for the current period, until the acquisition and construction or production activities of assets are resumed. If the interruption is a necessary procedure for the purchased, constructed or produced assets eligible for capitalization to reach their intended use or sale condition, the capitalization of borrowing costs continues.

Capitalization of borrowing costs shall be stopped when assets eligible for capitalization are purchased, built or produced to the intended usable or saleable state. Borrowing costs incurred after the assets eligible for capitalization have been ready for their intended use or sale status are charged to the profit or loss for the current period when incurred.

3. Calculation method of the capitalization amount of the borrowing costs

During the capitalization period, the interest capitalization amount (including amortization of discount or premium) of each accounting period is determined by the following provisions:

(1) If a special loan is borrowed for the acquisition, construction or production of the assets that meet the capitalization conditions, it shall be determined by the amount of interest expenses actually incurred in the current period of the special loan minus the interest income obtained by depositing the unused loan funds into the bank or the investment income obtained from temporary investment;

(2) If general loans are occupied for acquisition, construction or production of the qualifying assets, the interest amount of the general loans that shall be capitalized is calculated and determined based on

the weighted mean of the aggregate asset expenditures over the special loans multiplied by the capitalization rate. The capitalization rate is calculated and determined based on the weighted average interest rate of the general loans.

(XVII) Biological assets

The Company's biological assets include consumable biological assets and productive biological assets.

Biological assets shall be recognized if they meet the following conditions at the same time:

- (1) The Company owns or controls the biological asset due to past transactions or events;
- (2) It is probable that the economic benefits or service potential related to the biological asset will flow into the Company;
- (3) The cost of the biological asset can be measured reliably.

A productive biological asset is initially measured at cost. Cost of outsourced productive biological asset includes purchase price, relevant tax, transportation fee, insurance premium, and other expenditures directly attributable to purchase of the asset. The value agreed in the investment contract or agreement plus the relevant taxes and fees payable is used as the recorded value of the productive biological assets invested by investors, except where the agreed value in the contract or agreement is not fair. In this case, the actual cost is recognized at fair value. The cost of a self-propagated productive biological asset is recognized on the basis of the necessary expenses such as feed costs, labor costs and share of overheads incurred before it reaches its expected production and operation purpose.

The management and maintenance costs, feeding costs, etc., incurred after a productive biological asset becomes a closed forest are charged to the profit or loss for the current period.

The Company depreciates its production biological assets using the straight-line method over the years. The Company determines the service life and estimated net residual value of its production biological assets based on the nature of the assets, their use and the manner in which the related economic benefits are expected to be realized. The Company, at the end of each year, assesses the service life, the estimated net residual value and the depreciation method of the productive biological asset. If there is deviation from the original estimation, adjustment shall be made.

Acquisition and disposal of biological assets: The cost of a biological asset after its change of use is recognized at its book value at the time of change of use; when a biological asset is sold, destroyed or disposed of at a loss, the proceeds from its disposal, less the book value and related taxes and fees, are charged to the profit or loss for the current period.

(XVIII) Intangible assets and development expenditure

1. Recognition criteria for intangible assets

Intangible assets refer to identifiable non-monetary assets that are owned or controlled by the Company without physical substance. An intangible asset is recognized when both of the following conditions are met: (1) it meets the definition of an intangible asset; (2) it is probable that the expected future economic benefits associated with the asset will flow to the Company; and (3) the cost of the asset can be measured reliably.

2. Initial measurement of intangible assets

The intangible assets are initially measured at cost. Actual costs are determined in the following principles:

(1) The costs of externally purchased intangible assets include purchase price, relevant taxes and other expenses incurred for the purpose of making such assets ready for the intended use. If the purchase price of intangible assets is delayed beyond the normal credit terms and has the nature of financing in substance, the costs of intangible assets are determined at the present value of purchase price. The difference between the actual paid price and the present value of the purchase price shall be charged to the profit or loss for the current period within the credit period, except for those that shall be capitalized in accordance with the *Accounting Standards for Business Enterprises No. 17 - Borrowing Costs*.

(2) For the intangible assets invested by an investor, the costs shall be the value agreed in the investment contract or agreement, unless the contract or agreement agrees that the value is not fair.

(3) The cost of intangible assets acquired in non-monetary asset exchanges, debt restructuring, government grants and business combinations shall be recognized in accordance with the relevant provisions of the *Accounting Standards for Business Enterprises No. 7 - Non-monetary Asset Exchanges*, *Accounting Standards for Business Enterprises No. 12 - Debt Restructuring*, *Accounting Standards for Business Enterprises No. 16 - Government Grants* and *Accounting Standards for Business Enterprises No. 20 - Business Combinations*, respectively.

3. Self-developed intangible assets

The expenditure of the research and development project inside the Company can be divided into research expenditure and development expenditure. The expenditures of the internal R&D projects at the research stage are charged to the profit or loss for the current period on accrual. The expenditures incurred by the internal R&D projects at the development stage are recognized as the intangible assets when the following conditions are met:

(1) It is technically feasible for the Company to complete the intangible asset so that it will be available for use or sale;

(2) The Company has the intention to complete the intangible asset and use or sell it;

(3) The Company can demonstrate the ways in which the intangible asset will generate economic benefits, including the evidence of the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;

(4) The Company has sufficient technical and financial resources and other supporting resources to finish development of the intangible asset, and has ability to use or sell the intangible asset;

(5) The expenditures of such intangible assets at the development stage can be measured reliably.

The cost of self-developed intangible assets includes the total expenditure incurred from the time the recognition requirements for intangible assets are met until it is ready for its intended use. Expenditure that has been expensed in prior periods is no longer adjusted.

4. Subsequent measurement of intangible assets

The Company shall analyze and judge the service life of the intangible assets when the intangible assets are acquired. If the service life of such assets is limited, the Company shall make an estimate, or figure out a certain unit for estimation, and as for the intangible assets that are unlikely to generate any economic benefits for the Company, the service life of such assets is determined to be uncertain.

Intangible assets with limited service life shall be amortized by straight-line method from the time when they are available for use to the time when they are no longer recognized as intangible assets, while intangible assets with uncertain service life shall not be amortized. At the end of every year, the Company reassesses the estimated service life and amortization method for the intangible assets with definite service life. The estimated service life of intangible assets with uncertain service life shall be rechecked in each accounting period. Where there is evidence that the service life of an intangible asset is limited, its service life shall be estimated and it shall be amortized within the estimated service life.

(XIX) Long-term Asset Impairment

The Company assesses whether there is impairment sign in the fixed assets, construction in progress, intangible assets with definite service life, investment real estate measured at cost, long-term equity investments in the subsidiaries, joint ventures and associates and other non-current non-financial assets at the balance sheet date. In case of an indication of impairment, the Company shall estimate their recoverable amount, and conduct an impairment test. For goodwill, intangible assets with an infinite

service life and intangible assets not yet available for use, the Company shall conduct an impairment test annually, regardless of whether there is any indication of impairment.

If the results of impairment test show that the recoverable amount of assets is less than book value, impairment provision is accrued according to difference and included in impairment loss. The recoverable amount is the fair value of the assets less disposal expenses and the current value of the estimated future cash flows of such assets, whichever is higher. The fair value of the assets is determined according to sales agreement price in fair trade; if there is no sales agreement yet but the assets have an active market, the fair value is determined based on the bid price of the asset offered by the buyer; if there is no sales agreement nor an active market of assets, the fair value of the asset may be estimated based on the best information obtained. Disposal expenses include legal fees, taxes and handling fees related to the disposal of assets, as well as direct expenses to make the asset ready for sale. Current value of expected future cash flows is determined by discounting the expected future cash flows of the assets in the course of continuous use and at the time of final disposal at appropriate discount rate. Asset impairment provision is calculated and recognized base on single assets. If it is difficult to estimate the recoverable amount of single assets, the recoverable amount of asset group is recognized according to the asset group that such assets belong to. The asset group refers to the minimum asset portfolio that can independently generate cash inflow.

For goodwill presented separately in the financial statements, its book value, upon the impairment test, shall be allocated to the asset group or the asset group portfolio which is expected to benefit from the synergies of the business combination. If the test results show that the recoverable amount of the asset group or asset group portfolio containing the goodwill is lower than its book value, an impairment loss is recognized accordingly. The impairment loss is first used to deduct the book value of goodwill allocated to the asset group or asset group portfolio, and then used to deduct the book value of other assets in proportion to book value of other various assets other than goodwill allocated to the asset group or asset group portfolio.

Once the aforementioned long-term impairment loss is recognized, the value recovered shall not be reversed in the future.

(XX) Long-term deferred expenses

The Company's long-term deferred expenses are those expenses that have been expensed but have a benefit period of more than one year (excluding one year) and the long-term deferred expenses are amortized over the benefit period of the expense item. If item of long-term deferred expenses cannot

benefit the Company in subsequent accounting period, the remaining value having not been amortized shall be totally transferred into the profit or loss for the current period.

(XXI) Payroll

Payroll refers to remunerations or compensations in various types provided for obtaining the services from the employees or terminating labor relation. Payroll mainly include short-term compensation, post-employment benefits, termination benefits and other long-term employee benefits.

1. The short-term compensation mainly includes: 1) wages, bonuses, allowances and subsidies for employees; 2) employee benefits; 3) medical insurance premiums, endowment insurance premiums, unemployment insurance premiums, work-related injury insurance premiums and maternity insurance premiums; 4) housing accumulation fund; 5) trade union funds and employee education funds; 6) short-term paid absences; 7) short-term profit sharing plans; and 8) other short-term benefits. The Company recognizes actual short-term compensation incurred as a liability during the accounting year when the employee works for the Company and records the liability in the profit or loss for the current period, except when other accounting standards require or allow it to be charged to the asset cost.

2. Post-employment benefits mainly include defined contribution plans (e.g. basic pension insurance premiums, unemployment insurance premiums, enterprise pension contributions). For a defined contribution plan, the Company recognizes it a liability for payroll based on the contribution payable to a separate entity at the balance sheet date in exchange for services rendered by the employees during the accounting period, and charges such liability to the profit or loss for the current period or to the cost of the related asset.

3. Termination benefits mainly include: 1) compensation granted by the Company for its decision to terminate its employment relationship with an employee before the expiry of the employee's employment contract, whether or not the employee wishes to do so; and 2) compensation granted to encourage employees to voluntarily accept redundancy before the expiry of their employment contracts, with the right to choose to remain in employment or to accept compensation for resignation. Where termination benefits are provided to employees, a liability for payroll arising from termination benefits is recognized and charged to the profit or loss for the current period.

4. Other long-term employee benefits. If other long-term employee benefits paid by the Company to the employees are consistent with the conditions of the defined contribution plan, the appropriate defined contribution plan shall apply. Net liabilities or net assets of other long-term employee benefits are recognized and measured according to the relevant provisions of the defined benefit plan, unless

otherwise stipulated above.

(XXII) Provisions

1. Recognition criteria for provisions

Provisions are recognized when (1) the Company has a present obligation related to a contingency; (2) it is probable that an outflow of economic benefits will be required to settle the obligation, and (3) the amount of the obligation can be measured reliably.

2. Measurement method for provisions

The initial measurement shall be made according to the best estimate of expenditures required to fulfill the relevant current obligations. If there is a continuous range of expenditures required and the possibilities of various results within the range are the same, the best estimate shall be determined according to the intermediate value within the range; If multiple items are involved, determine the best estimate according to various possible results and relevant probability calculations.

The Company shall check the book value of provisions at the balance sheet date, and when there is conclusive evidence showing that the book value cannot reflect the current best estimate, the book value shall be adjusted according to the current best estimate.

(XXIII) Income

1. Recognition principle of income

The Company evaluates the contract on the start date of the contract, identifies each individual performance obligation contained in the contract, and determines whether each individual performance obligation is performed within a certain period of time or at a certain point of time.

If one of the following conditions is met, the Company will fulfill its performance obligations within a certain period of time; otherwise, the Company will fulfill its performance obligations at a certain point of time: (1) The customer will obtain and consume the economic benefits brought by the Company's performance at the same time; (2) The customer can control the goods or services under construction during the performance of the Company; (3) The goods or service produced during the performance of the Company have irreplaceable uses, and the Company has the right to collect amount for the performance part accumulated so far during the whole contract period.

For the performance obligations performed within a certain period of time, the Company recognizes the income in accordance with the performance progress during the period. Where the performance progress cannot be reasonably determined, if the incurred costs are expected to be compensated, the income shall be recognized at the incurred costs until the performance progress can be reasonably

determined. For the obligations performed at certain point of time, the Company shall recognize the income when the customer gains control over related goods or services. To judge whether the customer has gained the control over the goods or services, the Company shall consider following signs: (1) The Company has the current right to collect payments for the goods or services, namely the customer is currently obliged to pay for the goods or services; (2) The Company has transferred the legal ownership of the commodity to the customer. That is, the customer already owns the legal ownership of the commodity; (3) The Company has transferred the goods in kind to the customer. That is, the customer has taken possession of the goods in kind; (4) The Company has transferred the significant risks and rewards in ownership of the commodity to the customer. That is, the customer has obtained the significant risks and rewards in the ownership of the commodity; (5) The customer has accepted the goods; (6) Other signs indicating that the customer has obtained the control right of goods.

2. Measurement principle of income

(1) The Company shall measure the income at transaction price amortized to each contractual obligation. Transaction price refers to the consideration that the Company is expected to have the right to collect from a customer for transferring goods or services, excluding the payments collected on behalf of a third party and those expected to be returned to the customer.

(2) If there is a variable consideration in the contract, the Company will determine the best estimate of the variable consideration according to the expected value or the most possible amount, but the transaction price containing the variable consideration shall not exceed the amount in which the accumulated recognized income is unlikely to be significantly reversed when the relevant uncertainty is eliminated.

(3) If the contract contains major financing component, the Company determines the transaction price by assuming that the customer will pay the amounts payable in cash upon acquisition of the control over the goods or services. The difference between the transaction price and the contract consideration is amortized with the effective interest method during the contract term. On the start date of the contract, if the company expects that the interval between the customer obtaining the control right of goods or services and the customer paying the price shall not exceed one year, the major financing components existing in the contract shall not be considered.

(4) When a contract involves two or more contractual obligations, the Company shall amortize the transaction prices to each performance obligation at the relative ratio of the separate sales price of the goods agreed for each performance obligation from the commencement date of the contract.

3. Specific methods for income recognition

When a contract between the Company and a customer simultaneously meets the following conditions:

(1) The parties to the contract have approved this contract and undertake to perform their respective obligations hereunder;

(2) The contract has specified the rights and obligations of the parties in respect of transferring commodity or rendering labor service;

(3) The contract has specific payment terms in respect of transferred commodity;

(4) The contract has commercial nature, namely the performance of this contract will change the risks, time distribution or amount of future cash flow of the company;

(5) The consideration that the Company has the right to receive from customer in respect of transfer of commodity may be probably taken back.

The Company recognizes income when the customer obtains control of the relevant goods.

(XXIV) Government grants

1. Type of government grants

Government grants refer to the monetary assets and the non-monetary assets received by the Company from the governments at no cost, mainly including asset-related government grants and income-related government grants.

2. Specific criteria for determination of asset-related government grants and income-related government grants

Asset-related government grants refer to government grants obtained by the Company and used to purchase and build or otherwise form long-term assets. Income-related government grants refer to government grants other than asset-related government grants.

The government grants that contain both the asset-related grants and the income-related grants shall be distinguished for accounting treatment; if it is hard to distinguish the government grants, such grants shall be classified as the income-related government grants as a whole.

3. Measurement of government grants

If the government grants are the monetary assets, the government grants are measured at the received or receivable amount. If the government grants are the non-monetary assets, the government grants are measured at the fair value; if the fair value is unavailable reliably, the government grants are measured at the nominal amount of one yuan.

4. Accounting treatment of government grants

The Company recognizes government grants using the gross method, as follows:

(1) Asset-related government grants shall be recognized as deferred income. Asset-related government grants recognized as deferred income are charged to the profit or loss for the current period by stages and in accordance with the method of equal allocation over the service life of the relevant assets (to other income if related to the Company's ordinary activities; to non-operating income if not related to the Company's ordinary activities). The government grants measured at the nominal amount are recognized immediately in the profit or loss for the current period. If relevant assets are sold, transferred, discarded or damaged before the service life ends, the unallocated relevant deferred income balance shall be transferred to the profit or loss for the current period of asset disposal.

(2) Income-related government grants are treated separately as follows: (i) those used to compensate the Company for the relevant costs or losses in subsequent periods are recognized as deferred income and are charged to the profit or loss for the current period when the relevant costs or losses are recognized (to other income if related to the Company's ordinary activities; to non-operating income if not related to the Company's ordinary activities) or offset the related costs; (ii) those used to compensate the Company for the related costs or losses already incurred are charged directly to the profit or loss for the current period (to other income if related to the Company's ordinary activities; to non-operating income if not related to the Company's ordinary activities).

(3) For the policy-based preferential loan discounts obtained by the Company, the following two cases shall be distinguished and shall be accounted for separately: (i) Where the finance authority allocates the interest rate subsidy to the lending bank, and the lending bank provides loans to the Company at the policy preferential interest rate, the Company uses the actual amount of the loan received as the recorded value of the loan and calculates the relevant borrowing costs in accordance with the principal amount of the loan and the policy preferential interest rate. Where the financial institution allocates the discount interest funds to the lending bank, and the lending bank provides loans to the Company at the preferential policy interest rate, and the Company takes the fair value of borrowing expenses as the recorded value of borrowing expenses and calculates borrowing expenses based on the effective interest method. The difference between the actual amount received and the fair value of borrowing expenses is recognized as deferred income. Deferred income is amortized over the life of borrowing costs using the effective interest rate method to reduce the related borrowing costs. (ii) If the fiscal authority directly appropriates the interest subsidy funds to the Company, the Company writes

down the corresponding interest subsidy with the relevant borrowing costs.

(XXV) Deferred tax assets and deferred tax liabilities

The Company's income tax includes current income tax and deferred income tax. Current income tax and deferred income tax are charged to profit or loss for the current period, except for: (1) goodwill adjusted for income taxes arising from a business combination; and (2) income taxes relating to transactions or events that are directly charged to shareholder's equity.

Deferred tax assets or deferred income liabilities are recognized at the balance sheet date for temporary differences between the book value of the assets or liabilities and their tax basis, using the balance sheet debt method.

The Company recognizes a deferred tax liability for all taxable temporary differences, unless the taxable temporary difference arises from: (1) the initial recognition of goodwill, or the initial recognition of assets or liabilities arising from transactions with both of the following characteristics: Such transaction is not a business combination, and neither the accounting profit nor the taxable income is affected when the transaction occurs; (2) for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The Company recognizes deferred tax assets arising from deductible temporary differences to the extent that it is probable that taxable income will be available against which the deductible temporary differences can be utilized, unless the deductible temporary difference arises from: (1) a transaction is not a business combination and the transaction does not affect either accounting profit or taxable income at the time it occurs; (2) for deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, it is not probable that the temporary differences will reverse in the foreseeable future and it is probable that taxable income will be available against which the deductible temporary differences can be utilized in the future.

At the balance sheet date, the Company measures the deferred tax assets and the deferred tax liabilities at the tax rate applicable during the period when it is expected to realize such assets or discharge such liabilities according to the tax laws, and reflects the income tax impact of the manner expected to realize the assets or discharge the liabilities at the balance sheet date.

At the balance sheet date, the Company reviews the book value of the deferred tax assets. If no adequate taxable profits are probably available against the benefit of the deferred tax assets in the future, the book value of the deferred tax assets is reduced. When it is probable to obtain sufficient taxable

income taxes, such write-down amount shall be subsequently reversed.

(XXVI) Lease

1. Identification of lease.

The Company shall assess whether the contract is the leasehold or contains lease on the start date of contract. If a party to the contract assigns the right to control the use of one or more identified assets within a certain period of time in exchange for consideration, the contract will be a lease contract or includes lease.

If a contract contains multiple separate leases, the Company shall split the contract, and treat each lease separately. The right to use the identified asset constitutes a separate lease in the contract if the following conditions are met at the same time: (1) The lessee can profit from the use of the asset alone or with other resources that are readily available; (2) The asset is not highly dependent or highly related to other assets in the contract.

2. Valuation of lease period.

The lease period is the irrevocable period during which the Company has the right to use the leased assets. If the Company has an option to renew the lease, namely, it is entitled to renew the asset, and reasonably determines to exercise the option, the lease period will also include the period covered by the option to renew. If the Company has an option to terminate the lease, namely, it has the option to terminate the lease of the asset, but reasonably determines not to exercise the option, the lease period will include the period covered by the option to terminate the lease. If a major event or change occurs within the control of the Company and affects whether the Company reasonably determines to exercise the corresponding option, the Company shall reevaluate whether it reasonably determines to exercise the option to renew the lease and the option to purchase or not to exercise the option to terminate the lease.

3. As a lessee.

On the start date of lease period, the Company will recognize the lease that is no more than 12 months and excludes purchase option as short-term lease; the Company recognizes the lease under which value of brand-new single leasing assets does not exceed RMB 40,000 as low-value asset lease. If the Company subleases or is expected to sublease the leased assets, the original lease shall not be recognized as a low-value asset lease. The Company chooses not to recognize right-of-use assets and leasing liabilities in respect of short-term lease and low-value asset lease. They are included in the relevant asset costs or the profit or loss for the current period according to the straight-line method in each period of the lease period.

(1) As an operating lease lessee. The rental expenses of operating lease are charged to relevant asset costs or profit or loss for the current period by straight-line method during the each period of the lease period, and contingent rental is charged to the profit or loss for the current period at the time of actual occurrence.

(2) As a finance lease lessee. In respect of the assets rented through financing: on the lease start date, the Company takes the lower of the fair value of the leased asset on the lease start date and the present value of the minimum lease payment as the recorded value of the leased asset, and the minimum lease payment as the entry value of the long-term payables. The difference is taken as the unrecognized financing fee, and is amortized by actual interest rate method during each period of lease period. Contingent rents shall be recorded into the profit or loss for the current period when they are actually incurred.

4. As a lessor.

On the lease commencement date, the Company classifies leases that substantially transfer substantially all the risks and rewards associated with ownership of the leased asset as finance leases, and all other leases are operating leases. When the Company is sub-lessor, sublease is classified based on the right-of-use assets generated from the original lease.

The rent income from operating lease shall be recognized as the profit or loss for the current period according to the straight-line method within each period of the lease period. The variable lease payments not included in the lease receipts are charged to the profit or loss for the current period when they actually occur. If the operating lease is changed, the Company will account for it as a new lease from the effective date of the change, and the advance or lease receivables related to the lease before the change will be regarded as the new lease receivable.

(XXVII) Changes in significant accounting policies and accounting estimates

1. Changes in accounting policies

Change in accounting policies and reasons	Review and approval process	Affected statement items	Original opening/previous year presentation amount	Adjusted opening/previous year presentation amount
On July 5, 2017, the Ministry of Finance issued the <i>Notice on Revision and Issuance of Accounting Standard for Enterprises No. 14 - Income</i> (Cai Kuai [2017] No. 22) (hereinafter referred to as “the New Income Standard”), requiring companies listed at home and abroad and companies listed overseas and adopting International Financial	Such change has been considered and approved by the Company’s Board of Directors.	Items of balance sheet		
		Advance from customers	58,983,559.05	
		Contract liabilities		54,113,356.93
		Other current liabilities		4,870,202.12

Reporting Standards or Accounting Standards for Business Enterprises to prepare financial reports to implement the New Income Standard from January 1, 2018, other domestic listed companies to implement the New Income Standard from January 1, 2020, and unlisted companies to implement the New Income Standard from January 1, 2021.				
On March 31, 2017, the Ministry of Finance issued the <i>Notice on Issuance of Amendment to Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments</i> (Cai Kuai [2017] No. 7), requiring companies listed at home and abroad and companies listed overseas and adopting International Financial Reporting Standards or Accounting Standards for Business Enterprises to prepare financial reports to implement such amendment from January 1, 2018, other domestic listed companies to implement such amendment from January 1, 2019, and unlisted companies adopting to Accounting Standards for Business Enterprises implement such amendment from January 1, 2021. Enterprises that implement this standard shall also implement the <i>Accounting Standards for Business Enterprises No. 23 - Transfer of Financial Assets</i> (Cai Kuai [2017] No. 8), <i>Accounting Standards for Business Enterprises No. 24 - Hedging Accounting</i> and <i>Accounting Standards for Business Enterprises No. 37 - Presentation of Financial Instruments</i> (Cai Kuai [2017] No. 14), which were revised and issued by the Ministry of Finance in 2017 (the above four standards are collectively referred to as "New Financial Instrument Standards").	Such change has been considered and approved by the Company's Board of Directors.	Items of balance sheet		
		Financial assets available for sale	223,596,800.00	
		Debt investments		173,596,800.00
		Other equity instruments		50,000,000.00
On December 7, 2018, the Ministry of Finance revised and issued the <i>Accounting Standard for Enterprises No. 21 - Leases</i> (Cai Kuai [2018] No. 35) (hereinafter referred to as the "New Leasing Standard"), requiring companies listed at home and abroad and companies listed overseas and adopting the Accounting Standards for Business Enterprises to prepare financial reports to implement the New Leasing Standard from January 1, 2019, and other companies adopting the Accounting Standards for Business Enterprises to implement the New Leasing Standard from January 1, 2021.	Such change has been considered and approved by the Company's Board of Directors.	No impact		

2. Changes in accounting estimates

The Company had no changes in accounting estimates for the current period.

IV. Taxes

(I) Major tax items and their tax rates

Tax item	Taxation basis	Tax (fee) rate	Remarks
VAT	Sale of goods or provision of taxable services	13%, 9%, 6% Simplified collection rate: 3%, 5%	
Housing property tax	For taxation according to price, the tax shall be paid at 1.2% of the residual value after deducting 30% from the original value of the property; for taxation according to rent, the tax shall be paid at 12% of the rental income	1.2%, 12%	
Urban maintenance and construction tax	Turnover tax amount payable	7%	
Educational surcharges	Turnover tax amount payable	3%	
Local educational surcharges	Turnover tax amount payable	2%	
Corporate income tax	Taxable income	25%	

(II) Income tax rates of major subsidiaries

Name of Name of taxable entity	Level	Tax rate
Linkong Real Estate	1	25%
Linkong Deheng	2	25%
Dezheng Real Estate	2	25%
Yude Real Estate	2	25%
Linkong Debin	2	25%
Linkong Park	1	25%
Linkong Xianfeng	2	25%
Linkong Zhongjiang	1	25%
Linkong Dexin	1	25%
Linkong Industry	1	25%
Linkong Municipal Administration and Protection	1	25%
Lingkong Lingang	1	25%
Dekai Real Estate	2	25%
Lingkong Dekai	1	25%
Lingkong Dezhu	1	25%
Dekang Real Estate	2	25%
Deshu Information	1	25%

V. Notes to Major Items of Consolidated Financial Statements

Unless otherwise specified, in the following notes (including notes on major items in the Company's financial statements), the beginning of the period refers to January 1, 2021, the end of the period refers to December 31, 2021, the current year refers to the year of 2021, and the previous year

refers to the year of 2020. The amount is in RMB Yuan.

(I) Monetary capital

Item	Closing balance	Opening balance
Cash		81.55
Bank deposit	1,491,406,584.99	2,356,289,787.89
Other monetary capital	49,498,400.00	49,498,400.00
Total	1,540,904,984.99	2,405,788,269.44

Details of the restricted monetary capital:

Item	Closing balance	Opening balance
Time deposit certificates (pledge)	600,000,000.00	600,000,000.00
Guarantee deposit for offshore USD bonds	49,498,400.00	49,498,400.00
Total	649,498,400.00	649,498,400.00

(II) Accounts receivable

1. Classification of accounts receivable

Category	Closing balance			
	Book balance		Expected credit loss	
	Amount	Proportion (%)	Amount	Proportion of accrual (%)
Accounts receivable with ECL accrued on a single assessment basis	2,102,453.75	0.12	2,102,453.75	100.00
Accounts receivable of which ECL is calculated by portfolio	1,807,395,177.69	99.88	203,887.14	0.01
Including: Aging portfolio	62,640,919.40	3.46	203,887.14	0.33
Portfolio of related party	1,744,754,258.29	96.42		
Total	1,809,497,631.44	100.00	2,306,340.89	0.13
Category	Opening amount			
	Book balance		Expected credit loss	
	Amount	Proportion (%)	Amount	Proportion of accrual (%)
Accounts receivable with ECL accrued on a single assessment basis	302,051,361.41	11.38	2,051,361.41	0.68
Accounts receivable of which ECL is calculated by portfolio	2,351,322,995.04	88.62	26,165,121.25	1.11
Including: Aging portfolio	737,591,506.26	27.80	26,165,121.25	3.55
Portfolio of related party	1,613,731,488.78	60.82		
Total	2,653,374,356.45	100.00	28,216,482.66	1.06

(1) Accounts receivable with ECL accrued by individual assessment at the end of the period

Debtor's name	Book balance	Expected credit loss	Aging	ECL rate (%)	Reason of accrual
Hipad Intelligent Technology Co., Ltd.	2,051,361.41	2,051,361.41	1-2 year(s), 2-3 years	100.00	It is estimated non-recoverable
Nanchang Wind Technology Co., Ltd.	51,092.34	51,092.34	1-2 years	100.00	It is estimated non-recoverable

Debtor's name	Book balance	Expected credit loss	Aging	ECL rate (%)	Reason of accrual
Total	2,102,453.75	2,102,453.75			

(2) Accounts receivable of which ECL is calculated by portfolio

(i) Portfolio 1: Aging portfolio

Aging	Closing amount			Opening amount		
	Book balance	ECL rate (%)	Expected credit loss	Book balance	ECL rate (%)	Expected credit loss
Within 1 year	61,008,900.44			475,975,495.91		
1 to 2 years	1,330,772.76	10.00	133,077.28	261,580,808.27	10.00	26,158,080.83
2 to 3 years	266,044.12	20.00	53,208.82	35,202.08	20.00	7,040.42
3-4 years	35,202.08	50.00	17,601.04		50.00	
Total	62,640,919.40		203,887.14	737,591,506.26		26,165,121.25

2. Closing balance of accounts receivable from top 5 debtors

Company name	Relationship with the Company	Book balance	Amount of ECL provision	Proportion to total accounts receivable (%)
Nanchang Linkong Economic Zone Administrative Committee	Related party	1,744,683,968.80		96.53
Hipad Intelligent Technology Co., Ltd.	Non-related party	2,051,361.41	2,051,361.41	0.11
Finance Bureau of Nanchang Linkong Economic Zone	Non-related party	1,643,599.00		0.09
CCCC Third Highway Engineering Co., Ltd.	Non-related party	1,268,252.33		0.07
Jiangxi Hongli Tronic Co., Ltd.	Non-related party	722,488.66		0.04
Total		1,750,369,670.20	2,051,361.41	96.84

(III) Prepayment

Aging analysis of prepayment is as follows:

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year (inclusive of 1 year)	79,620,971.22	20.88	306,764,556.43	72.39
1-2 years (including 2 years)	194,769,041.64	51.06	86,203,696.85	20.34
2-3 years (including 3 years)	84,307,913.53	22.10	26,019,512.99	6.14
More than 3 years	22,715,426.11	5.96	4,768,330.16	1.13
Total	381,413,352.50	100.00	423,756,096.43	100.00

2. Prepayments with an age of more than 1 year and a significant amount:

Creditors	Debtors	Closing balance	Prepayment date	Reason for non-settlement
Nanchang Linkong Economic Zone City Construction Investment and Development Group Co., Ltd.	EPC Project Manager Department of Nanchang Linkong Economic Zone Fuqiang Avenue, CCCC Second Harbour Engineering Co., Ltd.	131,600,346.10	1-2 years	The contract settlement period has not reached
Nanchang Linkong Real Estate Investment Co., Ltd.	Nanchang Henggang Real Estate Co., Ltd.	66,688,000.00	2-3 years	The contract settlement

				period has not reached
Nanchang Linkong Economic Zone City Construction Investment and Development Group Co., Ltd.	Nanchang Xinyuan Construction Investment Development Co., Ltd.	38,380,164.66	1-2 years	The contract settlement period has not reached
Nanchang Linkong Real Estate Investment Co., Ltd.	Nanchang Xinneng Industrial Development Co., Ltd.	27,487,211.83	1-3 years, more than 3 years	The contract settlement period has not reached
Nanchang Linkong Park Comprehensive Service Co., Ltd.	Nanchang CREP Optoelectronics & Technology Co., Ltd.	19,470,207.40	1-3 years, more than 3 years	The contract settlement period has not reached
Total		283,625,929.99		

3. Top five closing balances of prepayments are presented as follows:

Company name	Relationship with the Company	Closing book balance	Proportion to prepayment (%)	Remarks
EPC Project Manager Department of Nanchang Linkong Economic Zone Fuqiang Avenue, CCCC Second Harbour Engineering Co., Ltd.	Non-related party	131,600,346.10	34.50	
Nanchang Henggang Real Estate Co., Ltd.	Non-related party	117,251,136.00	30.74	
Nanchang Xinyuan Construction Investment Development Co., Ltd.	Non-related party	38,380,164.66	10.06	
Nanchang Xinneng Industrial Development Co., Ltd.	Non-related party	27,487,211.83	7.21	
Nanchang CREP Optoelectronics & Technology Co., Ltd.	Non-related party	21,070,207.40	5.52	
Total		335,789,065.99	88.03	

(IV) Other receivables

Nature	Closing balance	Opening balance
Interest receivable	1,382,971.67	1,382,971.67
Dividends receivable		
Other receivable	5,159,103,241.06	3,398,306,882.82
Less: Expected credit losses	7,647,769.45	1,722,307.25
Total	5,152,838,443.28	3,397,967,547.24

1. Interest receivable

(1) Classification of interest receivable

Item	Closing balance	Opening balance
Entrusted loans	1,382,971.67	1,382,971.67
Less: bad debt provision		
Total	1,382,971.67	1,382,971.67

2. Other receivables

(1) Classification of other receivables

Category	Closing balance	
	Book balance	Expected credit loss

	Amount	Proportion (%)	Amount	Proportion of accrual (%)
Other receivables with ECL by single assessment	1,090,887,590.80	21.14		
Other receivables of which ECL is calculated by portfolio	4,068,215,650.26	78.86	7,647,769.45	0.19
Including: Aging portfolio	116,835,704.79	2.27	7,647,769.45	6.55
Portfolio of deposit and security deposit	24,373,817.26	0.47		
Portfolio of related party	3,927,006,128.21	76.12		
Total	5,159,103,241.06	100.00	7,647,769.45	0.15

Category	Opening amount			
	Book balance		Expected credit loss	
	Amount	Proportion (%)	Amount	Proportion of accrual (%)
Other receivables with ECL by single assessment	970,081,868.80	28.55		
Other receivables of which ECL is calculated by portfolio	2,428,225,014.02	71.45	1,722,307.25	0.07
Including: Aging portfolio	155,321,188.88	4.57	1,722,307.25	1.11
Portfolio of deposit and security deposit	35,468,200.60	1.04		
Portfolio of related party	2,237,435,624.54	65.84		
Total	3,398,306,882.82	100.00	1,722,307.25	0.05

(2) Other receivables with ECL by single assessment

Debtor's name	Book balance	Expected credit loss	Aging	ECL rate (%)	Reason of accrual
Finance Bureau of Nanchang Linkong Economic Zone	807,886,679.40		1-3 years		Compensation for land demolition and relocation
Economic Management Service Station of Qiushe Town, Xinjian District, Nanchang	141,490,197.40		2-3 years		Compensation for land demolition and relocation
Jiangxi H&D New Energy Co., Ltd.	87,266,104.00		Within 1 year, 1-2 years		The court enforced to offset the debt in kind, no loss occurred, no bad debt
Management Service Station of Lehua Town, Xinjian District, Nanchang	35,000,000.00		2-3 years		Compensation for land demolition and relocation
Office of Longmenggang New District Construction Command, Changmoon Industrial Park, Xinjian County, Nanchang	10,000,000.00		2-3 years		Compensation for land demolition and relocation
Baishui Lake Management Office, Nanchang Economic and Technological Development Zone	8,760,790.00		2-3 years		Compensation for land demolition and relocation
Guanshan Administration Office, Nanchang Economic and Technological Development Zone	483,820.00		2-3 years		Compensation for land demolition and relocation
Total	1,090,887,590.80				

(3) Accounts receivable of which ECL is calculated by portfolio

(i) Portfolio 1: Aging portfolio

Aging	Closing amount			Opening amount		
	Book balance	ECL rate (%)	Expected credit loss	Book balance	ECL rate (%)	Expected credit loss

Aging	Closing amount			Opening amount		
	Book balance	ECL rate (%)	Expected credit loss	Book balance	ECL rate (%)	Expected credit loss
Within 1 year	47,802,442.68			138,506,723.07		
1 to 2 years	61,896,650.10	10.00	6,189,665.02	16,711,859.05	10.00	1,671,185.90
2 to 3 years	7,034,005.25	20.00	1,406,801.05	606.76	20.00	121.35
3-4 years	606.76	50.00	303.38	102,000.00	50.00	51,000.00
4-5 years	102,000.00	50.00	51,000.00			
Total	116,835,704.79		7,647,769.45	155,321,188.88		1,722,307.25

(4) Classification of other receivables according to the nature of payment

Nature of amount	Closing balance	Opening balance
Security margin and deposit	24,373,817.26	35,468,200.60
Current accounts	4,128,495,967.91	2,352,303,967.60
Compensation for land demolition and relocation	1,003,621,486.80	1,003,621,486.80
Other	2,611,969.09	6,913,227.82
Less: Expected credit losses	7,647,769.45	1,722,307.25
Total	5,151,455,471.61	3,396,584,575.57

(5) Aging analysis of other receivables

Aging	Closing amount			Opening amount		
	Book balance	Proportion (%)	Expected credit loss	Book balance	Proportion (%)	Expected credit loss
Within 1 year	2,740,794,019.90	53.13		1,224,110,415.56	36.02	
1 to 2 years	282,403,907.26	5.47	6,189,665.02	1,369,282,136.31	40.29	1,671,185.90
2 to 3 years	1,341,310,332.95	26.00	1,406,801.05	793,464,213.35	23.35	121.35
3-4 years	790,994,013.35	15.33	303.38	9,660,770.00	0.29	51,000.00
4-5 years	1,811,620.00	0.04	51,000.00	1,789,347.60	0.05	
More than 5 years	1,789,347.60	0.03				
Total	5,159,103,241.06	100.00	7,647,769.45	3,398,306,882.82	100.00	1,722,307.25

(6) Provision for bad debts of other receivables

Bad debt provision	Stage I	Stage II	Stage III	Total
	12-month ECL	Lifetime ECL (without credit impairment)	Lifetime ECL (with credit impairment)	
Opening balance		1,722,307.25		1,722,307.25
Opening balance during the current period				
- Carried over to Stage II				
- Carried over to Stage III				
- Reversed to Stage II				
- Reversed to Stage I				
Accrual for the current period		5,925,462.20		5,925,462.20

Bad debt provision	Stage I	Stage II	Stage III	Total
	12-month ECL	Lifetime ECL (without credit impairment)	Lifetime ECL (with credit impairment)	
Reversal for the current period				
Charge-off for the current period				
Write-off for the current period				
Other changes				
Closing balance		7,647,769.45		7,647,769.45

(7) Other receivables with top 5 closing balances as collected as per the debtors

Debtor's name	Nature of amount	Closing balance	Aging	Proportion to the balance of other receivables (%)	Expected credit loss
Jiangxi Jinlin Industrial Holding Co., Ltd.	Current accounts	2,611,862,408.00	Within 1 year	50.63	
Nanchang Linkong Economic Zone Administrative Committee	Current accounts	1,315,143,720.21	Within 4 years	25.49	
Finance Bureau of Nanchang Linkong Economic Zone	Compensation for land demolition and relocation	807,886,679.40	1-3 years	15.66	
Economic Management Service Station of Qiushe Town, Xinjian District, Nanchang	Compensation for land demolition and relocation	141,490,197.40	2-3 years	2.74	
Jiangxi H&D New Energy Co., Ltd.	Current accounts	87,266,104.00	Within 1 year, 1-2 years	1.69	
Total		4,963,649,109.01		96.21	

(V) Inventories

1. The breakdown of inventories is shown as follows:

Item	Closing balance			Opening balance		
	Book balance	Falling price reserves	Book value	Book balance	Falling price reserves	Book value
Raw materials	2,900.00		2,900.00			
Finished goods	102,108.45		102,108.45	223,190.98		223,190.98
Productive biological assets	9,030,943.50		9,030,943.50	9,030,943.50		9,030,943.50
Development costs	4,751,495,426.67		4,751,495,426.67	4,804,290,877.54		4,804,290,877.54
Total	4,760,631,378.62		4,760,631,378.62	4,813,545,012.02		4,813,545,012.02

2. Inventory falling price reserve: No indication of impairment of inventories at the end of the period.

(VI) Non-current assets maturing within one year

Item	Closing balance	Opening balance
Long-term receivables maturing within one year	7,000,000.00	144,000,000.00
Total	7,000,000.00	144,000,000.00

(VII) Other current assets

Item	Closing balance	Opening balance
Input tax to be deducted	430,285,863.57	406,129,139.13
Prepaid tax	19,805,477.78	6,554,979.29
Other	17,745.00	
Total	450,109,086.35	412,684,118.42

(VIII) Debt investments

1. Classification of debt investment

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Nanchang Guanggu Optoelectronics Industry Fund Partnership	73,596,800.00		73,596,800.00	73,596,800.00		73,596,800.00
Jiangxi Lianchuang Display Technology Co., Ltd.	100,000,000.00		100,000,000.00	100,000,000.00		100,000,000.00
Total	173,596,800.00		173,596,800.00	173,596,800.00		173,596,800.00

(IX) Long-term receivables

1. Disclosure of long-term receivables by classification

Item	Closing balance			Opening balance		
	Book balance	Bad debt provision	Book value	Book balance	Bad debt provision	Book value
Finance lease						
Other (entrusted loans)	42,070,140.28		42,070,140.28	536,070,140.28	8,000,000.00	528,070,140.28
Subtotal	42,070,140.28		42,070,140.28	536,070,140.28	8,000,000.00	528,070,140.28
Less: long-term receivables maturing within one year	7,000,000.00		7,000,000.00	144,000,000.00		144,000,000.00
Total	35,070,140.28		35,070,140.28	392,070,140.28	8,000,000.00	384,070,140.28

(X) Long-term equity investment

1、Classification of long-term equity investment

Item	Closing balance	Opening balance
Investment in joint ventures		
Investment in associates	18,515,886.61	19,423,501.68
Subtotal	18,515,886.61	19,423,501.68

Less: Impairment provision for long-term equity investment		
Total	18,515,886.61	19,423,501.68

2、Details of long-term equity investments

Investee	Initial investment cost	Opening balance	Change for the current period			
			Additional or reduced investment	Investment income recognized under equity method	Adjustment to other comprehensive incomes	Change of other equities
Nanchang Jinlin Property Services Co., Ltd.	1,200,000.00	1,459,242.09		108,906.41		
Jiangxi Baohong Technology Co., Ltd.	1,600,000.00	1,411,503.39		-214,490.01		
Nanchang Linkong Yuhetian Property Management Co., Ltd.	1,250,000.00	3,473,780.11		803,588.17		
Nanchang Linkong Logistics Co., Ltd.	750,000.00	1,314,691.97	-87,662.96	-180,411.13		
Nanchang Linkong Shengde Highway Engineering Co., Ltd.	10,000,000.00	8,415,846.08		-1,233,119.32		
Nanchang Linkong Yishijia Operation Management Co., Ltd.	200,000.00	103,511.00		-103,511.00		
Ganjiang New Area Hongcheng Deyuan Environmental Protection Co., Ltd.	3,232,000.00	3,244,927.04		-915.23		
Total	18,232,000.00	19,423,501.68	-87,662.96	-819,952.11		

Continued:

Investee	Closing balance	Balance of impairment provision at the end of period	Impairment provision accrued during the period	Net amount at end of period	Remarks
Nanchang Jinlin Property Services Co., Ltd.	1,568,148.50			1,568,148.50	
Jiangxi Baohong Technology Co., Ltd.	1,197,013.38			1,197,013.38	
Nanchang Linkong Yuhetian Property Management Co., Ltd.	4,277,368.28			4,277,368.28	
Nanchang Linkong Logistics Co., Ltd.	1,046,617.88			1,046,617.88	
Nanchang Linkong Shengde Highway Engineering Co., Ltd.	7,182,726.76			7,182,726.76	
Nanchang Linkong Yishijia Operation Management Co., Ltd.					
Ganjiang New Area Hongcheng Deyuan Environmental Protection Co., Ltd.	3,244,011.81			3,244,011.81	
Total	18,515,886.61			18,515,886.61	

(XI) Other equity instrument investment

Item	Investment cost	Opening balance	Closing balance	Dividend income recognized during the period	Transfer of accumulated gains and losses from other comprehensive income to retained earnings for the period	Reason for transfer
Huabao - ICB Nanchang Huimai [1] Pooled Plan	50,000,000.00	50,000,000.00				
Total	50,000,000.00	50,000,000.00				

(XII) Investment real estate

1. Investment real estate using fair value measurement model

Item	Opening fair value	Increase for the current period			Decrease for the current period		Closing fair value
		Purchase	Transfer-in of self-use real estate or inventories	Profit or loss on change of fair value	Disposal	Convert to self-use real estate	
I. Total cost	5,527,760,880.53		178,925,824.02				5,706,686,704.55
Including:							
1. Houses, buildings	5,527,760,880.53		178,925,824.02				5,706,686,704.55
2. Land use rights							
II. Total changes in fair value	4,120,244,426.47		-4,120,564.60	59,058,679.57			4,175,182,541.44
Including:							
1. Houses, buildings	4,120,244,426.47		-4,120,564.60	59,058,679.57			4,175,182,541.44
2. Land use rights							
III. Total book amount of investment real estate	9,648,005,307.00		174,805,259.42	59,058,679.57			9,881,869,245.99
Including:							
1. Houses, buildings	9,648,005,307.00		174,805,259.42	59,058,679.57			9,881,869,245.99
2. Land use rights							

Note: The ending breakdown of investment real estate is as follows

1. The Company's investment real estate includes the Production and Distribution Phase II CDEF Zone, Jiahe Phase I, Jiahe Phase II, Huigu Industrial Park, Angel Financial Plaza, Lijing Park, O-film 3#, 4#, 5# Plants, Luminous Diode Pavilion, Yude Manufacturing Park, Sino-German 4.0 Industrial Park, Linkong Lingang Industrial Park and Jiajie Xinyuan Technology Plant. The appraisal approaches adopted for Production and Distribution Phase II CDEF Zone is the market approach and the income approach; the appraisal approach adopted for Production and Distribution Phase II G Zone and Jiahe

Phase II is the market approach; the appraisal approach adopted for Jiahe Phase I, Huigu Industrial Park, Angel Financial Plaza and Lijing Park is the income approach; the appraisal approach adopted for Yude Manufacturing Park, Linkong Lingang Industrial Park and Sino-German 4.0 Industrial Park is the income approach; and the appraisal approach adopted for Jiajie Xinyuan Technology Plant, O-film 3#, 4#, 5# Plants and Luminous Diode Pavilion is the cost approach.

2. On January 26, 2022, Zhongrui Shilian Assets Appraisal Group Co., Ltd. appraised the investment real estate including Jiahe Phase I, Jiahe Phase II, Huigu Industrial Park, Lijing Park, O-film 4# and 5# Plants and Luminous Diode Pavilion of the subsidiary Linkong Real Estate dated of December 31, 2021 (Zhong Rui Ping Bao Zi [2022] No. 000260), with the net appraisal values of RMB 332,381,385.00, RMB 417,655,040.00, RMB 440,440,877.00, RMB 89,853,649.00 and RMB 843,075,106.00, respectively. As a result of other expenses such as human defense construction fees and license fees incurred in the current period and the corresponding costs and expenses provisionally overestimated in the previous period, the corresponding decrease of RMB 1,563,000.74 was transferred to the initial cost of investment real estate and the initial fair value change gain or loss was increased by RMB 1,563,000.74, corresponding to the increase in other comprehensive income by RMB 1,172,250.56. Appraisal appreciation of RMB 17,265,895.99 was recorded as fair value change gain or loss during the period.

3. On January 26, 2022, Zhongrui Shilian Assets Appraisal Group Co., Ltd. appraised the investment real estate including Production and Distribution Phase II CDEF Zone, Angel Financial Plaza and Luminous Diode Pavilion of the subsidiary Linkong Real Estate dated of December 31, 2021 (Zhong Rui Ping Bao Zi [2022] No. 000260), with the net appraisal values of RMB 1,992,830,320.00, RMB 86,822,869.00 and RMB 54,150,645.00, respectively. The appraisal appreciation of RMB 22,147,573.51 was recorded as fair value change gain or loss.

4. On January 26, 2022, Zhongrui Shilian Assets Appraisal Group Co., Ltd. appraised the investment real estate including Yude Manufacturing Park Phase I and Phase II of the subsidiary Yude Real Estate dated of December 31, 2021 (Zhong Rui Ping Bao Zi [2022] No. 000244), with a net appraisal value of RMB 918,058,493.00. The cost of investment real estate increased by RMB 1,901,775.84, the change in fair value decreased by RMB 1,901,775.84, and other comprehensive income decreased by RMB 1,426,331.88 due to the construction cost and payment of expenses in the current period. The appraisal appreciation of RMB 3,004,574.00 was recorded as fair value change gain or loss.

5. On January 26, 2022, Zhongrui Shilian Assets Appraisal Group Co., Ltd. appraised the investment real estate including Nanchang O-film Linkong Park 3# Plant of the subsidiary Dezheng Real Estate dated of December 31, 2021 (Zhong Rui Ping Bao Zi [2022] No. 000251), with a net appraisal value of RMB 588,246,794.00. The cost of investment real estate increased by RMB 147,003.95, the change in fair value decreased by RMB 147,003.95, and other comprehensive income decreased by RMB 110,252.96 due to the payment of drawing review fees and planning survey fees, etc. The appraisal appreciation of RMB 3,885,306.00 was recorded as fair value change gain or loss.

6. On January 26, 2022, Zhongrui Shilian Assets Appraisal Group Co., Ltd. appraised the investment real estate including China-Germany 4.0 Industrial Park of the subsidiary Nanchang Linkong Deheng Asset Investment Co., Ltd. dated of December 31, 2021 (Zhong Rui Ping Bao Zi [2022] No. 000248), with a net appraisal value of RMB 891,131,927.00. The cost of investment real estate increased by RMB 3,634,785.55, the change in fair value decreased by RMB 3,634,785.55, and other comprehensive income decreased by RMB 2,726,089.16 due to the payment of drawing review fee, design fee and project estimate adjustment in this period. The appraisal appreciation of RMB 7,252,346.00 was recorded as fair value change gain or loss.

7. On January 26, 2022, Zhongrui Shilian Assets Appraisal Group Co., Ltd. appraised the investment real estate including Linkong Lingang Industrial Park of the subsidiary Linkong Lingang dated of December 31, 2021 (Zhong Rui Ping Bao Zi [2022] No. 000250), with a net appraisal value of RMB 3,009,269,329.00. The appraisal appreciation of RMB 5,321,936.80 was recorded as fair value change gain or loss.

8. On January 26, 2022, Zhongrui Shilian Assets Appraisal Group Co., Ltd. appraised the investment real estate including Jiajie Xinyuan Technology Plant of the Company dated of December 31, 2021 (Zhong Rui Ping Bao Zi [2022] No. 000247), with a net appraisal value of RMB 217,952,812.00. The appraisal appreciation of RMB 181,047.27 was recorded as fair value change gain or loss.

(XIII) Fixed assets

1. Fixed assets

(1) Breakdown of fixed assets and their accumulated depreciation and changes

Item	Opening balance	Increase for the current period	Decrease for the current period	Closing balance
I. Total original book value	74,168,415.17	1,213,039.98		75,381,455.15
Including: Houses and buildings	60,331,895.07			60,331,895.07
Transportation tools	2,646,713.82	898,227.77		3,544,941.59
Electronic equipment	281,460.66	17,267.43		298,728.09

Item	Opening balance	Increase for the current period	Decrease for the current period	Closing balance
Office equipment	6,343,565.78	282,076.72		6,625,642.50
Other equipment	4,564,779.84	15,468.06		4,580,247.90
II. Total accumulated depreciation	6,097,522.72	4,393,785.16		10,491,307.88
Including: Houses and buildings		1,910,510.01		1,910,510.01
Transportation tools	1,738,012.47	269,727.21		2,007,739.68
Electronic equipment	49,885.56	61,357.48		111,243.04
Office equipment	2,538,170.21	1,320,973.77		3,859,143.98
Other equipment	1,771,454.48	831,216.69		2,602,671.17
III. Total impairment provision				
Including: Houses and buildings				
Transportation tools				
Electronic equipment				
Office equipment				
Other equipment				
IV. Total book value of fixed assets	68,070,892.45			64,890,147.27
Including: Houses and buildings	60,331,895.07			58,421,385.06
Transportation tools	908,701.35			1,537,201.91
Electronic equipment	231,575.10			187,485.05
Office equipment	3,805,395.57			2,766,498.52
Other equipment	2,793,325.36			1,977,576.73

(XIV) Intangible assets

1. Category of intangible assets

Item	Opening balance	Increase for the current period	Decrease for the current period	Closing balance
I. Total original book value	165,217.05	23,334.92		188,551.97
Including: software	165,217.05	23,334.92		188,551.97
II. Total accumulated amortization	61,724.30	32,227.45		93,951.75
Including: software	61,724.30	32,227.45		93,951.75
III. Total impairment provision				
Including: software				
IV. Total book value	103,492.75			94,600.22
Including: software	103,492.75			94,600.22

(XV) Goodwill

Name of investee or matters constituting goodwill	Opening balance	Increase for the current period		Decrease for the current period		Closing balance
		Formed in business combination	Other	Disposal	Other	
Jiangxi Dekai Construction Co., Ltd.	43,656.56					43,656.56
Total	43,656.56					43,656.56

(XVI) Long-term deferred expenses

Item	Opening balance	Increase for the current period	Amortization amount for the current period	Other decrease	Closing balance
The Group's incorruptibility culture promenade arrangement fee		208,267.32	34,711.22		173,556.10
Jiahe Phase I market supervision bureau decoration fee		3,640,079.18	574,449.86		3,065,629.32
Office decoration project	581,323.87	20,916.41	213,714.48		388,525.80
Office decoration and renovation project	279,808.27	6,443.12	286,251.39		
Office partition project		30,000.00	19,999.92		10,000.08
Party building project		115,104.18		111,651.06	3,453.12
Total	861,132.14	4,020,810.21	1,129,126.87	111,651.06	3,641,164.42

(XVII) Deferred tax assets and deferred tax liabilities

1. Deferred tax assets and deferred tax liabilities not presented in net after offset

Item	Closing balance		Opening balance	
	Deferred tax assets/ liabilities	Deductible/taxable temporary differences	Deferred tax assets/ liabilities	Deductible/taxable temporary differences
Deferred tax assets:				
Provision for assets impairment	2,488,499.55	9,953,998.14	9,484,697.47	37,938,789.91
Subtotal	2,488,499.55	9,953,998.14	9,484,697.47	37,938,789.91
Deferred tax liabilities:				
Adjustment to fair value of investment real estate	1,043,795,635.55	4,175,182,541.44	1,030,061,106.63	4,120,244,426.47
Subtotal	1,043,795,635.55	4,175,182,541.44	1,030,061,106.63	4,120,244,426.47

(XVIII) Short-term loans

1. Short-term loans

Loan type	Closing balance	Opening balance
Secured loans		
Guaranteed loan	865,000,000.00	1,190,000,000.00
Debt of honor		
Total	865,000,000.00	1,190,000,000.00

2. Classification of short-term loans

(1) Guaranteed loans

Lender	Name of borrower	Loan balance	Guarantor	Borrowing date	Maturity date
Industrial and Commercial Bank of China Ganjiang New Area Sub-branch, Jiangxi	Nanchang Linkong Real Estate Investment Co., Ltd.	100,000,000.00	Nanchang Linkong Economic Zone City Construction Investment and Development Group Co., Ltd.	2021/5/1	2022/4/30
Industrial and	Nanchang Linkong	50,000,000.00	Nanchang Linkong	May 10, 2021	May 9, 2022

Commercial Bank of China Ganjiang New Area Sub-branch, Jiangxi	Real Estate Investment Co., Ltd.		Economic Zone City Construction Investment and Development Group Co., Ltd.		
Agricultural and Commercial Bank of China Ganjiang New Area Sub-branch	Nanchang Linkong Real Estate Investment Co., Ltd.	200,000,000.00	Nanchang Linkong Economic Zone City Construction Investment and Development Group Co., Ltd.	June 24, 2021	June 23, 2022
Jiangxi Bank Bayi Sub-branch, Nanchang	Nanchang Linkong Real Estate Investment Co., Ltd.	365,000,000.00	Nanchang Linkong Economic Zone City Construction Investment and Development Group Co., Ltd.	June 21, 2021	June 20, 2022
Jiangxi Bank Bayi Sub-branch, Nanchang	Nanchang Linkong Real Estate Investment Co., Ltd.	150,000,000.00	Nanchang Linkong Economic Zone City Construction Investment and Development Group Co., Ltd.	December 29, 2021	December 28, 2022
Total		865,000,000.00			

(XIX) Accounts payable

1. Details of accounts payable

Item	Closing balance	Opening balance
Within 1 year (inclusive of 1 year)	224,091,766.86	1,661,885,115.56
1-2 years (including 2 years)	1,108,213,701.05	24,246,982.36
2-3 years (including 3 years)	17,559,988.18	149,197,849.65
More than 3 years	152,425,292.52	3,619,521.11
Total	1,502,290,748.61	1,838,949,468.68

2. Large accounts payable aged over 1 year

Item	Closing balance	Reason for non repayment or carry-over
Nanchang Linkong Economic Zone Business Department, PowerChina Jiangxi Hydropower Engineering Bureau Co., Ltd.	63,908,779.44	The contract payment period has not reached
Nanchang Linkong Economic Zone Business Department, PowerChina Jiangxi Hydropower Engineering Bureau Co., Ltd.	17,231,707.72	The contract payment period has not reached
Zhejiang Post & Telecommunication Construction Co., Ltd.	3,179,117.24	The contract payment period has not reached
Nanchang Xinneng Industrial Development Co., Ltd.	1,417,780.00	The contract payment period has not reached
Nanchang Tongyuan Industrial Co., Ltd.	783,880.91	The contract payment period has not reached
Total	86,521,265.31	

(XX) Contract liabilities

Item	Closing balance	Opening balance
Advance from customers received for the transfer of goods and rendering of services	10,010,028.97	54,113,356.93
Total	10,010,028.97	54,113,356.93

(XXI) Payroll payable

Classification of payroll payable

Item	Closing balance	Opening balance
Short-term compensation	996,367.18	3,330,298.83
Post-employment benefits-defined contribution plan	35,721.44	
Termination benefits		
Other benefits maturing within one year		
Total	1,032,088.62	3,330,298.83

2. Short-term compensation

Item	Opening balance	Increase for the current period	Decrease for the current period	Closing balance
1. Wages, bonuses, allowances and subsidies	3,320,853.81	23,260,384.18	25,596,942.16	984,295.83
2. Employee benefits		363,334.40	363,334.40	
3. Social insurance premiums		902,000.42	892,504.17	9,496.25
Including: Basic medical insurance premiums		747,097.11	739,026.81	8,070.30
Supplementary medical insurance premiums		31,880.00	31,880.00	
Industrial Injury Insurance Premium		25,615.49	25,265.58	349.91
Birth insurance premium		97,407.82	96,331.78	1,076.04
4. Housing provident funds		2,201,905.00	2,200,622.00	1,283.00
5. Labor union funds and employee education funds;	9,445.02	41,683.10	49,836.02	1,292.10
6. Short-term paid absence				
7. Short-term profits sharing plan				
8. Other short-term compensation				
Total	3,330,298.83	26,769,307.10	29,103,238.75	996,367.18

3. Post-employment benefits-defined contribution plans

Item	Opening balance	Increase for the current period	Decrease for the current period	Closing balance
1. Basic endowment insurance premiums		2,152,491.31	2,117,852.43	34,638.88
2. Unemployment insurance premiums		67,517.90	66,435.34	1,082.56
3. Annuity payment				
Total		2,220,009.21	2,184,287.77	35,721.44

(XXII) Taxes payable

Category	Closing balance	Opening balance
VAT	990,424.89	678,294.14
Corporate income tax	15,584,578.55	12,589,854.77
Urban maintenance and construction tax	1,237,002.58	1,187,894.52
Housing property tax	180,798.12	5,205,244.08
Land use tax	1,360,301.16	1,954,036.49
Individual income tax	429.00	70,590.96
Educational surcharges	530,251.67	509,205.36
Local educational surcharges	346,862.16	332,831.29

Category	Closing balance	Opening balance
Land VAT	53,825,390.58	53,825,390.58
Other taxes	8,431.44	10,075.82
Total	74,064,470.15	76,363,418.01

(XXIII) Other payables

Item	Closing balance	Opening balance
Interest payable	29,001,664.96	43,648,927.62
Dividends payable		
Other payables	768,395,708.38	538,928,095.08
Total	797,397,373.34	582,577,022.70

1. Interests payable

Category	Closing balance	Opening balance
Interests for long-term loans that are repaid by installment with principal paid on due date	28,621,039.99	32,509,343.33
Interest payable of short-term loans	380,624.97	1,456,041.66
Bond interest payable		9,683,542.63
Total	29,001,664.96	43,648,927.62

2. Other payables

(1) Classification by nature of payment

Nature of amount	Closing balance	Opening balance
Current accounts	768,395,708.38	538,928,095.08
Total	768,395,708.38	538,928,095.08

(2) Other payables at large amount with aging of more than one year:

Company name	Closing balance	Aging	Nature of amount	Reasons for outstanding or non-carry-over accounts
Jiangxi Hengbin Investment Development Co., Ltd.	212,080,000.00	1-2 years, 2-3 years	Current accounts	Uncollected
Nanchang Linkong Lingang Industrial Park Project (Phase I) Project Department of Beijing City Construction Road & Bridge Group Co., Ltd.	3,400,000.00	1-2 years	Consulting fees	Not yet settled
Industrial supporting service center A-1	2,069,992.57	1-3 years, more than 3 years	Lease deposit	Business not yet closed
Jiangxi Shenglong Construction Engineering Labor Subcontracting Co., Ltd.	1,550,000.00	1-2 years	Consulting fees	Not yet settled
Jiahe Commercial Center Phase II (Donglinli)	1,238,632.61	1-2 years, 2-3 years	Lease deposit	Business not yet closed
Total	220,338,625.18			

(XXIV) Non-current liabilities maturing within one year

Item	Closing balance	Opening balance
Long-term loans maturing within one year	1,757,497,000.00	571,006,450.00
Long-term payables maturing within one year	66,856,203.09	

Total	1,824,353,203.09	571,006,450.00

(XXV) Other current liabilities

Item	Closing balance	Opening balance
Sales tax to be transferred received for the transfer of goods and rendering of services	895,205.38	4,870,202.12
Total	895,205.38	4,870,202.12

(XXVI) Long-term loans

1. Details of long-term loans

Loan type	Closing balance	Opening balance
Secured loans	2,909,000,000.00	2,999,500,000.00
Mortgaged loans	1,437,976,000.00	1,516,985,000.00
Guaranteed loan	4,035,500,000.00	3,770,500,000.00
Debt of honor		
Subtotal	8,382,476,000.00	8,286,985,000.00
Less: Long-term loans maturing within one year	1,757,497,000.00	571,006,450.00
Total	6,624,979,000.00	7,715,978,550.00

2. Classification of long-term loans

(1) Pledged loans

Lender	Name of borrower	Loan balance	Including the balance of non-current liabilities maturing within one year	Pledge	Borrowing date	Maturity date
China Agricultural Development Bank Changbei Sub-branch, Nanchang	Nanchang Linkong Lingang Investment and Development Co., Ltd.	447,000,000.00	22,000,000.00	Pledged with the accounts receivable of the first phase of the overall urbanization project of Nanchang Linkong Lingang Development Investment Co., Ltd. and guaranteed by Nanchang Linkong Economic Zone City Construction Investment and Development Group Co., Ltd.	2019/1/30	2034/1/27
China Agricultural Development Bank Changbei Sub-branch, Nanchang	Nanchang Linkong Economic Zone City Construction Investment and Development Group Co., Ltd.	1,076,000,000.00	51,000,000.00	Pledged with the shift building, staff dormitory, commercial and supporting rental income, property fee income and parking space rental income of the Nanchang Linkong Economic Zone Industrial Supporting Service Center Project (Phase I and Phase II) and	December 11, 2020	2034/6/22

				guaranteed by Nanchang Jinkai Group Co., Ltd.		
China Agricultural Development Bank Changbei Sub-branch, Nanchang	Nanchang Linkong Real Estate Investment Co., Ltd.	848,000,000.00	82,000,000.00	Pledged with the accounts receivable account under the Government Purchase Service Agreement	2016/9/28	2031/9/26
China Minsheng Bank Nanchang Branch Business Department	Nanchang Linkong Real Estate Investment Co., Ltd.	360,000,000.00	360,000,000.00	RMB 400 million time deposit certificate	2019/9/26	2022/9/26
China Minsheng Bank Nanchang Branch Business Department	Nanchang Linkong Real Estate Investment Co., Ltd.	178,000,000.00		RMB 200 million time deposit certificate	January 13, 2020	2023/1/13
Total		2,909,000,000.00	515,000,000.00			

(2) Mortgage loan

Lender	Name of borrower	Loan balance	Including the balance of non-current liabilities maturing within one year	Collateral	Borrowing date	Maturity date
Export-Import Bank of China Jiangxi Branch	Nanchang Linkong Lingang Investment and Development Co., Ltd.	320,000,000.00	20,000,000.00	Nanchang Linkong Real Estate Investment Co., Ltd., Nanchang Linkong Economic Zone City Construction Investment and Development Group Co., Ltd. provided guarantee + mortgage of land use rights	2018/9/28	2033/9/11
Industrial and Commercial Bank of China Limited Ganjiang New Area Sub-branch, Jiangxi	Nanchang Linkong Lingang Investment and Development Co., Ltd.	475,000,000.00	27,000,000.00	[Land Certificate No.: Gan (2017) Nanchang Real Estate Property No. 0171799, Area: 186,559.70m ²]	2018/9/27	2033/9/11
Export-Import Bank of China Jiangxi Branch	Nanchang Linkong Lingang Investment and Development Co., Ltd.	308,822,500.00	17,745,000.00	Nanchang Linkong Real Estate Investment Co., Ltd., Nanchang Linkong Economic Zone City Construction Investment and Development Group Co., Ltd. provided guarantee + mortgage of land use rights	January 31, 2019	2033/10/11
Jiangxi Bank Co., Ltd. Bayi Sub-branch, Nanchang	Nanchang Linkong Lingang Investment and Development Co., Ltd.	46,298,400.92	2,535,000.00	[Land Certificate No.: Gan (2018) Nanchang Real Estate Property No. 0019973, Area: 166,519m ²]	January 31, 2019	2033/10/11
Bank of Communications Co., Ltd. Jiangxi Branch	Nanchang Linkong Lingang Investment and Development Co., Ltd.	287,855,099.08	15,717,000.00		January 31, 2019	2033/10/11
Total		1,437,976,000.00	82,997,000.00			

(3) Guaranteed loans

Lender	Name of borrower	Loan balance	Including the balance of non-current liabilities maturing within one year	Guarantor	Borrowing date	Maturity date
Bank of Shangrao Ganjiang New Area Sub-branch	Nanchang Linkong Economic Zone City Construction Investment and Development Group Co., Ltd.	100,000,000.00	15,000,000.00	Nanchang Linkong Real Estate Investment Co., Ltd.	December 29, 2021	2023/12/29
Jiangxi Bank Bayi Sub-branch, Nanchang	Nanchang Linkong Real Estate Investment Co., Ltd.	487,000,000.00	487,000,000.00	Nanchang Linkong Economic Zone City Construction Investment and Development Group Co., Ltd.	2015/11/27	2022/11/26
Industrial and Commercial Bank of China Ganjiang New Area Sub-branch, Jiangxi	Nanchang Linkong Real Estate Investment Co., Ltd.	195,000,000.00	5,000,000.00	Nanchang Linkong Economic Zone City Construction Investment and Development Group Co., Ltd.	2020/9/28	2023/9/27
Industrial and Commercial Bank of China Ganjiang New Area Sub-branch, Jiangxi	Nanchang Linkong Real Estate Investment Co., Ltd.	140,000,000.00	140,000,000.00	Nanchang Linkong Economic Zone City Construction Investment and Development Group Co., Ltd.	October 1, 2019	2022/9/29
China Everbright Bank Nanchang Branch	Nanchang Linkong Real Estate Investment Co., Ltd.	285,000,000.00	10,000,000.00	Nanchang Linkong Economic Zone City Construction Investment and Development Group Co., Ltd.	2018/1/19	2028/1/18
China Construction Bank Ganjiang New Area Sub-branch, Jiangxi	Nanchang Linkong Real Estate Investment Co., Ltd.	300,000,000.00	300,000,000.00	Nanchang Linkong Economic Zone City Construction Investment and Development Group Co., Ltd.	2020/7/31	July 30, 2022
Jiangxi Bank Bayi Sub-branch, Nanchang	Nanchang Linkong Real Estate Investment Co., Ltd.	480,000,000.00	10,000,000.00	Nanchang Linkong Economic Zone City Construction Investment and Development Group Co., Ltd.	2018/8/27	2023/8/26
Jiangxi Bank Bayi Sub-branch, Nanchang	Nanchang Linkong Real Estate Investment Co., Ltd.	195,000,000.00	5,000,000.00	Nanchang Linkong Economic Zone City Construction Investment and Development Group Co., Ltd.	2019/9/10	2024/9/5
Bank of Communications Binjiang Sub-branch	Nanchang Linkong Real Estate Investment Co., Ltd.	120,000,000.00	30,000,000.00	Nanchang Linkong Economic Zone City Construction Investment and Development Group Co., Ltd.	March 20, 2020	2034/12/20
Bank of Communications	Nanchang Linkong Real Estate Investment Co., Ltd.	180,000,000.00		Nanchang Linkong Economic Zone City Construction Investment and Development Group Co., Ltd.	2020/6/28	2034/12/20

Binjiang Sub-branch	Estate Investment Co., Ltd.			Construction Investment and Development Group Co., Ltd.		
Bank of Jiujiang Ganjiang New Area Branch	Nanchang Linkong Real Estate Investment Co., Ltd.	300,000,000.00	40,000,000.00	Nanchang Linkong Economic Zone City Construction Investment and Development Group Co., Ltd.	2020/9/25	2025/9/24
Postal Saving Bank of China Nanchang Branch	Nanchang Linkong Real Estate Investment Co., Ltd.	90,000,000.00	5,000,000.00	Nanchang Linkong Economic Zone City Construction Investment and Development Group Co., Ltd.	2021/2/1	2023/1/31
Postal Saving Bank of China Nanchang Branch	Nanchang Linkong Real Estate Investment Co., Ltd.	195,000,000.00	10,000,000.00	Nanchang Linkong Economic Zone City Construction Investment and Development Group Co., Ltd.	2021/4/21	2023/4/20
Bank of China Ganjiang New Area Sub-branch	Nanchang Yude Real Estate Development Co., Ltd.	240,000,000.00	30,000,000.00	Nanchang Linkong Economic Zone City Construction Investment and Development Group Co., Ltd.	2018/12/27	2026/12/26
China Construction Bank Nanchang Railway Sub-branch	Nanchang Dezheng Real Estate Investment Co., Ltd.	55,000,000.00	12,000,000.00	Nanchang Linkong Real Estate Investment Co., Ltd.	December 1, 2016	2026/12/30
Bank of China Ganjiang New Area Sub-branch	Nanchang Linkong Deheng Asset Investment Co., Ltd.	305,000,000.00	40,000,000.00	Nanchang Linkong Economic Zone City Construction Investment and Development Group Co., Ltd.	November 22, 2019	2027/11/21
Industrial and Commercial Bank of China Ganjiang New Area Sub-branch	Nanchang Linkong Deheng Asset Investment Co., Ltd.	368,500,000.00	20,500,000.00	Nanchang Linkong Real Estate Investment Co., Ltd., Nanchang Linkong Economic Zone City Construction Investment and Development Group Co., Ltd.	2019/11/27	2034/6/27
Total		4,035,500,000.00	1,159,500,000.00			

(XXVII) Bonds payable

1. Classification of bonds payable

Bond name	Closing balance	Opening balance
Overseas bonds	413,088,510.51	422,755,340.15
Less: Bonds payable maturing within one year		
Total	413,088,510.51	422,755,340.15

2. Changes in bonds

Bond name	Nominal value	Issue Date	Bond duration	Issue amount	Opening balance
Credit enhanced bonds maturing 2023	USD 100	July 2, 2020	3+2 years	437,168,300.00	422,755,340.15

Bond name	Nominal value	Issue Date	Bond duration	Issue amount	Opening balance
Total				437,168,300.00	422,755,340.15

Continued:

Bond name	Issuance for the current period	Interest accrued by face value	Premium and discount amortization	Decrease for the current period	Closing balance
Credit enhanced bonds maturing 2023				9,666,829.64	413,088,510.51
Total				9,666,829.64	413,088,510.51

Note: The decrease in the current period is due to changes in exchange rates at the end of the period.

(XXVIII) Long-term payables

1. Long-term payables

Item	Opening balance	Increase for the current period	Decrease for the current period	Closing balance
O-film special support fund	300,000,000.00			300,000,000.00
Linkong Park talent fund	20,000,000.00			20,000,000.00
Local government special bond fund	738,547,794.55	45,600,000.00	306,769,012.98	477,378,781.57
Foshan Haisheng Financial Leasing Co., Ltd.		235,153,316.67	6,200,000.00	228,953,316.67
Far Eastern Leasing Co., Ltd.		113,028,000.00		113,028,000.00
Unrecognized financing expenses		-48,181,316.67	-1,777,716.90	-46,403,599.77
Subtotal	1,058,547,794.55	345,600,000.00	311,191,296.08	1,092,956,498.47
Less: Portion maturing within one year		66,856,203.09		66,856,203.09
Total	1,058,547,794.55	278,743,796.91	311,191,296.08	1,026,100,295.38

Note 1: On November 25, 2021, Nanchang Linkong Real Estate Investment Co., Ltd. signed a financing leaseback agreement with Foshan Haisheng Financial Leasing Co., Ltd., obtaining a lease payment of RMB 200 million for a lease period of 5 years. Nanchang Linkong Economic Zone City Construction Investment and Development Group Co., Ltd. and Jiangxi Jinlin Industrial Holding Co., Ltd. provided guarantees.

Note 2: Nanchang Linkong Real Estate Investment Co., Ltd. signed a leaseback contract with Far East International Financial Leasing Co., Ltd. on December 23, 2021, obtaining a lease payment of RMB 100 million for a lease period of 3 years.

2. Special payables

Item	Opening balance	Increase for the current period	Decrease for the current period	Closing balance
Special fund for Jiajie's renovation payment	20,000,000.00			20,000,000.00
Special fund for logistics of comprehensive bonded zone	56,450.75			56,450.75
Party building project funds	659,352.06	150,000.00	111,651.06	697,701.00

Item	Opening balance	Increase for the current period	Decrease for the current period	Closing balance
Preliminary work expenses - Nanchang Lingang Economic Zone Lingang District parking lot project	500,000.00			500,000.00
Total	21,215,802.81	150,000.00	111,651.06	21,254,151.75

(XXIX) Deferred income

1. Presentation of deferred income by classification

Item	Opening balance	Increase for the current period	Decrease for the current period	Closing balance	Remarks
Nanchang Lingang Economic Zone government subsidy for construction renovation	437,777.78		437,777.78		
Lease subsidies	4,640,022.84		4,640,022.84		
Subsidy funds for standard plant construction	10,000,000.00		500,000.00	9,500,000.00	
Subsidy funds for the Company's business operation		1,643,599.00	1,276,809.28	366,789.72	
Total	15,077,800.62	1,643,599.00	6,854,609.90	9,866,789.72	

Note: According to the reply from the Finance Bureau of Nanchang Linkong Economic Zone Administrative Committee, the Nanchang Linkong Economic Zone Finance Bureau allocated an operating subsidy funds totaling RMB 1,643,599.00 to Jiangxi Deshu Information Technology Co., Ltd., which is carried over to other income of RMB 1,276,809.28 this period.

(XXX) Paid-in capital

Item	Opening balance		Increase for the current period	Decrease for the current period	Closing balance	
	Investment amount	Proportion (%)			Investment amount	Proportion (%)
Jiangxi Jinlin Industrial Holding Co., Ltd.	1,381,421,161.00	100.00			1,381,421,161.00	100.00
Total	1,381,421,161.00	100.00			1,381,421,161.00	100.00

(XXXI) Capital reserve

Item	Opening balance	Increase for the current period	Decrease for the current period	Closing balance
Other capital reserve	25,868,799.58			25,868,799.58
Total	25,868,799.58			25,868,799.58

(XXXII) Other comprehensive income

Item	Opening balance	Amount for the current period						Closing balance
		Amount incurred before income tax for the current period	Less: Amount recognized in other comprehensive income during the previous period and carried over to the profit or loss for the current period	Less: Amount recognized in other comprehensive income during the previous period and carried over to retained earnings of the period	Less: Income tax expenses	Attributable to parent company after tax	Attributable to minority shareholders after tax	

Item	Opening balance	Amount for the current period						Closing balance
		Amount incurred before income tax for the current period	Less: Amount recognized in other comprehensive income during the previous period and carried over to the profit or loss for the current period	Less: Amount recognized in other comprehensive income during the previous period and carried over to retained earnings of the period	Less: Income tax expenses	Attributable to parent company after tax	Attributable to minority shareholders after tax	
I. Other comprehensive income that cannot be reclassified into profit or loss								
Including: Re-measurement of changes in defined benefit plan								
II. Other comprehensive income that will be reclassified into profit or loss	1,331,634,665.10	-4,120,564.60			-1,030,141.16	-1,118,733.29	-1,971,690.15	1,330,515,931.81
Including: Gains/losses from changes in fair value of investment real estate	1,331,634,665.10	-4,120,564.60			-1,030,141.16	-1,118,733.29	-1,971,690.15	1,330,515,931.81
Total other comprehensive income	1,331,634,665.10	-4,120,564.60			-1,030,141.16	-1,118,733.29	-1,971,690.15	1,330,515,931.81

Note: For details of the changes in other comprehensive income for the period, please refer to the disclosure on investment real estate in Note V. (XII).

(XXXIII) Surplus reserve

Item	Opening balance	Increase for the current period	Decrease for the current period	Closing balance
Statutory surplus reserve	6,826,788.42	368,833.18		7,195,621.60
Total	6,826,788.42	368,833.18		7,195,621.60

(XXXIV) Undistributed profit

Item	Closing balance	
	Amount	Accrual or allocation proportion
Undistributed profits at the end of the previous year before adjustment	548,323,287.63	
Total adjusted opening undistributed profit (increase indicated with "+" and decrease indicated with "-")		
Opening undistributed profits after adjustment	548,323,287.63	
Add: Net profits attributable to parent company for the current period	34,834,460.51	
Less: Extraction of statutory surplus reserve	368,833.18	
Extraction of discretionary surplus reserves		
Common stock dividends payable		
Common stock dividends transferred to paid-in capital (or share capital)		

Item	Closing balance	
	Amount	Accrual or allocation proportion
Undistributed profits at the end of the previous year before adjustment	548,323,287.63	
Total adjusted opening undistributed profit (increase indicated with “+” and decrease indicated with “-”)		
Opening undistributed profits after adjustment	548,323,287.63	
Undistributed earnings at the end of the period	582,788,914.96	

(XXXV) Operating income and operating costs

1. Classification of income

Item	Amount for the current period		Amount for the previous period	
	Income	Cost	Income	Cost
Primary business income	698,826,562.61	570,998,344.11	911,536,792.02	749,219,867.10
Income from other businesses	262,770,095.58	261,133,026.42	82,255,970.69	69,414,873.19
Total	961,596,658.19	832,131,370.53	993,792,762.71	818,634,740.29

2. Details of operating income

Item	Amount for the current period		Amount for the previous period	
	Income	Cost	Income	Cost
Primary business				
Infrastructure project operations	377,763,626.36	358,099,720.90	557,378,140.53	536,771,338.30
Industrial support project business	216,081,568.81	200,851,214.38	230,854,678.90	183,460,213.32
Leasing business	99,595,584.61	8,858,683.83	113,196,644.98	22,446,003.41
Catering service business	4,308,257.83	3,188,725.00	8,471,424.43	6,542,312.07
Conference service business			37,615.09	
Other business	1,077,525.00		1,598,288.09	
Subtotal	698,826,562.61	570,998,344.11	911,536,792.02	749,219,867.10
Other businesses:				
Property management and other service business	30,765,077.16	28,938,788.58	44,981,296.27	39,836,074.45
Income from fund occupancy	232,005,018.42	232,194,237.84	37,274,674.42	29,578,798.74
Subtotal	262,770,095.58	261,133,026.42	82,255,970.69	69,414,873.19
Total	961,596,658.19	832,131,370.53	993,792,762.71	818,634,740.29

(XXXVI) Taxes and surcharges

Item	Amount for the current period	Amount for the previous period
Urban maintenance and construction tax	865,954.08	379,944.87
Educational surcharges	371,096.24	172,219.68
Local educational surcharges	247,397.51	99,169.49
Housing property tax	15,097,218.68	11,243,077.03
Land use tax	7,402,771.44	4,757,798.25
Vehicle and vessel use tax	2,580.00	2,580.00

Item	Amount for the current period	Amount for the previous period
Stamp duty	2,600,371.76	52,933.36
Land VAT	1,232,701.86	13,669,222.40
Total	27,820,091.57	30,376,945.08

(XXXVII) Selling expenses

Item	Amount for the current period	Amount for the previous period
Advertising fee	114,881.66	735,790.40
Sales service fees	68,811.89	96,582.84
Depreciation costs	3,342.12	2,569.52
Repair costs	164,049.50	129,327.69
Business travel expenses	3,306.56	
Office expenses	24,712.20	11,041.45
Property management fee	926,484.50	565,877.20
Other	61,010.59	24,629.37
Total	1,366,599.02	1,565,818.47

(XXXVIII) Administrative expenses

Item	Amount for the current period	Amount for the previous period
Employee Compensation	23,497,352.00	26,316,782.84
Depreciation of fixed assets	4,452,957.30	2,233,952.92
Lease expenses	282,261.98	232,320.25
Office expenses	1,262,743.10	1,406,863.58
Business travel expenses	24,089.26	144,291.46
Consulting fees	44,526.44	2,280,650.49
Engagement costs of intermediary agency	2,847,201.52	4,137,137.81
Litigation costs	517,298.89	
Labor cost	82,317.00	353,430.89
Car fare		104,631.59
Advertising and promotion expenses	214,645.87	47,884.59
Labor protection fees	106,939.92	48,506.00
Vehicle use fee	156,993.49	33,692.86
Amortization of long-term deferred expenses	1,129,126.87	1,180,151.27
Other	649,947.56	1,790,644.49
Total	35,268,401.20	40,310,941.04

(XXXIX) Financial expenses

Item	Amount for the current period	Amount for the previous period
Interest expenses	30,493,185.94	37,270,298.18
Less: Interest income	1,150,048.96	669,740.54
Exchange losses		

Item	Amount for the current period	Amount for the previous period
Less: Exchange gains		
Expenditures for service charges	110,810.50	119,605.89
Financial advisory service fees	560,000.00	
Other	7,446.17	89,405.66
Total	30,021,393.65	36,809,569.19

(XL) Other income

Item	Amount for the current period	Amount for the previous period	Asset related/Income related
Lease subsidies	4,640,022.84	9,446,003.88	Income-related
VAT weighted deduction	297,957.97	36,121.83	Income-related
Industrial guidance fund management expenses	2,000,000.00	2,000,000.00	Income-related
Enterprise support fund subsidy	206,880.00		Income-related
Subsidy for steady work	31,918.41	82,923.09	Income-related
Refund of service charges for individual income tax	240.66	16,183.01	Income-related
Returns of taxes and levies	131,258.23		Income-related
Subsidy funds for the Company's business operation	1,276,809.28		Income-related
Provincial subsidy funds for standard factory construction (Sino-German 4.0 Industrial Park project)	500,000.00		Asset related
Government grants for construction and renovation of Nanchang Airport Economic Zone	437,777.78		Income-related
Subsidy for renovation		3,940,000.00	Income-related
Other		338,373.81	Income-related
Total	9,522,865.17	15,859,605.62	

1. According to the document (Hong Lin Kong Guan Ban Chao Zi [2020] No. 140) of the Finance Bureau of Nanchang Linkong Economic Zone, the Finance Bureau of Nanchang Linkong Economic Zone allocated site rent subsidies totaling RMB 6,700,482.00 to Jiangxi Qingkong Kechuang Technology Service Co., Ltd., of which, the other income carried over from the previous period was RMB 3,350,241.00, and the other income carried forward in the current period was RMB 3,350,241.00. In accordance with the document (Hong Lin Kong Guan Ban Chao Zi [2020] No. 120) of the Finance Bureau of Nanchang Linkong Economic Zone, the Finance Bureau of Nanchang Linkong Economic Zone allocated rent subsidies totaling RMB 206,496.00 to Nanchang Liandong Jinjun Industrial Co., Ltd., of which, the other income carried over from the previous period was RMB 103,248.00, and the other income carried forward in the current period was RMB 103,248.00. Also, the Finance Bureau of Nanchang Linkong Economic Zone allocated rent

subsidies totaling RMB 2,373,067.68 to Zhongjiu Optoelectronics Industry Research Institute, of which, the other income carried over from the previous period was RMB 1,186,533.84, and the other income carried forward in the current period was RMB 1,186,533.84.

2. In accordance with the *Notice on Printing and Distributing the Minutes of the 15th Director's Office Meeting of Ganjiang New Area Linkong Group in 2018* (Gan Xin Lin Guan Zi [2018] No. 80), Linkong Industry received RMB 2,000,000.00 from the Finance Bureau of Nanchang Linkong Economic Zone as the management fees for the industrial guidance fund in the current period.

3. According to the reply from the Finance Bureau of Nanchang Linkong Economic Zone Administrative Committee, the Nanchang Linkong Economic Zone Finance Bureau allocated an operating subsidy funds totaling RMB 1,643,599.00 to Jiangxi Deshu Information Technology Co., Ltd., which is carried over to other income of RMB 1,276,809.28 this period.

4. In accordance with the *Notice of Nanchang Municipal Bureau of Finance on Granting Provincial Standard Plant Construction Subsidy Funds (Second Batch)* (Hong Cai Gong Zhi [2020] No. 5), the Company recognized the standard plant construction subsidy of RMB 500,000.00 for the Sino-German 4.0 Industrial Park project this period.

(XLI) Investment income

Item	Amount for the current period	Amount for the previous period
Long-term equity investment incomes calculated at equity method	-819,952.11	1,225,089.89
Total	-819,952.11	1,225,089.89

(XLII) Profit or loss on change of fair value

Item	Amount for the current period	Amount for the previous period
Investment real estate measured at fair value	59,058,679.57	693,359,606.61
Total	59,058,679.57	693,359,606.61

(XLIII) Credit impairment losses

Item	Amount for the current period	Amount for the previous period
Losses on bad debts	27,984,791.77	
Total	27,984,791.77	

(XLIV) Asset impairment losses

Item	Amount for the current period	Amount for the previous period
Losses on bad debts		-18,751,502.37
Total		-18,751,502.37

(XLV) Incomes from disposal of assets

Item	Amount for the current period	Amount for the previous period
Gains from disposal of fixed assets		213,749.54
Total		213,749.54

(XLVI) Non-operating income

Item	Amount for the current period	Amount for the previous period
Government grants (subsidy income)	121,562.03	400,870.00
Income from liquidated damages	157,942.70	
Other	19,999.31	1,305.63
Total	299,504.04	402,175.63

(XLVII) Non-operating expense

Item	Amount for the current period	Amount for the previous period
External donation expenditures		196,800.00
Compensation, liquidated damages and fine expenses	4,550,328.97	47.86
Other expenditures	658.59	63.90
Total	4,550,987.56	196,911.76

(XLVIII) Income tax

1. Details of income tax expenses

Item	Amount for the current period	Amount for the previous period
Current income tax calculated according to tax law and relevant regulations	30,148,946.99	27,789,636.81
Deferred taxes	21,785,082.19	168,272,148.56
Total	51,934,029.18	196,061,785.37

(XLIX) Notes to items of cash flow statement

1. Supplementary information of the cash flow statement

Supplementary Information	Amount for the current period	Amount for the previous period
I. Adjustment of net profits into cash flow from operating activities:		
Net profit	74,549,483.42	562,144,776.43
Add: Provision for assets impairment	-27,984,791.77	18,751,502.37
Depreciation of fixed assets	4,393,785.16	2,402,406.32
Amortization of intangible assets	32,227.45	17,176.46
Amortization of long-term deferred expenses	1,129,126.87	1,180,151.27
Loss from disposal of fixed assets, intangible assets and other long-term assets		-213,749.54
Loss from scrap of fixed assets		
Loss from changes in fair value	-59,058,679.57	-693,359,606.61
Financial expenses	30,493,185.94	37,270,298.18
Investment loss	819,952.11	-1,225,089.89

Supplementary Information	Amount for the current period	Amount for the previous period
Decrease in deferred tax assets	6,996,197.92	-4,687,875.59
Increase in deferred tax liabilities	13,734,719.42	179,780,078.70
Decrease in inventories	52,913,633.40	-1,097,567,289.75
Decreases in operating receivables	-874,576,889.30	-445,242,905.30
Increase in operating payables	984,112,555.85	-125,406,724.46
Other		
Net cash flows from operating activities	207,554,506.90	-1,566,156,851.41
II. Major investing and financing activities that do not involve cash receipts and payments:		
Conversion of debts into capital		
Convertible bonds maturing within one year		
Fixed assets under finance lease		
III. Net changes in cash and cash equivalents:		
Closing balance of cash	891,406,584.99	1,756,289,869.44
Less: Opening balance of cash	1,756,289,869.44	3,017,268,628.60
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-864,883,284.45	-1,260,978,759.16

2. Details of the restricted monetary capital:

Item	Closing balance	Opening balance
Time deposit certificates (pledge)	600,000,000.00	600,000,000.00
Margin for offshore USD bonds	49,498,400.00	49,498,400.00
Total	649,498,400.00	649,498,400.00

3. Cash and cash equivalents

Item	Closing balance	Opening balance
I. Cash	891,406,584.99	1,756,289,869.44
Including: cash on hand		81.55
Deposit in bank available for payment at any time	891,406,584.99	1,756,289,787.89
Other monetary capital available for payment at any time		
II. Cash equivalents		
Wherein: Bond investment due within three months		
III. Closing balance of cash and cash equivalents	891,406,584.99	1,756,289,869.44
Including: Cash and cash equivalents with restriction on use by the parent company or subsidiaries in the Group		

(L) Assets subject to restrictions on ownership or use right

Item	Closing book value	Reasons for restricted ownership or use
Monetary capital	649,498,400.00	Time deposit (pledge) and bonded deposits for offshore USD-denominated bonds
Investment real estate	3,009,269,329.00	Pledge of long-term loans

Note: For details of other restricted assets, please refer to the disclosure on long-term loans in Note V. (XXVI).

VI. Changes to consolidation scope

(I) Changes to consolidation scope for other reasons

One new subsidiary Jiangxi Dejiu Information Technology Co., Ltd. was established during the reporting period.

VII. Equity in other entities

(I) Equity in subsidiary

1. Composition of the group

Name of subsidiary	Prime business place	Registration Place	Business Nature	Shareholding ratio (%)		Proportion of voting rights (%)	Acquisition method
				Direct	Indirect		
Nanchang Linkong Real Estate Investment Co., Ltd.	Nanchang	Nanchang	Real estate development and operation, sales of commercial properties, housing leasing; comprehensive urban development, project investment and management; construction, management and operation of urban infrastructure and supporting projects, etc.	16.35		82.50	Establishment by investment
Nanchang Linkong Deheng Asset Investment Co., Ltd.	Nanchang	Nanchang	Real estate development and operation, sales of commercial properties, housing leasing; comprehensive urban development, project investment and management; construction, management and operation of urban infrastructure and supporting projects, etc.		100	100	Establishment by investment
Nanchang Dezheng Real Estate Investment Co., Ltd.	Nanchang	Nanchang	Real estate development and operation, sales of commercial properties, housing leasing; comprehensive urban development,		100	100	Acquisition

Name of subsidiary	Prime business place	Registration Place	Business Nature	Shareholding ratio (%)		Proportion of voting rights (%)	Acquisition method
				Direct	Indirect		
			project investment and management; construction, management and operation of urban infrastructure and supporting projects, etc.				
Nanchang Yude Real Estate Development Co., Ltd.	Nanchang	Nanchang	Real estate development and operation, sales of commercial properties, housing leasing; comprehensive urban development, project investment and management; construction, management and operation of urban infrastructure and supporting projects, etc.		100	100	Acquisition
Nanchang Linkong Debin Real Estate Development Co., Ltd.	Nanchang	Nanchang	Real estate development and operation; real estate brokerage services; property management; landscaping management; interior and exterior decoration works; landscaping works.		50	50	Establishment by investment
Nanchang Linkong Park Comprehensive Service Co., Ltd.	Nanchang	Nanchang	Housing repair; engineering bidding and agency; landscaping; conference and exhibition services; advertising design and production; property management; car rental, etc.	100		100	Establishment by investment
Jiangxi Linkong Xianfeng Entrepreneurship and Innovation Management Co., Ltd.	Nanchang	Nanchang	Operation and management of entrepreneurship space (crowdsourcing space, business incubator); business consulting services, etc.		90	90	Establishment by investment
Jiangxi Linkong Zhongjiang Industrial Development Co., Ltd.	Nanchang	Nanchang	Real estate development, operation; property management; municipal infrastructure	51		51	Establishment by investment

Name of subsidiary	Prime business place	Registration Place	Business Nature	Shareholding ratio (%)		Proportion of voting rights (%)	Acquisition method
				Direct	Indirect		
			projects, etc.				
Nanchang Linkong Dexin Land Development and Consolidation Co., Ltd.	Nanchang	Nanchang	Land leveling; public infrastructure construction and management; road engineering; municipal engineering, etc.	100		100	Establishment by investment
Nanchang Linkong Industry Equity Investment Management Co., Ltd.	Nanchang	Nanchang	Entrusted with the management of equity investment enterprises; engaged in investment management and related consulting services.	100		100	Establishment by investment
Jiangxi Ganjiang New Area Linkong Municipal Administration and Protection Co., Ltd.	Nanchang	Nanchang	Municipal facilities management; environmental health management; landscaping management; property management; municipal road works; landscaping works, etc.	100		100	Establishment by investment
Nanchang Linkong Lingang Investment and Development Co., Ltd.	Nanchang	Nanchang	Project investment, management, consulting; real estate development and operation; sales of commodity houses, housing leasing; urban comprehensive development, etc.	100		100	Establishment by investment
Jiangxi Dekai Construction Co., Ltd.	Nanchang	Nanchang	Construction industry; earthwork; landscaping management; construction labor subcontracting; municipal public works, etc.	100		100	Purchase of equity
Nanchang Linqiang Dezhu Engineering Project Management Co., Ltd.	Nanchang	Nanchang	Engineering management services; real estate development and operation.	100		100	Establishment by investment
Nanchang Linqiang Dekai Real Estate Development Co., Ltd.	Nanchang	Nanchang	Real estate development and operation; real estate brokerage services; property management;		49	51	Establishment by investment

Name of subsidiary	Prime business place	Registration Place	Business Nature	Shareholding ratio (%)		Proportion of voting rights (%)	Acquisition method
				Direct	Indirect		
			landscaping management, etc.				
Nanchang Degang Real Estate Development Co., Ltd.	Nanchang	Nanchang	Real estate development and operation; real estate brokerage services; property management; landscaping management, etc.		100	100	Establishment by investment
Jiangxi Deshu Information Technology Co., Ltd.	Nanchang	Nanchang	Internet information services; network culture operation.	50		50	Establishment by investment

Note: (1) The Company transferred 10% equity interest to Shanghai Yicheng Enterprise Development Co., Ltd., the original shareholder of Linkong Deheng, through Linkong Lingang. The Company indirectly holds 100% equity interest in Linkong Deheng after the completion of the transfer.

(2) The Company has 16.35% of the voting rights through directly holding 16.35% equity of Linkong Real Estate. In addition, (i) in accordance with “8.1 The investors agree that, after the completion of the capital increase, Shenzhen Putai Financial Supporting Services Co., Ltd. will entrust the Company to exercise the corresponding shareholder rights (20.05%) of Linkong Real Estate, and will not seek to control Linkong Real Estate not participate in the business operation and management of Linkong Real Estate”, Article VIII The Company’s Management and Business Operation in the *Capital Increase Agreement* signed among the Company and Nanchang Municipal Public Investment Holding Co., Ltd., Nanchang City Construction Investment Development Co., Ltd., Nanchang Industrial Holding Group Co., Ltd., Shanghai Greenland Group Jiangxi Shenchang Real Estate Co., Ltd., Shenzhen Putai Financial Supporting Services Co., Ltd. and Linkong Real Estate on January 19, 2019. (ii) In accordance with “8.1 The investors agree that, after the completion of the capital increase, Xinjin Asset Management (Ningbo) Co., Ltd. will entrust the Company to exercise the corresponding shareholder rights (46.10%) of Linkong Real Estate, and will not seek to control Linkong Real Estate not participate in the business operation and management of Linkong Real Estate”, Article VIII The Company’s Management and Business Operation in the *Capital Increase Agreement* signed among the Company and Nanchang Municipal Public Investment Holding Co., Ltd., Nanchang City Construction Investment Development Co., Ltd., Nanchang Industrial Holdings Group Co., Ltd., Shanghai Greenland Group Jiangxi Shenchang Real Estate Co., Ltd., Shenzhen Putai Financial Supporting Services Co., Ltd., Xinjin Asset Management (Ningbo) Co., Ltd.

In summary, the Company has 82.50% of the voting rights of Linkong Real Estate.

(3) In accordance with “Article 6 The Board of Shareholders, Board of Directors and Board of Supervisors of the Project Company Ltd. Linkong Lingang and Jiangxi Keyang Real Estate Co., Ltd. agree that shareholders shall exercise voting rights according to the proportion of Linkong Lingang at 51% and Jiangxi Keyang Real Estate Co., Ltd. at 49%”, Chapter IV Organizational Framework and Management of the Project Company in the *Cooperation Development Agreement for Land Parcel DXLJ2018023 in Ganjiang New Area* signed between Linkong Lingang and Jiangxi Keyang Real Estate Co., Ltd., the Company enjoys 51% of the voting rights of Dekai Real Estate.

2. Reasons why the parent company owns less than half of the voting rights of the investee but can control the investee

No.	Company name	Shareholding ratio (%)	Ratio of enjoying voting right (%)	Registered Capital (Ten thousand yuan)	Investment amount (Ten thousand yuan)	Level	Reason of being included in the consolidation scope
1	Nanchang Debin Real Estate Development Co., Ltd.	50.00	50.00	20,000.00	20,000.00	Level 2	Actual control
2	Jiangxi Deshu Information Technology Co., Ltd.	50.00	50.00	600.00	600.00	Level 1	Actual control

(1) In accordance with “4.4 The joint venture shall have a Board of Directors, which shall consist of five members, with three directors (including one chairman) appointed by the Company and two directors appointed by Jiangxi Hengbin Investment Development Co., Ltd.”, Chapter III Establishment and Management of the Joint Venture, and “2.2 The Company shall exercise a one-vote veto power over major matters such as project development and construction and residential sales, which shall be clarified in the Company’s Articles of Association”, Chapter II Cooperation Mode and Land Price Payment in the *Cooperation Agreement* between Linkong Real Estate and Jiangxi Hengbin Investment Development Co., Ltd. on the establishment of the joint venture, it can be judged that the Company has control over Nanchang Durbin Real Estate Development Co., Ltd.

(2) In accordance with the *Cooperation Agreement* between the Company and Jiangxi Zhuoyun Digital Industry Group Co., Ltd. (hereinafter referred to as “Zhuoyun Group”) on the establishment of the joint venture, “2.8 Corporate Governance Structure (i) The legal representative of the joint venture shall be served by the chairman of the board. (ii) The joint venture shall establish a board of directors consisting of five directors, two of whom shall be recommended by Zhuoyun Group and two by the Company. (iii) The chairman shall be elected from among the directors recommended by the Company.” Additionally, in accordance with the Articles of Association of Jiangxi Deshu Information Technology

Co., Ltd. “Article XIII Decisions made by the Board of Directors on the matters under consideration shall be valid only if they are approved by more than one-half of the votes of all directors”, the Company has control over Jiangxi Deshu Information Technology Co., Ltd.

3. Important non-wholly-owned subsidiaries

Name of subsidiary	Shareholding ratio of minority shareholders (%)	Voting power ratio of minority shareholder (%)	Gains or losses attributable to minority shareholders during the current period	Dividends paid to minority shareholders for the current period	Closing balance of minority interests
Linkong Real Estate	83.65	17.50	39,869,590.00		6,660,389,129.14
Linkong Zhongjiang	49.00	49.00	-12,622.68		24,489,596.11

(II) Equity in joint-venture arrangements or associates

1. Important associates

Associate name	Prime business place	Registration Place	Business Nature	Whether strategic to the Group's activities	Shareholding ratio (%)		Proportion of voting rights (%)	Accounting method for investments in associates
					Direct	Indirect		
Nanchang Jinlin Property Services Co., Ltd.	Nanchang, Jiangxi Province	Nanchang, Jiangxi Province	Property management, housing leasing, etc.	No		40.00	40.00	Equity method
Jiangxi Baohong Technology Co., Ltd.	Nanchang, Jiangxi Province	Nanchang, Jiangxi Province	City and road lighting projects; solar photovoltaic power generation projects, etc.	No		40.00	40.00	Equity method
Nanchang Linkong Yuhetian Property Management Co., Ltd.	Nanchang, Jiangxi Province	Nanchang, Jiangxi Province	Property management; cleaning services, etc.	No		25.00	25.00	Equity method
Nanchang Linkong Logistics Co., Ltd.	Nanchang, Jiangxi Province	Nanchang, Jiangxi Province	Freight station (yard) operation, general road cargo transportation, etc.	No		25.00	25.00	Equity method
Nanchang Linkong Shengde Highway Engineering Co., Ltd.	Nanchang, Jiangxi Province	Nanchang, Jiangxi Province	Municipal public works, road surface engineering, etc.	No		20.00	20.00	Equity method
Nanchang Linkong Yishijia Operation Management	Nanchang, Jiangxi Province	Nanchang, Jiangxi Province	Commercial complex management services; real	No		20.00	20.00	Equity method

Associate name	Prime business place	Registration Place	Business Nature	Whether strategic to the Group's activities	Shareholding ratio (%)		Proportion of voting rights (%)	Accounting method for investments in associates
					Direct	Indirect		
Co., Ltd.			estate development and operation					
Ganjiang New Area Hongcheng Deyuan Environmental Protection Co., Ltd.	Nanchang, Jiangxi Province	Nanchang, Jiangxi Province	Construction, operation and technical service consulting of environmental protection engineering	No	20.00		20.00	Equity method

VIII. Related Party and Related-party Transactions

(I) Related parties

1. Information on the Company's parent company

Name of parent company	Business type	Registration Place	Business Nature	Registered capital (Ten thousandth yuan)	Parent company's shareholding in the Company (%)	Voting ratio of parent company to the Company (%)
Jiangxi Jinlin Industrial Holding Co., Ltd.	Limited Liability Company (state-controlled)	Nanchang, Jiangxi	Domestic trade; business management. (Any business item which requires examination and approval as stipulated by laws and regulations cannot be engaged until all required approval documents have been granted by the relevant departments)	3,000,000.00	100.00	100.00

The actual controller of the Company is Nanchang Linkong Economic Zone Administrative Committee.

2. Subsidiaries of the Company

The general information of subsidiaries and related information are more fully described in Note VII. Equity in Other Entities.

3. Other related parties

Name of other related parties	Relationship of other related parties with the Company
Jiangxi Baohong Technology Co., Ltd.	Associate
Nanchang Jinlin Property Services Co., Ltd.	Associate

(II) Related party transactions

(1) Related party transactions to purchase and sell goods, and provide and receive services

Related party	Type of related party transaction	Contents of related party transaction	Pricing policy	Transaction amount for the current period	Transaction amount for the previous period
Procurement of goods and acceptance of services:					
Nanchang Jinlin Property Services Co., Ltd.	Acceptance of services	Property management services	Contract price	8,227,921.01	3,914,206.38
Sale of goods and rendering of services:					
Nanchang Linkong Economic Zone Administrative Committee	Rendering of services	Infrastructure project services	Contract price	353,546,343.37	412,066,519.47
Jiangxi Jinlin Industrial Holding Co., Ltd.	Asset transfer	Asset transfer	Contract price	1,205,027,778.21	459,450,000.00

2. Related guarantee

Guarantor	Secured party	Amount secured (Ten thousand yuan)	Start date of guarantee	End date of guarantee	Whether the guarantee has been completed
Linkong City Construction Investment	Linkong Real Estate	10,000.00	2021/5/1	2022/4/30	No
Linkong City Construction Investment	Linkong Real Estate	5,000.00	May 10, 2021	May 9, 2022	No
Linkong City Construction Investment	Linkong Real Estate	20,000.00	June 24, 2021	June 23, 2022	No
Linkong City Construction Investment	Linkong Real Estate	36,500.00	June 21, 2021	June 20, 2022	No
Linkong City Construction Investment	Linkong Real Estate	15,000.00	December 29, 2021	December 28, 2022	No
Linkong City Construction Investment	Linkong Real Estate	48,700.00	2015/11/27	2022/11/26	No
Linkong City Construction Investment	Linkong Real Estate	19,500.00	2020/9/28	2023/9/27	No
Linkong City Construction Investment	Linkong Real Estate	14,000.00	October 1, 2019	2022/9/29	No
Linkong City Construction Investment	Linkong Real Estate	28,500.00	2018/1/19	2028/1/18	No
Linkong City Construction Investment	Linkong Real Estate	30,000.00	2020/7/31	July 30, 2022	No
Linkong City Construction Investment	Linkong Real Estate	48,000.00	2018/8/27	2023/8/26	No
Linkong City Construction Investment	Linkong Real Estate	19,500.00	2019/9/10	2024/9/5	No
Linkong City Construction Investment	Linkong Real Estate	12,000.00	March 20, 2020	2034/12/20	No
Linkong City Construction Investment	Linkong Real Estate	18,000.00	2020/6/28	2034/12/20	No
Linkong City Construction Investment	Linkong Real Estate	30,000.00	2020/9/25	2025/9/24	No
Linkong City Construction Investment	Linkong Real Estate	9,000.00	2021/2/1	2023/1/31	No
Linkong City Construction Investment	Linkong Real Estate	19,500.00	2021/4/21	2023/4/20	No
Linkong Real Estate	Linkong City Construction Investment	10,000.00	December 29, 2021	2023/12/29	No
Linkong City Construction Investment, Linkong Real Estate	Lingkong Lingang	32,000.00	2018/9/28	2033/9/11	No
Linkong City Construction Investment, Linkong Real Estate	Lingkong Lingang	47,500.00	2018/9/27	2033/9/11	No

Linkong City Construction Investment, Linkong Real Estate	Lingkong Lingang	30,882.25	January 31, 2019	2033/10/11	No
Linkong City Construction Investment, Linkong Real Estate	Lingkong Lingang	4,629.84	January 31, 2019	2033/10/11	No
Linkong City Construction Investment, Linkong Real Estate	Lingkong Lingang	28,785.51	January 31, 2019	2033/10/11	No
Linkong City Construction Investment	Lingkong Lingang	44,700.00	2019/1/30	2034/1/27	No
Linkong City Construction Investment	Linkong Deheng	30,500.00	November 22, 2019	2027/11/21	No
Linkong City Construction Investment, Linkong Real Estate	Linkong Deheng	36,850.00	2019/11/27	2034/6/27	No
Linkong City Construction Investment	Yude Real Estate	24,000.00	2018/12/27	2026/12/26	No
Linkong Real Estate	Dezheng Real Estate	5,500.00	December 1, 2016	2026/12/30	No

(III) Amounts due from and to related parties

1. Receivables and prepayments from related parties

Project name	Closing balance		Opening balance	
	Book balance	Expected credit loss	Book balance	Expected credit loss
Accounts receivable:				
Nanchang Linkong Economic Zone Administrative Committee	1,744,683,968.80		1,613,706,355.72	
Nanchang Jinlin Property Services Co., Ltd.	70,289.49		25,133.06	
Total	1,744,754,258.29		1,613,731,488.78	
Prepayments:				
Nanchang Jinlin Property Services Co., Ltd.	3,777,779.77		3,833,603.76	
Total	3,777,779.77		3,833,603.76	
Other receivables:				
Nanchang Linkong Economic Zone Administrative Committee	1,315,143,720.21		1,335,910,268.71	
Jiangxi Jinlin Industrial Holding Co., Ltd.	2,611,862,408.00		901,525,355.83	
Total	3,927,006,128.21		2,237,435,624.54	

2. Payables and advances from related parties

Project name	Closing balance	Opening balance
Accounts payables:		
Jiangxi Baohong Technology Co., Ltd.	10,198.85	126,397.64
Total	10,198.85	126,397.64
Other payables:		
Jiangxi Baohong Technology Co., Ltd.	37,995.26	37,995.26
Nanchang Jinlin Property Services Co., Ltd.	313,215.00	
Total	351,210.26	37,995.26
Long-term payables:		
Nanchang Linkong Economic Zone Administrative Committee	320,000,000.00	320,000,000.00
Total	320,000,000.00	320,000,000.00

IX. Contingencies

(I) Guarantees

Guarantor	Secured party	Guarantee amount (Ten thousand yuan)	Type of guarantee
Nanchang Linkong Real Estate Investment Co., Ltd.	Nanchang Jinkai Group Co., Ltd.	5,736.00	Guaranty
	Nanchang Economic and Technological Development Zone Investment Holding Co., Ltd.		
Nanchang Linkong Real Estate Investment Co., Ltd.	Nanchang Jinkai Group Co., Ltd.	117,000.00	Guaranty
Total		122,736.00	

(II) Description of other guarantees

1. The Company has entered into a bank guarantee with the Industrial and Commercial Bank of China Nanchang Branch, with account number 150290001141668-0150200078-2020 (Guarantee) Zi No. 0001, with a guarantee amount of USD 70 million and a valid period from July 2, 2020 to August 1, 2023.

2. In accordance with the execution ruling ((2020) Gan 01 Execution No. 261) of Nanchang Intermediate People's Court, Jiangxi Province, the subsidiary Linkong Real Estate Company, as a joint and several guarantor, repaid RMB 87,266,100 (including principal and interest) on behalf of Jiangxi H&D New Energy Co., Ltd. (hereinafter referred to as "H&D New Energy"). In accordance with the *Counter Guarantee Mortgage Contract* signed between Linkong Real Estate and H&D New Energy, H&D New Energy pledged its legally owned land to Linkong Real Estate as a second pari passu mortgage as a counter guarantee for the loan guarantee provided by Linkong Real Estate for H&D New Energy. The mortgage is located in Nanchang Airport Economic Zone, east of Airport Avenue, west of Xianghe 4th Road, south of Fuyin Expressway and north of Rule Lake Street, with a land area of 66,666.70m² and land certificate lot number of Hong Tu Guo Yong (Deng Jing 2015) No. D024. In accordance with the *Certificate of Registration of Mortgage of Movable Assets*, H&D New Energy used production equipment with a total value of RMB 141,269,355 as counter-guarantee for the loan guarantee provided by Linkong Real Estate for H&D New Energy. After the compensation, the mortgage rights enjoyed by Linkong Real Estate will be automatically extended from the second to the first.

The mortgaged assets were listed for auction on Taobao.com judicial auction network platform of Nanchang Intermediate People's Court, Jiangxi Province on March 24, 2021, and the *Execution Ruling* was made on November 22, 2021, ruling that the land use right located in Nanchang Lingang Economic Zone to the east of Airport Avenue, west of Xianghe Fourth Road, south of Fuyin Expressway and north

of Rule Lake Street [Land Use Right Certificate No.: Hong Tu Guo Yong (Deng Jing 2015) No. D024, area of use right: 66,666.7m²] and the above-ground attachments (including underground pipeline network in the factory area, etc.) as well as 334 items of machinery and equipment, 1 item of structures and 32 items of biological assets shall be paid to Linkong Real Estate. (The appraised value of the mortgaged assets is RMB 156,295,900, the starting bid is RMB 109,407,130, and the debt-paid price is RMB 87,525,704).

X. Events after Balance Sheet Date

The Company does not have events after balance sheet date that shall be disclosed.

XI. Other Significant Events

The Company has no other significant events that shall be disclosed.

XII. Notes to Main Items of the Parent Company's Financial Statements

(I) Accounts receivable

1. Disclosure of accounts receivable by classification

Category	Closing balance			
	Book balance		Expected credit loss	
	Amount	Proportion (%)	Amount	Proportion of accrual (%)
Accounts receivable with ECL accrued on a single assessment basis				
Accounts receivable of which ECL is calculated by portfolio	407,372,642.22	100.00	19,140.00	0.00
Including: Aging portfolio	191,400.00	0.05	19,140.00	10.00
Portfolio of related party	407,181,242.22	99.95		
Total	407,372,642.22	100.00	19,140.00	0.00
Category	Opening amount			
	Book balance		Expected credit loss	
	Amount	Proportion (%)	Amount	Proportion of accrual (%)
Accounts receivable with ECL accrued on a single assessment basis				
Accounts receivable of which ECL is calculated by portfolio	295,563,738.53	100.00		
Including: Aging portfolio	191,400.00	0.06		
Portfolio of related party	295,372,338.53	99.94		
Total	295,563,738.53	100.00		

2. Accounts receivable of which ECL is calculated by portfolio

(i) Portfolio 1: Aging portfolio

Aging	Closing amount			Opening amount		
	Book balance	ECL rate (%)	Expected credit loss	Book balance	ECL rate (%)	Expected credit loss

Aging	Closing amount			Opening amount		
	Book balance	ECL rate (%)	Expected credit loss	Book balance	ECL rate (%)	Expected credit loss
Within 1 year				191,400.00		
1 to 2 years	191,400.00	10.00	19,140.00			
Total	191,400.00		19,140.00	191,400.00		

3. Main accounts receivable with closing balance collected by debtor

Company name	Relationship with the Company	Book balance	Amount of ECL provision	Proportion to total accounts receivable
Nanchang Linkong Economic Zone Administrative Committee	Related party	407,181,242.22		99.95
China Railway Construction Engineering Group Co., Ltd.	Non-related party	191,400.00	19,140.00	0.05
Total		407,372,642.22	19,140.00	100.00

(II) Other receivables

Nature	Closing balance	Opening balance
Interest receivable		
Dividends receivable		
Other receivable	2,824,581,306.13	3,455,542,704.36
Less: Expected credit losses	150,290.66	955,944.63
Total	2,824,431,015.47	3,454,586,759.73

1. Other receivables

(1) Classification of other receivables according to the nature of payment

Category	Closing balance			
	Book balance		Expected credit loss	
	Amount	Proportion (%)	Amount	Proportion of accrual (%)
Other receivables with ECL by single assessment				
Other receivables of which ECL is calculated by portfolio	2,824,581,306.13	100.00	150,290.66	0.01
Including: Aging portfolio	1,576,596.82	0.06	150,290.66	9.53
Portfolio of deposit and security deposit	2,119,239.00	0.08		
Portfolio of related party	2,820,885,470.31	99.87		
Total	2,824,581,306.13	100.00	150,290.66	0.01
Category	Opening amount			
	Book balance		Expected credit loss	
	Amount	Proportion (%)	Amount	Proportion of accrual (%)
Other receivables with ECL by single assessment				
Other receivables of which ECL is calculated by portfolio	3,455,542,704.36	100.00	955,944.63	0.03
Including: Aging portfolio	11,947,494.29	0.35	955,944.63	8.00
Portfolio of deposit and security deposit	2,165,569.00	0.06		

Portfolio of related party	3,441,429,641.07	99.59		
Total	3,455,542,704.36	100.00	955,944.63	0.03

(2) Other receivables of which ECL is calculated by portfolio

(i) Portfolio 1: Aging portfolio

Aging	Closing amount			Opening amount		
	Book balance	ECL rate (%)	Expected credit loss	Book balance	ECL rate (%)	Expected credit loss
Within 1 year	184,350.09			2,388,654.71		
1 to 2 years	1,283,407.15	10.00	128,340.72	9,558,232.82	10.00	955,823.28
2 to 3 years	108,232.82	20.00	21,646.56	606.76	20.00	121.35
3-4 years	606.76	50.00	303.38			
Total	1,576,596.82		150,290.66	11,947,494.29		955,944.63

(3) Classification of other receivables according to the nature of payment

Nature of amount	Closing balance	Opening balance
Current accounts	2,822,205,227.84	3,448,660,906.75
Deposit	2,119,239.00	2,165,569.00
Other	256,839.29	4,716,228.61
Less: Expected credit losses	150,290.66	955,944.63
Total	2,824,431,015.47	3,454,586,759.73

(4) Aging analysis of other receivables

Aging	Closing amount			Opening amount		
	Book balance	Proportion (%)	Expected credit loss	Book balance	Proportion (%)	Expected credit loss
Within 1 year	1,000,841,426.47	35.43		1,843,205,145.48	53.34	
1 to 2 years	278,049,074.39	9.84	128,340.72	830,369,545.53	24.03	955,823.28
2 to 3 years	763,722,791.92	27.04	21,646.56	781,968,013.35	22.63	121.35
3-4 years	781,968,013.35	27.69	303.38			
Total	2,824,581,306.13	100.00	150,290.66	3,455,542,704.36	100.00	955,944.63

(5) Accrual of bad debt reserves for other receivables

Bad debt provision	Stage I	Stage II	Stage III	Total
	12-month ECL	Lifetime ECL (without credit impairment)	Lifetime ECL (with credit impairment)	
Opening balance		955,944.63		955,944.63
Opening balance during the current period				
- Carried over to Stage II				
- Carried over to Stage III				
- Reversed to Stage II				
- Reversed to Stage I				
Accrual for the current period				

Bad debt provision	Stage I	Stage II	Stage III	Total
	12-month ECL	Lifetime ECL (without credit impairment)	Lifetime ECL (with credit impairment)	
Reversal for the current period		805,653.97		805,653.97
Charge-off for the current period				
Write-off for the current period				
Other changes				
Closing balance		150,290.66		150,290.66

(6) Other receivables with top 5 closing balances as collected as per the debtors

Debtor's name	Nature of amount	Closing balance	Aging	Proportion to the balance of other receivables (%)	Expected credit loss
Nanchang Linkong Economic Zone Administrative Committee	Current accounts	1,180,914,130.20	Within 1 year, 1-2 years, and 2-3 years	41.81	
Jiangxi Jinlin Industrial Holding Co., Ltd.	Current accounts	448,915,043.85	Within 1 year	15.89	
Nanchang Linkong Lingang Investment and Development Co., Ltd.	Current accounts	415,015,322.26	Within 1 year, 1-2 years	14.69	
Nanchang Dezheng Real Estate Investment Co., Ltd.	Current accounts	237,419,765.93	Within 1 year, 1-2 years, and 2-3 years	8.41	
Nanchang Linkong Debin Real Estate Development Co., Ltd.	Current accounts	213,250,000.00	1-2 year(s), 2-3 years	7.55	
Total		2,495,514,262.24		88.35	

(III) Long-term equity investment

1. Classification of long-term equity investments

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investments in subsidiaries	1,193,850,000.00		1,193,850,000.00	1,190,850,000.00		1,190,850,000.00
Investment in associates and joint ventures	3,244,011.81		3,244,011.81	3,244,927.04		3,244,927.04
Other investments	2,040,000,000.00		2,040,000,000.00	2,040,000,000.00		2,040,000,000.00
Total	3,237,094,011.81		3,237,094,011.81	3,234,094,927.04		3,234,094,927.04

2. Investments in subsidiaries

Investee	Opening balance	Increase for the current period	Decrease for the current period	Closing balance	Impairment provision accrued during the period	Balance of impairment provision at the end of period
Nanchang Linkong Real Estate Investment Co., Ltd.	283,800,000.00			283,800,000.00		

Nanchang Linkong Park Comprehensive Service Co., Ltd.	7,000,000.00			7,000,000.00		
Jiangxi Linkong Zhongjiang Industrial Development Co., Ltd.	25,500,000.00			25,500,000.00		
Nanchang Linkong Industry Equity Investment Management Co., Ltd.	25,750,000.00			25,750,000.00		
Nanchang Linkong Lingang Investment and Development Co., Ltd.	600,000,000.00			600,000,000.00		
Jiangxi Ganjiang New Area Linkong Municipal Administration and Protection Co., Ltd.	3,000,000.00			3,000,000.00		
Nanchang Linkong Dexin Land Development and Consolidation Co., Ltd.	200,000,000.00			200,000,000.00		
Jiangxi Dekai Construction Co., Ltd.	40,800,000.00			40,800,000.00		
Nanchang Linqiang Dezhu Engineering Project Management Co., Ltd.	5,000,000.00			5,000,000.00		
Jiangxi Deshu Information Technology Co., Ltd.		3,000,000.00		3,000,000.00		
Total	1,190,850,000.00	3,000,000.00		1,193,850,000.00		

3. Investment in associates and joint ventures

Investee	Initial investment cost	Opening balance	Change for the current period			
			Additional or reduced investment	Investment income recognized under equity method	Adjustment to other comprehensive incomes	Change of other equities
I. Associates						
Ganjiang New Area Hongcheng Deyuan Environmental Protection Co., Ltd.	3,232,000.00	3,244,927.04		-915.23		
Total	3,232,000.00	3,244,927.04		-915.23		

Continued:

Investee	Closing balance	Balance of impairment provision at the end of period	Impairment provision accrued during the period	Net amount at end of period	Remarks
I. Associates					
Ganjiang New Area Hongcheng Deyuan Environmental Protection Co., Ltd.	3,244,011.81			3,244,011.81	
Total	3,244,011.81			3,244,011.81	

4. Other investments

Investee	Opening balance	Increase for the current period	Decrease for the current period	Closing balance	Impairment provision accrued during the period	Balance of impairment provision at the end of period
Jiangxi Revitalization Development (Linkong No. 1) Fund	540,000,000.00			540,000,000.00		
Jiangxi Revitalization and Development (Linkong No. 2) Fund	1,500,000,000.00			1,500,000,000.00		
Total	2,040,000,000.00			2,040,000,000.00		

(IV) Operating income and operating costs

Item	Amount for the current period		Amount for the previous period	
	Income	Cost	Income	Cost
Primary business income	209,283,247.84	193,334,978.61	343,368,737.44	314,426,112.76
Income from other businesses	175,753,468.86	180,828,889.94	41,718,902.78	43,050,657.42
Total	385,036,716.70	374,163,868.55	385,087,640.22	357,476,770.18

Breakdown of operating income:

Item	Amount for the current period		Amount for the previous period	
	Income	Cost	Income	Cost
Primary business				
Infrastructure construction projects	206,893,219.40	193,334,978.61	331,515,965.88	314,426,112.76
Rental income	2,390,028.44		11,852,771.56	
Subtotal	209,283,247.84	193,334,978.61	343,368,737.44	314,426,112.76
Other businesses:				
Income from fund occupancy	175,205,397.76	175,205,397.76	22,165,409.53	22,165,409.53
Property management type service projects	548,071.10	5,623,492.18	19,553,493.25	20,885,247.89
Subtotal	175,753,468.86	180,828,889.94	41,718,902.78	43,050,657.42
Total	385,036,716.70	374,163,868.55	385,087,640.22	357,476,770.18

(V) Investment income

Item	Amount for the current period	Amount for the previous period
Long-term equity investment incomes calculated at equity method	-915.23	9,668.08
Total	-915.23	9,668.08

Nanchang Linkong Economic Zone City Construction Investment and Development Group Co.,

Ltd. April 18, 2022



证照编号: A021003255

营业执照

统一社会信用代码
913601063225238830

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 中兴华会计师事务所（特殊普通合伙）江西分所
类型 特殊普通合伙企业分支机构

负责人 胡国生
经营范围

审计企业会计报表，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；基本建设年度财务决算审计；代理记账；会计咨询、税务咨询、管理咨询；法律、法规规定的其他业务（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）

成立日期 2014年12月04日
营业期限 2014年12月04日至长期
经营场所 江西省南昌市东湖区八一大道357号财富广场B座807室

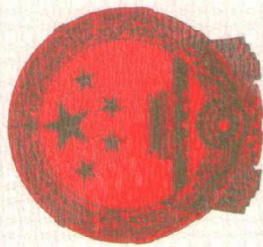


登记机关

2019 年 08 月 06 日

国家企业信用信息公示系统网址:

国家市场监督管理总局监制



会计师事务所分所 执业证书

名称：中兴华会计师事务所（特殊普通合伙）

江西分所

负责人：胡国生

经营场所：

南昌市八一大道357号财富广场B座807室

分所执业证书编号：

110001673601

批准执业文号：

赣财会〔2014〕47号

批准执业日期：

2014年11月21日



说明

证书序号：5000769

- 1、《会计师事务所分所执业证书》是证明会计师事务所经财政部门依法审批，准予持证分所执行业务的凭证。
- 2、《会计师事务所分所执业证书》记载事项发生变动的，应当向财政部门申请换发。
- 3、《会计师事务所分所执业证书》不得伪造、涂改、出租、出借、转让。
- 4、会计师事务所分所终止或执业许可注销的，应当向财政部门交回《会计师事务所分所执业证书》。

发证机关：江西省财政厅

二〇一四年 一月 二十日

中华人民共和国财政部制

年度检验登记

Annual Renewal Registration

2011.3.25

本证书检验合格，继续有效一年。
This certificate is valid for another year after this renewal.

年度检验登记

Annual Renewal Registration

2010.2.24

本证书检验合格，继续有效一年。
This certificate is valid for another year after this renewal.



姓名 殷东新
Full name
性别 男
Sex
出生日期 65年12月19日
Date of birth
工作单位 江西普惠会计师事务所
Working unit
身份证号码 360104651219009
Identity card No.



注册会计师工作单位变更事项登记

Registration of a Change of Working Unit by a CPA

同意调出

Agree the holder to be transferred from

江西普惠会计师事务所
CPAs

转出协会盖章
Stamp of the transfer-out Institute of CPAs

2011年8月11日

同意调入

Agree the holder to be transferred to

江西普惠会计师事务所
CPAs

转入协会盖章
Stamp of the transfer-in Institute of CPAs

2011年8月11日

同意转出 江西普惠会计师事务所

2010.10.15

- 一、注册会计师执行业务，必须时须向委托方出示本证书。
- 二、本证书只限于本人使用，不得转让、涂改。
- 三、注册会计师停止执行法定业务时，应将本证书缴还主管注册会计师协会。
- 四、本证书如遗失，应立即向主管注册会计师协会报告，登报声明作废后，办理补发手续。

转入：华兴会计师事务所
2011.10.25

1. When practicing, the CPA shall show the client this certificate when necessary.
2. This certificate shall be exclusively used by the holder. No transfer or alteration shall be allowed.
3. The CPA shall return the certificate to the competent Institute of CPAs when the CPA stops conducting statutory business.
4. If the CPA loses the certificate, he/she should report immediately to the Institute of CPAs immediately and go through the procedure of reissue after making an announcement of loss on the newspaper.

转入：华兴会计师事务所
2011.10.25



证书编号：360100030002

批准注册协会：江西注册会计师协会

发证日期：2008年11月30日

年度检验登记

Annual Renewal Registration

2010.3.12
本证书检验合格，继续有效一年。
This certificate is valid for another year after this renewal.



姓名：殷东新

证书编号：360100030002

2011年1月25日



年度检验登记
Annual Renewal Registration
2011.3.25
本证书经检验合格，继续有效。
This certificate is valid for another year after this renewal.



张业林
姓名 男
Full name 1979-06-09
Sex 男
江西惠群会计师事务所
出生日期 380902197908092511
Working unit
身份证号码



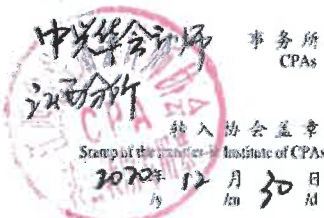
证书编号: 38010048025
No. of Certificate
批准注册协会: 江西注册会计师协会
Authorized Institute of CPAs
2017 09 28
发证日期: 2017 09 28
Date of Issuance

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



同意调入
Agree the holder to be transferred to



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

事务所
CPAs
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Stamp of the transfer-out Institute of CPAs
年 月 日
/y /m /d

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年 月 日
/y /m /d

Auditor's Report and Financial Statements

The background of the page is a composite image. On the left, there are several tall stacks of gold coins. In the center and right, a city skyline at night is visible, with many lights from buildings. Overlaid on the entire image is a white line graph that trends upwards from left to right. A horizontal line, colored red on the left and grey on the right, runs across the page just below the title.

Contents

	Pages		Pages
INDEPENDENT AUDITOR'S REPORT	145	27. Property and Equipment	209
AUDITED FINANCIAL STATEMENTS		28. Deferred Tax Assets and Liabilities	210
Consolidated:		29. Other Assets	212
Statement of Profit or Loss	154	30. Impairment Allowance	214
Statement of Profit or Loss and Other Comprehensive Income	155	31. Due to Banks and Other Financial Institutions	214
Statement of Financial Position	156	32. Financial Liabilities Measured at Fair Value through Profit or Loss	215
Statement of Changes in Equity	158	33. Repurchase Agreements	215
Statement of Cash Flows	160	34. Certificates of Deposit	215
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS		35. Due to Customers	216
1. Corporate Information	162	36. Debt Securities Issued	216
2. Basis of Preparation	162	37. Other Liabilities	219
3. Application of the New and Amendments to IFRSs	163	38. Share Capital	221
4. Summary of Significant Accounting Policies	165	39. Other Equity Instruments	221
5. Significant Accounting Judgements and Estimates	184	40. Reserves	226
6. Net Interest Income	185	41. Other Comprehensive Income	227
7. Net Fee and Commission Income	186	42. Cash and Cash Equivalents	228
8. Net Trading Income	186	43. Interests in Structured Entities	229
9. Net Gains on Financial Investments	186	44. Transferred Financial Assets	230
10. Other Operating Income, Net	187	45. Assets Pledged as Security	231
11. Operating Expenses	187	46. Share Appreciation Rights Plan	231
12. Directors' and Supervisors' Remuneration	188	47. Commitments and Contingent Liabilities	232
13. Five Highest Paid Individuals	192	48. Related Party Disclosures	234
14. Impairment Losses on Assets	192	49. Segment Information	240
15. Income Tax Expense	193	50. Financial Risk Management	245
16. Profit Attributable to Equity Holders of the Parent Company	193	51. Fair Value of Financial Instruments	269
17. Dividends	194	52. Statement of Financial Position and Statement of Changes in Equity of the Bank	276
18. Earnings Per Share	194	53. Events after the Reporting Period	277
19. Cash and Balances with Central Banks	195	54. Comparative Amounts	277
20. Due From Banks and Other Financial Institutions	195	55. Approval of the Consolidated Financial Statements	277
21. Derivative Financial Instruments	196	UNAUDITED SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS	278
22. Reverse Repurchase Agreements	199		
23. Loans and Advances to Customers	200		
24. Financial Investments	202		
25. Investments in Subsidiaries	206		
26. Investments in Associates and Joint Ventures	208		

Independent Auditor's Report



To the Shareholders of Industrial and Commercial Bank of China Limited

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

Opinion

We have audited the consolidated financial statements of Industrial and Commercial Bank of China Limited (the "Bank") and its subsidiaries (collectively referred to as the "Group") set out on pages 154 to 277, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants issued by International Ethics Standards Board for 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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<i>Allowance for impairment losses on loans and advances to customers measured at amortised cost</i>	
The Group uses the expected credit loss ("ECL") model to calculate the loss allowance for loans and advances to customers measured at amortised cost in accordance with IFRS 9. As at 31 December 2022, the Group's loans and advances to customers measured at amortised cost was RMB22,107,213 million, and the related impairment allowance was RMB672,224 million. The management exercised significant judgements and estimation in its assessment of allowance for impairment losses on loans and advances to customers measured at amortised cost. They include the determination of staging of loans and advances to customers including determining whether the credit risk has increased significantly and credit impairment events have occurred; the determination of key parameters used in the ECL model including probability of default (PD), loss given default (LGD), exposure at default (EAD), discount rate, and forward-looking information for stage 1 and 2 corporate loans and advances, discounted bills and all personal loans and advances; the determination of key parameters used in discounted cash flow assessment in respect of stage 3 corporate loans and advances including recoverable cash flows and discount rates.	Our audit procedures in respect of allowance for impairment losses on loans and advances to customers measured at amortised cost included the following: (1) Design and operating effectiveness of key internal controls - understood, assessed and tested the design and operating effectiveness of key internal controls relating to approval, recording, monitoring and regular evaluation of internal credit risk ratings which are relevant inputs to the ECL model; - understood, assessed and tested the design and operating effectiveness of key internal controls of the ECL model, including the selection, approval, and application of ECL model methodology, underlying parameters updating and periodic validation, input of underlying data and parameters, and loan staging based on quality of loans and advances to customers, cash flow projection used in the discounted cash flow method, and the review and approval of forward-looking information; - understood, assessed and tested the information technology system and design and operating effectiveness of the related controls, including general information technology controls, data transmission between systems, mapping of parameters of the ECL model, and system calculation of loss allowance.

Independent Auditor's Report

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<i>Allowance for impairment losses on loans and advances to customers measured at amortised cost (continued)</i> Due to the significance of allowance for impairment losses on loans and advances to customers measured at amortised cost and the significant judgements and estimation exercised by management in estimating ECL, we identified this as a key audit matter. Refer to Note 4 (10), Note 5, Note 14, Note 23, and Note 50(a) to the consolidated financial statements for relevant disclosures.	(2) ECL model - assessed the reliability and appropriateness of the ECL model and the reasonableness of key parameters used in the model, including: PD, LGD, EAD, discount rate, forward-looking information, and evaluated the rationality of the key management judgements on those key parameters; - assessed the internal credit risk rating benchmark used in the ECL model by reviewing its periodic validation and monitoring report to evaluate the reasonableness of the validation approach, completeness of the validation scope and accuracy of the validation, and selected samples to verify the accuracy of internal rating calculation; - verified, on a sample basis, the accuracy of ECL model data input such as loan agreement amount, due date, interest rate, guarantee method; - assessed the reasonableness of the selection of economic indicators, the weighting of multiple macro-economic scenarios, and other inputs and assumptions used by management in the forward-looking adjustments; assessed the reasonableness of forecasted macro-economic and industry indicators by comparing to available third party information, and reviewed the sensitivity analysis of economic indicators; - verified, on a sample basis, the calculation of ECL model, and tested whether the model reasonably reflected management's modelling methodology; - performed back-testing, and verified the results of the model using actual observable data, and evaluated whether there was any indication of management bias.

Independent Auditor's Report

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<i>Allowance for impairment losses on loans and advances to customers measured at amortised cost (continued)</i>	
	(3) Risk based sample selection for credit review - selected samples for credit review by focusing on industries that are significantly affected by fluctuations of economic cycle and policy regulations, regions with high credit risk exposure, and loans with other high-risk characteristics such as non-performing loans, overdue performing loans, rescheduled loans and borrowers with negative publicity; - analysed the borrower's financial and non-financial information, and other available information, and evaluated the reasonableness of management's judgement on staging, including whether credit risk has increased significantly since initial recognition and whether credit impairment events have occurred by reviewing the credit files, interviewing management, independently searching for publicly available information and exercising professional judgement; - performed credit assessments on borrower's and guarantor's financial information, collateral valuation and other sources of repayment for the selected stage 3 corporate loans and advances, tested the recalculation of impairment allowance based on the recoverable cash flows and discount rates, and evaluated whether there was any material misstatement.

Independent Auditor's Report

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<i>Consolidation of structured entities</i>	
Structured entities mainly include wealth management products, investment funds, trust plans, asset management plans and asset-backed securities in which the Group has interests in them through their initiation, management or investment. In determining whether the Group has control and therefore should consolidate a structured entity, management is required to consider the power it possesses, its exposure to variable returns, and its ability to use its power to affect returns. The Group is required to collectively consider the relevant facts and substance to assess whether it has control over the structured entity. We identified the consolidation of structured entities as a key audit matter because the amount involved is significant and the evaluation on whether the Group has control over the structured entities requires significant accounting judgement. Refer to Note 4(2), Note 5 and Note 43 to the consolidated financial statements for relevant disclosures.	Our audit procedures in respect of consolidation of structured entities included the following: Understood, assessed and tested the related design and operating effectiveness of the internal controls relating to the consolidation of structured entities. Selected samples to perform the following audit procedures: - inspected agreements relating to the structured entity and understood the purpose of its set up; assessed the power the Group has over the structured entity according to the Group's rights and obligations under different transaction structures and its involvement with the structured entity; - verified the analysis on the Group's variable return which includes, but is not limited to, fixed management fee and performance fees obtained through acting as asset manager, as well as the returns obtained from holding an interest in a structured entity, and providing liquidity support or other support; - analysed the scope of the Group's decision-making power over the structured entity, the level of remuneration obtained from providing asset management services, the risk of variable return borne by holding other interests in the structured entity and the substantive rights held by other participants, checked the Group's analysis on the magnitude and variability of variable return, and assessed whether the Group acts as principal or agent in the structured transaction; - assessed the management's decision on the consolidation of structured entities through carrying out the above procedures.

Independent Auditor's Report

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<i>Fair value of financial instruments</i>	
The valuation of the Group's financial instruments measured at fair value is based on readily available market data or valuation models. For financial instruments without readily available market data such as debt securities, equities, over-the-counter derivative contracts and structured deposits, fair values are measured based on valuation techniques. The selection of valuation techniques and significant unobservable input data requires significant accounting judgement and estimation by management. As at 31 December 2022, the Group's financial assets that were measured at fair value amounted to RMB4,293,735 million, representing 10.84% of total assets; financial liabilities that were measured at fair value amounted to RMB540,849 million, representing 1.50% of total liabilities. Level 3 financial assets and liabilities with significant unobservable input data amounted to RMB156,343 million and RMB3,496 million respectively. We identified fair value assessment of financial instruments as a key audit matter because the amount involved is significant and the valuation requires significant judgement and estimation, and particularly for level 3 financial instruments. Refer to Note 4(7), Note 5, Note 21, Note 22, Note 23, Note 24, Note 32, and Note 51 to the consolidated financial statements for relevant disclosures.	Our audit procedures in respect of fair value assessment of financial instruments included the following: Understood, assessed and tested the design and operating effectiveness of internal controls relating to the valuation of financial instruments, independent pricing validation, and valuation model validation and approval. Selected samples to perform the following audit procedures: - evaluated the fair value of level 1 financial instruments by comparing the fair value with publicly available market observable data; - evaluated the appropriateness of the Group's valuation techniques, inputs and assumptions for level 2 and 3 financial instruments, and compared the observable market data with publicly available market data; - assessed and verified the valuation techniques used in the valuation of complex financial instruments valuation, selected samples to perform independent valuation and compared the results with the Group's valuation.

Independent Auditor's Report

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<i>IT systems and controls over financial reporting</i>	
As a large banking group, the Group's IT systems are complex. To ensure the accuracy of financial reports, IT over financial reporting and its related general controls and automated controls are required to be designed and operated effectively. The related general controls include IT governance, controls over program development and changes, access to programs and data and IT operations. Automated controls include system calculations and data logic relating to significant accounts, as well as interfaces between business management systems and accounting systems. With the rapid increase in the volume of on-line transactions of the Group, as well as the continuous development and application of new technologies and open banking that increased third party network access, the Group faces increasing challenges on cyber security and data protection that warrant close monitoring of their potential impact on financial reporting related IT systems. We identified IT systems and controls over financial reporting as a key audit matter because the Group's financial accounting and reporting systems are highly reliant on complex IT systems and control processes, and the IT systems are required to serve the Group's global customer base, handle large volumes of frequent transactions, and continue to develop in response to changing business needs and technological change accelerating.	Our audit procedures in respect of IT systems and controls over financial reporting included the following: - understood, assessed and tested the design and operating effectiveness of key internal controls of the IT systems relevant to financial reporting; - understood, assessed and tested the design and operating effectiveness of automated controls relevant to significant accounts and assertions or risk of material misstatement, and such IT automated controls include accuracy of system calculation logic and consistency of data transmission, covering business in corporate banking, personal banking, and financial markets, as well as financial reporting process; - understood, assessed and tested the design and operating effectiveness of controls over cyber security management mechanism, the operational security of key information infrastructure, data and customer information management, and system operation monitoring and emergency management.

Independent Auditor's Report

Other information

The Directors are responsible for the other information. The other information comprises all 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.

Responsibilities of the directors for the consolidated financial statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are 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 Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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.

Independent Auditor's Report

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' 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 a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee 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 Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and 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 Audit Committee, 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.

The engagement partner on the audit resulting in this independent auditor's report is Wu Wei Jun, David.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

30 March 2023

Consolidated Statement of Profit or Loss

For the year ended 31 December 2022
(In RMB millions, unless otherwise stated)

	Notes	2022	2021
Interest income	6	1,280,376	1,162,218
Interest expense	6	(586,689)	(471,538)
NET INTEREST INCOME	6	693,687	690,680
Fee and commission income	7	145,818	148,727
Fee and commission expense	7	(16,553)	(15,703)
NET FEE AND COMMISSION INCOME	7	129,265	133,024
Net trading income	8	8,610	8,955
Net gains on financial investments	9	6,315	16,440
Other operating income, net	10	3,564	11,781
OPERATING INCOME		841,441	860,880
Operating expenses	11	(240,884)	(236,227)
Impairment losses on assets	14	(182,419)	(202,623)
OPERATING PROFIT		418,138	422,030
Share of results of associates and joint ventures		4,427	2,869
PROFIT BEFORE TAXATION		422,565	424,899
Income tax expense	15	(61,527)	(74,683)
PROFIT FOR THE YEAR		361,038	350,216
Profit for the year attributable to:			
Equity holders of the parent company		360,483	348,338
Non-controlling interests		555	1,878
PROFIT FOR THE YEAR		361,038	350,216
EARNINGS PER SHARE			
– Basic (RMB yuan)	18	0.97	0.95
– Diluted (RMB yuan)	18	0.97	0.95

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022
(In RMB millions, unless otherwise stated)

	Note	2022	2021
Profit for the year		361,038	350,216
Other comprehensive income (after tax, net):	41		
(a) Items that will not be reclassified to profit or loss:			
(i) Changes in fair value of equity instruments designated as at fair value through other comprehensive income		(2,968)	(1,180)
(ii) Other comprehensive income recognised under the equity method		(25)	15
(iii) Other		13	28
(b) Items that may be reclassified subsequently to profit or loss:			
(i) Changes in fair value of debt instruments measured at fair value through other comprehensive income		(24,375)	1,623
(ii) Credit losses of debt instruments measured at fair value through other comprehensive income		3,831	1,827
(iii) Cash flow hedging reserve		1,284	442
(iv) Other comprehensive income recognised under the equity method		(313)	541
(v) Foreign currency translation reserve		21,345	(12,353)
(vi) Other		(1,975)	885
Subtotal of other comprehensive income for the year		(3,183)	(8,172)
Total comprehensive income for the year		357,855	342,044
Total comprehensive income for the year attributable to:			
Equity holders of the parent company		356,711	340,089
Non-controlling interests		1,144	1,955
		357,855	342,044

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2022

(In RMB millions, unless otherwise stated)

	Notes	31 December 2022	31 December 2021
ASSETS			
Cash and balances with central banks	19	3,427,892	3,098,438
Due from banks and other financial institutions	20	1,042,504	827,150
Derivative financial assets	21	87,205	76,140
Reverse repurchase agreements	22	864,067	663,496
Loans and advances to customers	23	22,593,648	20,109,200
Financial investments	24	10,527,292	9,257,760
Financial investments measured at fair value through profit or loss		714,879	623,223
Financial investments measured at fair value through other comprehensive income		2,178,018	1,803,604
Financial investments measured at amortised cost		7,634,395	6,830,933
Investments in associates and joint ventures	26	65,878	61,782
Property and equipment	27	293,887	290,296
Deferred tax assets	28	101,600	79,259
Other assets	29	605,684	707,862
TOTAL ASSETS		39,609,657	35,171,383

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2022
(In RMB millions, unless otherwise stated)

	Notes	31 December 2022	31 December 2021
LIABILITIES			
Due to central banks		145,781	39,723
Due to banks and other financial institutions	31	3,185,564	2,921,029
Financial liabilities measured at fair value through profit or loss	32	64,126	87,180
Derivative financial liabilities	21	96,350	71,337
Repurchase agreements	33	574,778	365,943
Certificates of deposit	34	375,452	290,342
Due to customers	35	29,870,491	26,441,774
Income tax payable		85,581	92,443
Debt securities issued	36	905,953	791,375
Deferred tax liabilities	28	3,800	5,624
Other liabilities	37	787,955	789,355
TOTAL LIABILITIES		36,095,831	31,896,125
EQUITY			
Equity attributable to equity holders of the parent company			
Share capital	38	356,407	356,407
Other equity instruments	39	354,331	354,331
Preference shares		134,614	134,614
Perpetual bonds		219,717	219,717
Reserves	40	1,016,896	926,375
Retained profits		1,767,537	1,620,642
		3,495,171	3,257,755
Non-controlling interests		18,655	17,503
TOTAL EQUITY		3,513,826	3,275,258
TOTAL EQUITY AND LIABILITIES		39,609,657	35,171,383

Chen Siqing
Chairman

Liao Lin
Vice Chairman
and President

Wang Gang
Person in charge of
Finance and Accounting Department

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022
(In RMB millions, unless otherwise stated)

	Attributable to equity holders of the parent company													
	Reserves													
	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedging reserve	Other reserves	Subtotal	Retained profits	Total	Non-controlling interests	Total equity
Balance as at 1 January 2022	356,407	354,331	148,703	357,169	438,952	24,628	(39,999)	(4,243)	1,165	926,375	1,620,642	3,257,755	17,503	3,275,258
Profit for the year	-	-	-	-	-	-	-	-	-	-	360,483	360,483	555	361,038
Other comprehensive income	-	-	-	-	-	(23,542)	20,808	1,256	(2,294)	(3,772)	-	(3,772)	589	(3,183)
Total comprehensive income	-	-	-	-	-	(23,542)	20,808	1,256	(2,294)	(3,772)	360,483	356,711	1,144	357,855
Dividends – ordinary shares 2021 final (Note 17)	-	-	-	-	-	-	-	-	-	-	(104,534)	(104,534)	-	(104,534)
Distributions to other equity instrument holders (Note 17)	-	-	-	-	-	-	-	-	-	-	(14,810)	(14,810)	-	(14,810)
Appropriation to surplus reserve (i)	-	-	-	35,318	-	-	-	-	-	35,318	(35,318)	-	-	-
Appropriation to general reserve (ii)	-	-	-	-	57,767	-	-	-	-	57,767	(57,767)	-	-	-
Dividends to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(28)	(28)
Other comprehensive income transferred to retained earnings	-	-	-	-	-	(319)	-	-	-	(319)	319	-	-	-
Other	-	-	(423)	-	-	-	1,950	-	-	1,527	(1,478)	49	36	85
Balance as at 31 December 2022	356,407	354,331	148,280	392,487	496,719	767	(17,241)	(2,987)	(1,129)	1,016,896	1,767,537	3,495,171	18,655	3,513,826

- (i) Includes the appropriation to surplus reserve made by overseas branches and subsidiaries in the amounts of RMB68 million and RMB907 million, respectively.
- (ii) Includes the appropriation to general reserve made by subsidiaries in the amounts of RMB4,196 million.

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022
(In RMB millions, unless otherwise stated)

	Attributable to equity holders of the parent company													
	Reserves													
	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedging reserve	Other reserves	Subtotal	Retained profits	Total	Non-controlling interests	Total equity
Balance as at 1 January 2021	356,407	225,819	148,640	322,911	339,701	22,377	(27,882)	(4,725)	(304)	800,718	1,510,558	2,893,502	16,013	2,909,515
Profit for the year	-	-	-	-	-	-	-	-	-	-	348,338	348,338	1,878	350,216
Other comprehensive income	-	-	-	-	-	1,917	(12,117)	482	1,469	(8,249)	-	(8,249)	77	(8,172)
Total comprehensive income	-	-	-	-	-	1,917	(12,117)	482	1,469	(8,249)	348,338	340,089	1,955	342,044
Dividends – ordinary shares 2020 final (Note 17)	-	-	-	-	-	-	-	-	-	-	(94,804)	(94,804)	-	(94,804)
Distributions to other equity instrument holders (Note 17)	-	-	-	-	-	-	-	-	-	-	(9,607)	(9,607)	-	(9,607)
Appropriation to surplus reserve (i)	-	-	-	34,258	-	-	-	-	-	34,258	(34,258)	-	-	-
Appropriation to general reserve (ii)	-	-	-	-	99,251	-	-	-	-	99,251	(99,251)	-	-	-
Capital injection by other equity instrument holders	-	139,730	-	-	-	-	-	-	-	-	-	139,730	-	139,730
Capital reduction by other equity instrument holders	-	(11,218)	63	-	-	-	-	-	-	63	-	(11,155)	-	(11,155)
Dividends to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(465)	(465)
Other comprehensive income transferred to retained earnings	-	-	-	-	-	334	-	-	-	334	(334)	-	-	-
Balance as at 31 December 2021	356,407	354,331	148,703	357,169	438,952	24,628	(39,999)	(4,243)	1,165	926,375	1,620,642	3,257,755	17,503	3,275,258

- (i) Includes the appropriation to surplus reserve made by overseas branches and subsidiaries in the amounts of RMB56 million and RMB1,764 million, respectively.
- (ii) Includes the appropriation to general reserve made by overseas branches and subsidiaries in the amounts of RMB47 million and RMB1,746 million, respectively.

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022
(In RMB millions, unless otherwise stated)

	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		422,565	424,899
Adjustments for:			
Share of results of associates and joint ventures		(4,427)	(2,869)
Depreciation		30,319	28,194
Amortisation	11	3,721	3,125
Impairment losses on assets	14	182,419	202,623
Unrealised losses/(gains) on foreign exchange		8,870	(22,300)
Interest expense on debt securities issued		28,067	27,673
Accreted interest on impaired loans		(1,695)	(1,964)
Net gains on financial investments		(22,850)	(18,349)
Interest income on financial investments		(298,722)	(262,827)
Net losses/(gains) on changes in fair value		11,558	(14,473)
Net gains on disposal and stocktake of property and equipment and other assets (other than repossessed assets)		(1,548)	(2,077)
Dividend income	9	(4,072)	(3,388)
		354,205	358,267
Net (increase)/decrease in operating assets:			
Due from central banks		(147,741)	155,880
Due from banks and other financial institutions		(4,067)	157,890
Financial assets measured at fair value through profit or loss		(45,211)	143,496
Reverse repurchase agreements		(100,215)	99,863
Loans and advances to customers		(2,511,204)	(2,184,611)
Other assets		60,745	(43,570)
		(2,747,693)	(1,671,052)
Net (decrease)/increase in operating liabilities:			
Financial liabilities measured at fair value through profit or loss		(11,808)	(853)
Due to central banks		105,849	(15,161)
Due to banks and other financial institutions		193,899	158,557
Repurchase agreements		186,956	77,427
Certificates of deposit		62,306	(37,420)
Due to customers		3,194,252	1,261,998
Other liabilities		155,187	311,773
		3,886,641	1,756,321
Net cash flows from operating activities before taxation		1,493,153	443,536
Income tax paid		(88,496)	(82,654)
Net cash flows from operating activities		1,404,657	360,882

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022
(In RMB millions, unless otherwise stated)

	Note	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment and other assets		(23,128)	(27,584)
Proceeds from disposal of property and equipment and other assets (other than repossessed assets)		10,018	13,008
Purchases of financial investments		(4,415,567)	(3,344,684)
Proceeds from sale and redemption of financial investments		3,192,493	2,423,298
Investments in associates and joint ventures		(3,314)	(21,207)
Proceeds from disposal of associates and joint ventures		2,811	206
Investment returns received		326,066	282,407
Net cash flows from investing activities		(910,621)	(674,556)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of other equity instruments		–	139,793
Proceeds from issuance of debt securities		955,862	835,441
Interest paid on debt securities		(25,721)	(26,320)
Repayment of debt securities		(870,573)	(836,623)
Cash payment for redemption of other equity instruments		–	(11,155)
Dividends paid on ordinary shares		(104,534)	(94,804)
Dividends or interest paid to other equity instrument holders		(14,810)	(9,607)
Dividends paid to non-controlling shareholders		(28)	(465)
Cash payment for other financing activities		(4,985)	(7,813)
Net cash flows from financing activities		(64,789)	(11,553)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of the year		1,436,757	1,791,122
Effect of exchange rate changes on cash and cash equivalents		60,847	(29,138)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	42	1,926,851	1,436,757
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		1,040,678	939,737
Interest paid		(451,918)	(351,322)

The accompanying notes form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

(In RMB millions, unless otherwise stated)

1. CORPORATE INFORMATION

Industrial and Commercial Bank of China Limited (the “Bank”), which was previously known as Industrial and Commercial Bank of China (“ICBC”), used to be a wholly-state-owned commercial bank established on 1 January 1984 based on the authorisation of the State Council and the People’s Bank of China (the “PBOC”) of the People’s Republic of China (the “PRC”). On 28 October 2005, with the approval of the State Council, ICBC was restructured and incorporated as a joint-stock limited company. The joint-stock limited company undertook all the assets and liabilities of ICBC upon the restructuring. On 27 October 2006, the Bank was listed on both Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited.

The Bank obtained authorisation to carry out banking business with an institution code of No. B0001H111000001 from the China Banking and Insurance Regulatory Commission (the “CBIRC”) of the PRC. The Bank obtained its business license with unified social credit code 91100000100003962T from the Beijing Municipal Administration for Market Regulation. The legal representative is Mr. Chen Siqing and the registered office is located at No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, the PRC.

The Bank’s stock codes of A Shares and H Shares listed on Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited are 601398 and 1398, respectively. The Bank’s offshore preference shares are listed on The Stock Exchange of Hong Kong Limited and the stock code is 4620. The Bank’s domestic preference shares are listed on Shanghai Stock Exchange and the stock codes are 360011 and 360036.

The principal activities of the Bank and its subsidiaries (collectively referred to as the “Group”) comprise corporate financial services, personal financial services, treasury operations, investment banking, asset management, trust, financial leasing, insurance and other financial services. Domestic establishments refer to the Head Office of the Bank, branches and subsidiaries established in Chinese mainland. Overseas establishments refer to branches and subsidiaries established in jurisdictions outside Chinese mainland.

2. BASIS OF PREPARATION

(1) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) promulgated by the International Accounting Standards Board (the “IASB”), and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(2) Basis of preparation of the financial statements

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments, and certain non-financial assets measured at fair value, as further explained in the respective accounting policies below.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are disclosed in Note 5.

3. APPLICATION OF THE NEW AND AMENDMENTS TO IFRSs

(1) Mandatory amendments to IFRSs effective for the current year

In the current year, the Group has applied, for the first time, the following amendments to IFRSs issued by the IASB which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the Group's consolidated financial statements:

- Amendments to IFRS 3: Reference to the Conceptual Framework
- Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract
- Amendments to IFRSs: Annual Improvements to IFRSs 2018-2020

The adoption of the above-mentioned amendments to IFRSs has had no material impact on the financial position and financial performance of the Group.

(2) Issued but not yet effective IFRSs and amendments to IFRSs

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective.

- IFRS 17: Insurance Contracts and the related Amendments¹
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture²
- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback³
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current³
- Amendments to IAS 1: Non-current Liabilities with Covenants³
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies¹
- Amendments to IAS 8: Definition of Accounting Estimates¹
- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction¹

1 Effective for annual periods beginning on or after 1 January 2023.

2 Effective for annual periods beginning on or after a date to be determined.

3 Effective for annual periods beginning on or after 1 January 2024.

Further information about those changes that are expected to affect the Group:

IFRS 17 Insurance Contracts and the related amendments

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 *Insurance Contracts*.

IFRS 17 outlines a general model, which is modified for *insurance contracts* with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

In June 2020, the IASB issued amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023.

In December 2021, the IASB issued Amendment to IFRS 17 *Initial Application of IFRS 17 and IFRS 9 – Comparative Information* to address implementation challenges that were identified after IFRS 17 was published. The amendment addresses challenges in the presentation of comparative information.

IFRS 17 is to be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

The adoption of the new and revised IFRS is expected to have no material impact on the financial position and financial performance of the Group.

Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The adoption of the amendment is expected to have no material impact on the financial position and financial performance of the Group.

Other new and revised IFRSs that have been issued but are not yet effective are expected to have no material impact on the financial position and financial performance of the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Functional currency and foreign currency translation

Functional currency

The functional currency of the Group's domestic establishments is Renminbi ("RMB"). The overseas establishments determine their own functional currencies which best represent the economic environment they operate in. These financial statements are presented in RMB millions except when otherwise indicated.

Foreign currency translation

Foreign currency transactions are initially recorded in the functional currency using the exchange rates at the dates of the transactions or deemed exchange rates. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the applicable exchange rates ruling at the end of the reporting period. Exchange differences arising on the settlement of monetary items or on translating monetary items at period end rates are recognised in profit or loss, with the exception that they are taken directly to other comprehensive income when the monetary items are designated as part of the hedge of the Bank's net investment in a foreign entity, and the aggregate exchange differences are not recognised in profit or loss until the disposal of such net investment.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as at the date when the fair value is determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as foreign assets and liabilities of the foreign operation and translated at the deemed rates at the end of the reporting period. The exchange differences are recognised in profit or loss or in other comprehensive income, depending on the nature of non-monetary items.

As at the end of the reporting period, the assets and liabilities of foreign operations are translated into the presentation currency of the Bank at the exchange rates ruling at the end of the reporting period. For overseas business not operating in a hyperinflationary economy, all items within equity except for retained profits are translated at the exchange rates ruling at the dates of the initial transactions. Income and expenses in the statement of profit or loss are translated using the exchange rates at the date of the transactions or deemed exchange rates. The exchange differences arising on the above translation are taken to other comprehensive income. On disposal of a foreign operation, the deferred cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in profit or loss. The effect of exchange rate changes on cash and cash equivalents is presented separately in the statement of cash flows.

(2) Subsidiaries

Subsidiaries are entities (including structured entities) controlled by the Group. The Group controls an entity if it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an entity.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, and the relevant activities are directed by means of contractual or other arrangements.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and any unrealised profit or loss arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements.

In the Bank's statement of financial position, investments in subsidiaries are stated at cost less impairment losses.

(3) Non-controlling interests

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to a parent.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity holders of the Bank. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity holders of the Bank.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated statement of equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

(4) Associates and joint ventures

An associate is an entity in which the Group has significant influence. A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement. Other than those measured at fair value through profit or loss, the Group's investments in associates or joint ventures are accounted for using the equity method.

Under the equity method, an investment in an associate or joint venture is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of the net assets of the associate or joint venture, less any impairment losses. The consolidated statement of profit or loss reflects the share of the results of operations of the associate or joint venture. Unrealised profits and losses resulting from transactions between the Group and the associates or joint ventures are eliminated to the extent of the Group's interests in the associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture, the retained interest is not re-measured. Instead, the investment continues to be accounted under the equity method, and vice versa.

In the Bank's statement of financial position, investments in associates and joint ventures are stated at cost less impairment losses.

(5) Business combination and goodwill

Business combinations are accounted for by applying the acquisition method. The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether the acquired set of assets is not a business. If the concentration test is met, the set of assets is determined not to be a business; otherwise, the Group shall then perform an assessment in accordance with the requirements of business. The consideration transferred is measured at acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Any costs directly attributable to the combination are recognised in profit or loss when incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives from host contracts of the acquiree.

If the business combination is achieved in stages, the acquirer's previously-held equity interest in the acquiree is re-measured to the acquisition date fair value through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is classified as a financial asset or financial liability, is recognised in profit or loss. If the contingent consideration is classified as equity, it shall not be re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and the fair value of the acquirer's previously-held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets and liabilities acquired. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as gains on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill at year end date. For the purpose of impairment testing, goodwill arising in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGU"), or group of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the CGU or group of CGUs to which the goodwill relates. Where the recoverable amount of the CGU or group of CGUs is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in subsequent period.

Where goodwill forms part of a CGU or group of CGUs and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU or group of CGUs retained.

(6) Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
- (viii) the entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

(7) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Initial recognition and measurement of financial instruments

At initial recognition, financial assets and financial liabilities are measured at fair value. For financial assets and financial liabilities measured at fair value through profit or loss ("FVTPL"), any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial recognised value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group shall take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date (including the condition of the asset; and restrictions, if any, on the sale or use of the asset), and use valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. The adopted valuation techniques mainly include market approach, income approach and cost approach.

(ii) Classification and subsequent measurement of financial assets

Classification of financial assets

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortised cost, at fair value through other comprehensive income ("FVTOCI"), or at FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVTOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis, and the relevant investment should meet the definition of equity instrument from the perspective of the issuer.

All financial assets not classified as measured at amortised cost or FVTOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets, or both. The Group determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Group's key management personnel.

In assessing whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding, the Group considers the contractual terms of the instrument. For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet the above contractual cash flows characteristics.

Subsequent measurement of financial assets

Financial assets measured at FVTPL

These financial assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss unless the financial assets are part of a hedging relationship.

Financial assets measured at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be recognised in profit or loss when the financial asset is derecognised, amortised or impaired.

Debt instruments measured at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, impairment and foreign exchange gains and losses are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity instruments measured at FVTOCI

These assets are subsequently measured at fair value. Dividend income is recognised in profit or loss for the period. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

(iii) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at FVTPL and other financial liabilities.

Financial liabilities measured at FVTPL

A financial liability is classified as measured at FVTPL if it is classified as held-for-trading (including derivative financial liability) or it is designated as such on initial recognition.

Financial liabilities measured at FVTPL are subsequently measured at fair value and net gains and losses (including any interest expense) are recognised in profit or loss, unless the financial liabilities are part of a hedging relationship.

For the financial liabilities measured at FVTPL, the gains and losses from changes in fair value of the financial liability arising from changes in the Group's own credit risk are included in other comprehensive income; other changes in fair value of the financial liabilities are recognised in profit or loss for the period. If the treatment of the impact of changes in the financial liabilities' own credit risk will create or enlarge the accounting mismatch in profit or loss, the Group shall recognise the entire gains or losses of the financial liabilities (including the amount of the impact of changes in its own credit risk) in profit and loss. When these liabilities are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified from reserve to retained earnings.

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

(iv) Financial instruments reclassification

The Group will reclassify all related financial assets when it changes its business model for managing financial assets, and the reclassification applies prospectively from the reclassification date (the first day of the first reporting period following the change in business model).

(8) Trade date accounting

All regular way purchases and sales of financial assets are recognised at the trade date, which is the date that the Group commits to purchase or sell the assets. A regular way purchase or sale is the purchase or sale of financial assets that requires delivery of assets within the time frame generally established by regulation or convention in the marketplace.

(9) Presentation of financial instruments

Financial assets and financial liabilities are generally presented separately in the statement of financial position and shall not be offset. However, a financial asset and a financial liability are offset and the net amount is presented in the statement of financial position when both of the following conditions are satisfied:

- the Group currently has a legally enforceable right to set off the recognised amounts; and
- the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(10) Impairment of financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on:

- financial assets measured at amortised cost;
- debt instruments measured at FVTOCI; and
- loan commitments and financial guarantee contracts.

Financial assets measured at fair value, including debt or equity instruments measured at FVTPL, equity instruments designated as at FVTOCI and derivative financial assets, are not subject to ECL assessment.

Measurement of ECL

ECL is a probability-weighted amount that is determined with the respective risks of default occurring as the weight. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The Group's method of measuring ECL of financial instruments reflects the following elements: (i) unbiased weighted average probability determined by the results of evaluating a range of possible outcomes; (ii) time value of money; (iii) reasonable and evidence-based information about past events, current conditions, and future economic forecasts that are available at no additional cost or effort at the end of the reporting period.

The maximum period considered when estimating ECL is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime ECL is the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL is the portion of ECL that result from default events that are possible within the 12 months after the end of the reporting period (or a shorter period if the expected life of the instrument is less than 12 months).

The Group classifies financial instruments into the following three stages and provides provisions for ECL accordingly, depending on whether credit risk on that financial instrument has increased significantly since initial recognition.

Stage 1: A financial instrument of which the credit risk has not significantly increased since initial recognition. The amount that equals to 12-month ECL is recognised as loss allowance.

Stage 2: A financial instrument with a significant increase in credit risk since initial recognition but is not considered to be credit-impaired. The amount that equals to lifetime ECL is recognised as loss allowance. Refer to Note 50(a) credit risk for the description of how the Group determines when a significant increase in credit risk has occurred.

Stage 3: A financial instrument is considered to be credit-impaired as at the end of the reporting period. The amount that equals to lifetime ECL is recognised as loss allowance. Refer to Note 50(a) credit risk for the definition of credit-impaired financial assets.

Presentation of allowance for ECL

ECL is re-measured at the end of each reporting period to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises impairment gains or losses for financial instruments measured at amortised cost with a corresponding adjustment to their carrying amount through allowance for impairment loss. For debt instruments that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income, which does not decrease the carrying amount of the financial assets. The Group recognises loss allowance for loan commitments and financial guarantee contracts through other liabilities (provisions for credit commitments).

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(11) Modification of financial assets contracts

In some cases (such as renegotiating loans), the Group may renegotiate or otherwise modify the financial assets contracts. The Group would assess whether or not the new contractual terms are substantially different to the original terms. If the terms are substantially different, the Group derecognises the original financial asset and recognises a new asset under the revised terms. If the renegotiation or modification does not result in derecognition, but leads to changes in contractual cash flows, when assessing whether a significant increase in credit risk has occurred, the Group compares the risk of a default occurring under the revised terms as at the end of the reporting period with that as at the date of initial recognition under original terms.

(12) Derecognition of financial assets and liabilities

Derecognition of financial assets

Financial asset is derecognised when one of the following conditions is met:

- the Group's contractual rights to the cash flows from the financial asset expire;
- the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or
- the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where the Group has transferred its rights to receive cash flows from an asset or has retained its rights to receive cash flows from the asset but assumed the obligation to pay those cash flows to the eventual recipients and meanwhile meet the conditions of the transfer of financial assets, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Securitisation

As part of its operational activities, the Group securitises credit assets. When a securitisation of financial assets does not qualify for derecognition, the relevant financial assets are not derecognised, and the consideration paid by third parties are recorded as a financial liability; when the securitisation of financial assets partially qualifies for derecognition, the Group continues to recognise the transferred assets to the extent of its continuing involvement, and derecognises the remaining portion. The carrying amount of the transferred assets is apportioned between the derecognised portion and the retained portion based on their relative fair values, and the difference between the carrying amount of the derecognised portion and the total consideration paid for the derecognised portion is recorded in profit or loss.

Sales of assets on condition of repurchase

The derecognition of financial assets sold on condition of repurchase is determined by the economic substance of the transaction. If a financial asset is sold under an agreement to repurchase the same or substantially the same asset at a fixed price or at the sale price plus a reasonable return, the Group will not derecognise the asset. If a financial asset is sold together with an option to repurchase the financial asset at its fair value at the time of repurchase, the Group will derecognise the financial asset.

Derecognition of financial liabilities

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.

(13) Derivatives and hedge accounting

Derivatives

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

If the host contract included in the hybrid contract is a financial asset, the embedded derivative is no longer split from the main contract of the financial asset, and the hybrid financial instrument as a whole is related to the classification of the financial asset provision. If the host contract included in the hybrid contract is not a financial asset, when the embedded derivative's economic characteristics and risks are not closely related to those of the host contract, those separate instruments with the same terms as the embedded derivative would meet the definition of a derivative, and the hybrid instrument is not carried at FVTPL, derivatives embedded in other financial instruments should be split from the hybrid contract and treated as separate derivatives. These embedded derivatives are measured at fair value with the changes in fair value recognised in profit or loss.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to profit or loss.

For less complex derivative products, the fair values are principally determined by valuation models which are commonly used by market participants. Inputs to valuation models are determined from observable market data wherever possible, including foreign exchange spot and forward rates and interest rate yield curves. For more complex derivative products, the fair values are mainly determined by quoted prices from dealers.

Hedge accounting

At the inception of a hedging relationship, the Group formally designates the hedging instruments and the hedged items, and documents the hedging relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to meet the hedge effectiveness in achieving offsetting changes in fair value or cash flows and are assessed on an on-going basis to analyse the sources of hedge ineffectiveness which are expected to affect the hedging relationship in remaining hedging period. If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio, but the risk management objective for that designated hedging relationship remains the same, the Group would rebalance the hedging relationship.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management positions, do not qualify for hedge accounting and are therefore treated as derivatives held for trading with fair value gains or losses recognised in profit or loss.

Fair value hedges

Fair value hedges are hedges of the Group's exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or unrecognised firm commitment, that is attributable to a particular risk and could affect the profit or loss or other comprehensive income. Among them, the circumstances affecting other comprehensive income are limited to the hedging for the risk exposure from fair value change of non-trading equity investment designated as at FVTOCI. For fair value hedges, the carrying amount of the hedged item not already measured at fair value is adjusted for the gain or loss attributable to the risk being hedged and is taken to profit or loss or other comprehensive income. The gains or losses for hedging instrument re-measured at fair value are taken to profit or loss or other comprehensive income.

When the hedged item in a fair value hedge is measured at amortised cost, any hedge adjustment to its carrying amount is amortised to profit or loss. The amortisation is based on a recalculated effective interest rate at the date when amortisation begins.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in fair value of the hedging instrument are also recognised in profit or loss.

The Group discontinues fair value hedge accounting when the hedging relationship ceases to meet the qualifying criteria after taking into account any rebalancing of the hedging relationship, including the hedging instrument has expired or has been sold, terminated or exercised. If the hedged items are derecognised, the unamortised adjustment to carrying amount is recorded in profit or loss.

Cash flow hedges

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability, a highly probable forecast transaction or a component of any such item, and could affect profit or loss. For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised directly in other comprehensive income. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in profit or loss.

When the hedged cash flow affects profit or loss, the gain or loss on the hedging instrument recognised directly in other comprehensive income is recycled in the corresponding income or expense line of the statement of profit or loss. When the hedging relationship ceases to meet the qualifying criteria after taking into account any rebalancing of the hedging relationship, including the hedging instrument has expired or has been sold, terminated or exercised, any cumulative gains or losses existing in other comprehensive income at that time remains in other comprehensive income until the hedged forecast transaction ultimately occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to profit or loss.

Net investment hedges

A net investment hedge is a hedge of the currency risk of a net investment in a foreign institution operation.

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised directly in other comprehensive income; the gain or loss relating to the ineffective portion is recognised in profit or loss immediately. Gains and losses accumulated in other comprehensive income are included in profit or loss when the foreign operation is disposed of as part of the gains or losses on the disposal.

(14) Repurchase and reverse repurchase transactions (including securities borrowing and lending)

Assets sold under agreements to repurchase at a specified future date ("repos") are not derecognised from the statement of financial position. The corresponding cash received, including accrued interest, is recognised on the statement of financial position as a "repurchase agreement". The difference between the sale and repurchase prices is treated as an interest expense and is amortised over the life of the agreement using the effective interest method.

Conversely, assets purchased under agreements to resell at a specified future date ("reverse repos") are not recognised on the statement of financial position. The corresponding cash paid, including accrued interest, is recognised on the statement of financial position as a "reverse repurchase agreement".

According to the policy of classification of financial assets, the reverse repurchase agreements held by the Group were divided into different classifications according to the entity's business model for managing the financial instruments and the contractual cash flow characteristics of the assets: financial assets measured at amortised cost and financial assets measured at FVTPL. The difference between the purchase and resale prices of reverse repurchase agreements measured at amortised cost is treated as an interest income and is amortised over the life of the agreement using the effective interest method.

Securities borrowing and lending transactions are usually collateralised by securities or cash. The transfer of the securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognised in the statement of financial position, unless they are then sold to third parties, in which case the obligation to return the securities is recorded as a financial liability held for trading and measured at fair value with any gains or losses included in profit or loss.

(15) Insurance contracts

Insurance contracts classification

The Group's insurance subsidiary executes the contract with the policyholder. Where the Group undertakes insurance risk (other than financial risk) transferred from the policyholders, the contract is classified as an insurance contract. Insurance risk refers to the risk that the combined cost of claims, administration and policy acquisitions may exceed the aggregate amount of premiums received and investment income over time. Where the Group undertakes the risks other than insurance risk, the contract is classified as a non-insurance contract. Where the Group undertakes both insurance risk and other risks, forming a contract with mixed risks, the following stipulations are applied:

- (i) where the insurance risk and other risks can be distinguished from each other and separately measured, the insurance risk is separated from other risks. The insurance risk is accounted for as an insurance contract and other risks are accounted for according to the relevant accounting standards;
- (ii) where the insurance risk and other risks cannot be distinguished from each other, or can be distinguished but cannot be separately measured, an umbrella contract applies and a significant insurance risk test shall be performed based on it. If the insurance risk is significant, the contract is accounted for as an insurance contract; otherwise, it is accounted for as a non-insurance contract.

Insurance income recognition

Insurance premium income is recognised when:

- (i) the insurance contract is issued, and related insurance risk is taken on by the Group;
- (ii) the related economic benefits are likely to flow to the Group; and
- (iii) related income can be reliably measured.

Insurance contract liabilities

When measuring insurance contract liabilities, the Group classifies insurance contracts whose insurance risks are of similar nature as a measurement unit. Insurance contract liabilities are measured based on a reasonably estimated amount of payment that the Group is obliged to pay to fulfill relevant obligations under the insurance contract. At the end of each reporting period, the adequacy of liability is tested. If the insurance contract liabilities re-calculated with the insurance actuarial method exceed their carrying amounts on the date of the liability adequacy test, an additional provision shall be made for the respective insurance contract liabilities based on the difference. Otherwise, no adjustment is made to the respective insurance contract liabilities.

(16) Leases

A lease is when the lessor conveys the right to control the use of an asset for a period of time in exchange for the consideration of the lessee.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of one or more identified assets for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset. An identified asset may be specified explicitly or implicitly in a contract and should be physically distinct, or a capacity portion or other portion of an asset that is not physically distinct but represents all of the capacity of the asset and thereby provides the customer with the right to obtain substantially all of the economic benefits from the use of the asset. If the supplier has a substantive substitution right throughout the period of use, then the asset is not identified;

- the lessee has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use;
- the lessee has the right to direct the use of the asset.

For a contract that contains more than one separate lease components, the lessee and the lessor separate lease components and account for each lease component as a lease separately. For a contract that contains lease and non-lease components, the lessee and the lessor separate lease components from non-lease components. However, for the leases in which the Group is a lessee, the Group has elected not to separate lease components from non-lease components and accounts for the lease and non-lease components as a single lease component.

(i) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is depreciated using the straight-line method. If the lessee is reasonably certain to exercise a purchase option by the end of the lease term, the right-of-use asset is depreciated over the remaining useful lives of the underlying asset. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Impairment losses of right-of-use assets are accounted for in accordance with the accounting policy described in Note 4(23).

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate if the interest rate implicit in the lease is not readily determinable. Each institution of the Group uses an interest rate that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment as the incremental borrowing rate.

A constant periodic rate is used to calculate the interest on the lease liability in each period during the lease term with a corresponding charge to profit or loss or included in the cost of assets where appropriate. Variable lease payments not included in the measurement of the lease liability are charged to profit or loss or included in the cost of assets where appropriate as incurred.

Under the following circumstances after the commencement date, the Group re-measures lease liabilities based on the present value of revised lease payments:

- there is a change in the amounts expected to be payable under a residual value guarantee;
- there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments;
- there is a change in the assessment of whether the Group will exercise a purchase, extension or termination option, or there is a change in the exercise of the extension or termination option.

When the lease liability is re-measured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases in profit or loss or as the cost of the assets where appropriate using the straight-line method over the lease term.

(ii) As a lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

When the Group is a sub-lessor, it assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If the head lease is a short-term lease to which the Group applies practical expedient described above, then it classifies the sub-lease as an operating lease.

Under a finance lease, at the commencement date, the Group recognises the finance lease receivable and derecognises the finance lease asset. The finance lease receivable is initially measured at an amount equal to the net investment in the lease. The net investment in the lease is measured at the aggregate of the unguaranteed residual value and the present value of the lease receivable that are not received at the commencement date, discounted using the interest rate implicit in the lease.

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return. The impairment and derecognition of the finance lease receivable are recognised in accordance with the accounting policy in Note 4(10) and 4(12). Variable lease payments not included in the measurement of net investment in the lease are recognised as income as they are earned.

Lease receipts from operating leases is recognised as income using the straight-line method over the lease term. The initial direct costs incurred in respect of the operating lease are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Variable lease payments not included in lease receipts are recognised as income as they are earned.

(17) Financial guarantee contracts

The Group issues financial guarantee contracts, including letters of credit, letters of guarantee and acceptance. These financial guarantee contracts provide for specified payments to be made to reimburse the holders for the losses they incur when a guaranteed party defaults under the original or modified terms of a debt instrument, loan or any other obligation.

The Group initially measures all financial contracts at fair value, in other liabilities, being the premium received. This amount is recognised ratably over the period of the contract as fee and commission income. Subsequently, the liabilities are measured at the higher of the amount of the loss allowance determined in accordance with impairment policies of financial instruments and the amount initially recognised less the cumulative amount of income. Any increase in the liability relating to a financial guarantee is taken to the statement of profit or loss.

(18) Fiduciary activities

When the Group acts in a fiduciary capacity such as custodian or agent, assets arising thereon together with related undertakings to return such assets to customers are excluded from the statement of financial position.

The asset custody services of the Group refer to the business that the Group as trustee approved by regulatory authorities, signs custody agreement with clients and takes the responsibility of trustee in accordance with relevant laws and regulations. The assets under custody are not recorded on the statement of financial position as the Group merely fulfils the responsibility as trustee and charges fees in accordance with these agreements without retaining any risks or rewards of the assets under custody.

The Group grants entrusted loans on behalf of trustors, which are recorded off-balance sheet. The Group, as a trustee, grants such entrusted loans to borrowers under the direction of those trustors who fund these loans. The Group has been contracted by those trustors to manage the administration and collection of these loans on their behalf. Those trustors determine both the underwriting criteria for and the terms of all entrusted loans including their purposes, amounts, interest rates, and repayment schedules. The Group charges a commission related to its activities in connection with entrusted loans which are recognised ratably over the period in which the service is provided. The risk of loss is borne by those trustors.

(19) Precious metals

Precious metals comprise gold, silver and other precious metals. Precious metals that are not related to the Group's precious metals trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals acquired by the Group for trading purposes are initially measured at fair value and subsequent changes in fair value are recorded in the statement of profit or loss.

The Group records the precious metals received as an asset. A liability to return the amount of precious metals deposited is also recognised. The precious metals deposited with the Group are measured at fair value both on initial recognition and in subsequent measurement.

(20) Property and equipment

Property and equipment, other than construction in progress are stated at costs less accumulated depreciation and any impairment loss. The cost of an item of property and equipment comprises its purchase price, tax and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement.

Construction in progress comprises the direct costs of construction during the period of construction and is not depreciated. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment, less any estimated residual value, over the estimated useful life. The estimated useful life, estimated residual value and the annual depreciation rate of each item of property and equipment (excluding aircraft and vessels) are as follows:

	Estimated useful life	Estimated residual value rate	Annual depreciation rate
Properties and buildings	5 – 50 years	0% – 3%	1.94% – 20%
Office equipment and motor vehicles (excluding aircraft and vessels)	2 – 7 years	–	14.29% – 50%
Leasehold improvements		The shorter of the economic useful lives and remaining lease terms	

Equipment under operating leases where the Group is the lessor contains aircraft, aircraft engines and vessels. The estimated useful lives and depreciation methods are determined according to the conditions of individual aircraft and vessel. The residual values are assessed by an independent appraiser based on historical data. The estimated useful lives range from 15 to 25 years.

For an impaired fixed asset, the depreciation is calculated based on the carrying value less the cumulative impairment loss.

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the year the asset is derecognised.

(21) Land use rights

Land use rights are recognised at cost, being the fair value at the time of injection from the central government of the PRC (the "Government") during the Group's restructuring or the consideration paid. The rights are amortised using the straight-line method over the periods of the leases. When the prepaid land lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the costs of properties and buildings as finance leases in property and equipment.

(22) Repossessed assets

Repossessed assets are initially recognised at fair value of assets not retained plus related costs, and are subsequently measured at the lower of the carrying value and net recoverable amount. If the recoverable amount is lower than the carrying value of the repossessed assets, the assets are written down to the recoverable amount.

(23) Non-financial asset impairment

The Group assesses at the end of each reporting period whether there is any indication that property and equipment, land use rights, right-of-use assets, associates and joint ventures and other non-financial assets may be impaired. If any such indication exists, or when impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined on an individual basis, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the CGU to which the asset belongs. Where the gross carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. In assessing value in use of an asset, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of any depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Any such reversal is recognised in profit or loss. After such a reversal, the depreciation or amortisation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(24) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. When the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. When determining the best estimate, the Group considers factors pertaining to a contingency such as risks, uncertainties and time value of money. Where there is a range of possible outcome, and each possible outcome in that range is as likely as any other, the best estimate is the mid-point of that range. In other cases, the best estimate is determined according to the following circumstances:

- where the contingency involves a single item, the best estimate is the most likely outcome;
- where the contingency involves a large population of items, the best estimate is determined by weighting all possible outcomes by their associated probabilities.

The Group reviews the carrying amount of a provision at the end of reporting period. The carrying amount is adjusted to the current best estimate.

(25) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably. Contingent liabilities are disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable and can be reliably estimated, it will then be recognised as a provision.

(26) Convertible instruments

Convertible instruments issued by the Group that can be converted to equity shares, where the number of shares to be issued and the value of consideration to be received at that time do not vary, are accounted for as compound financial instruments containing both liability and equity components.

The initial carrying amount of a compound financial instrument is allocated to its equity and liability components. The amount recognised in equity is the difference between the fair value of the instrument as a whole and the separately determined fair value of the liability component (including the value of any embedded derivatives other than the equity component). Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

Subsequent to initial recognition, the liability component is measured at amortised cost using the effective interest method, unless it is designated upon recognition at FVTPL. The equity component is not re-measured.

If the convertible instrument is converted, the liability component, together with the equity component, are transferred to equity. If the convertible instrument is redeemed, the consideration paid and transaction fees for the redemption are allocated to the liability and equity components. The method used to allocate the consideration and transaction costs is the same as that used for issuance. After allocating the consideration and transaction costs, the difference between the allocated and carrying amounts is charged to profit and loss if it relates to the liability component or directly recognised in equity if it relates to the equity component.

(27) Preference shares and perpetual bonds

At initial recognition, the Group classifies the preference shares, perpetual bonds issued or their components as financial liabilities or equity instruments based on their contractual terms and their economic substance after considering the definition of financial liabilities and equity instruments. Preference shares and perpetual bonds issued containing both equity and liability components are accounted for using the accounting policy for convertible instruments containing an equity component.

Preference shares and perpetual bonds issued that should be classified as equity instruments are recognised in equity based on the actual amount received. Any distribution of dividends or interests during the instrument's duration is treated as profit appropriation. When the preference shares and perpetual bonds are redeemed according to the contractual terms, the redeemed amount is charged to equity.

(28) Cash and cash equivalents

Cash and cash equivalents refer to monetary assets, which are short-term, highly liquid, readily convertible into known amounts of cash and subject to an insignificant risk of changes in value. Cash and cash equivalents comprise cash, unrestricted balances with central banks, amounts due from banks and other financial institutions and reverse repurchase agreements with original maturity of less than three months.

(29) Revenue recognition

Interest income

For all financial instruments measured at amortised cost and interest-generating financial instruments classified as financial assets measured at FVTOCI, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, where appropriate, to the gross carrying amount of the financial asset, or the amortised cost of financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not expected credit losses.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets and is recognised as interest income, except for:

- (i) purchased or originated credit-impaired financial assets, whose interest income is calculated, since initial recognition, by applying the credit adjusted effective interest rate to their amortised cost; and
- (ii) purchased or originated financial assets that are not credit-impaired but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision). If, in a subsequent period, the financial assets quality improve so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their gross carrying amount.

Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. The fee and commission income recognised by the Group reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring promised services to customers, and income is recognised when its performance obligation in contracts is satisfied.

- (i) The Group recognises income over time by measuring the progress towards the complete satisfaction of a performance obligation, if one of the following criteria is met:
 - the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
 - the customer controls the service provided by the Group in the course of performance; or
 - the Group does not provide service with an alternative use to the Group, and the Group has an enforceable right to payment for performance completed to date.
- (ii) In other cases, the Group recognises revenue at a point in time at which a customer obtains control of the promised services.

Dividend income

Dividend income is recognised when the Group's right to receive payment is established, it is probable that the related economic benefits will flow to the Group and the related income can be reliably measured.

(30) Employee benefits

Employee benefits refer to all forms of consideration and other related expenditure given by the Group in exchange for services rendered by employees. The benefits payable are recognised as liabilities during the period in which the employees have rendered services to the Group. If the effect of discounting the benefits payable which are payable after one year from the end of the reporting period is significant, the Group will present them at their present value.

Short-term employee benefits

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

All eligible employees outside Chinese mainland participate in local defined contribution schemes. The Group contributes to these defined contribution schemes based on the requirements of the local regulatory bodies and charge to profit or loss or included in the cost of assets where appropriate.

Post-employment benefits-defined contribution plans

Pursuant to the relevant laws and regulations of the PRC, the Group participates in a defined contribution basic pension insurance and unemployment insurance in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance and unemployment insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance and unemployment insurance contributions are recognised as liabilities with a corresponding charge to profit or loss or included in the cost of assets where appropriate as the related services are rendered by the employees.

In addition, employees in Chinese mainland also participate in a defined contribution retirement benefit plan established by the Group (the "Annuity Plan"). The Group and its employees are required to contribute a certain percentage of the employees' previous year basic salaries to the Annuity Plan. The Group pays a fixed contribution into the Annuity Plan and has no obligation to pay further contributions if the Annuity Plan does not hold sufficient assets to pay all employee benefits. The contribution is charged to profit or loss when it is incurred.

Termination benefits

Termination benefits are payable as a result of either the Group's decision to terminate an employee's employment before the due date of labor contract or an employee's decision to accept an offer of benefits in exchange for the termination of employment. The Group recognises termination benefits in profit or loss at the earlier of:

- when the Group cannot unilaterally withdraw the offer of termination benefits because of an employee termination plan or a curtailment proposal;
- when the Group has a specific, formal restructure plan involving payment of termination benefits, and the plan has started or informed each affected party about the influence of the plan, therefore each party formed reasonable expectations.

Early retirement benefits

According to the Bank's policy on early retirement benefits, certain employees are entitled to take leave of absence and in return receive a certain level of staff salaries and related benefits from the Bank. The salaries and benefit payments are made from the date of early retirement to the normal retirement date. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in profit or loss.

(31) Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the statement of profit or loss except that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of each reporting period.

Deferred tax

Deferred tax is provided using the balance sheet liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- (i) where the taxable temporary difference arises from the initial recognition of goodwill;
- (ii) where the taxable temporary difference arises from the initial recognition of assets and liabilities in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income (or deductible expenses).

In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax liabilities are recognised except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except that deferred tax assets are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction and that:

- (i) transaction is not a business combination;
- (ii) at the time of the transaction, it affects neither the accounting profit nor taxable income (or deductible expenses).

In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, and reflect the corresponding tax effect.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilised. When it is virtually probable that sufficient taxable income will be available, the reduced amount can be reversed accordingly.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(32) Dividends

Dividends are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders in general meetings and declared. Interim dividends are deducted from equity when they are approved and declared, and no longer at the discretion of the Bank. A dividend for the year that is approved after the end of the reporting period is disclosed as an event after the reporting period.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management is required to make judgements, estimates and assumptions of the effects of uncertain future events on the financial statements. The most significant use of judgements, estimates and assumptions concerning the uncertainty of the future at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

Measurement of the ECL allowance

The measurement of the ECL allowance for financial assets measured at amortised cost and FVTOCI, and with exposure arising from loan commitments and financial guarantee contracts, is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (the likelihood of customers defaulting and the resulting losses). Refer to Note 50(a) credit risk for the explanation of the inputs, assumptions and estimation techniques used in measuring ECL.

Income tax

Determining income tax provisions requires the Group to estimate the future tax treatment of certain transactions. The Group evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also significant assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

Fair value of financial instruments

If the market for a financial instrument is not active, the Group determines the fair value by using valuation technique, including using recent arm's length market transactions between knowledgeable and willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. Valuation technique makes maximum use of observable market input. However, where observable market inputs are not available, management makes estimates on such unobservable market inputs.

Determination of control over investees

Management applies its judgement to determine whether the control indicators set out in Note 4(2) indicate that the Group controls securitisation vehicles, wealth management products, investment funds, trust plans, asset management plans and asset-backed securities.

Securitisation vehicles

Certain securitisation vehicles sponsored by the Group under its securitisation programme are run according to predetermined criteria at the initial set up of the vehicles. In addition, the Group is exposed to variability of returns from the vehicles through holding interests in the vehicles and the day-to-day servicing of the underlying assets in the vehicles which is carried out by the Group under a servicing contract. Key decisions are usually required only when underlying assets go into default. Therefore, in considering whether it has control, the Group considers whether it can use its power to influence these vehicles' returns.

Wealth management products, investment funds, trust plans, asset management plans and asset-backed securities

The Group acts as manager or investor in a number of wealth management products, investment funds, trust plans, asset management plans and assets-backed securities. When assessing whether the Group controls such a structured entity, the Group would determine whether it exercises the decision-making rights as a principal or an agent and usually focuses on the assessment of the aggregate economic interests of the Group in the entity (comprising any carried interests and expected management fees) and the decision-making authority of the entity. The Group would also determine whether another entity with decision-making rights is acting as an agent for it.

6. NET INTEREST INCOME

	2022	2021
Interest income on:		
Loans and advances to customers	900,149	832,136
Corporate loans and advances	507,252	467,973
Personal loans	376,950	353,733
Discounted bills	15,947	10,430
Financial investments	298,722	262,827
Due from central banks	45,425	42,027
Due from banks and other financial institutions (i)	36,080	25,228
	1,280,376	1,162,218
Interest expense on:		
Due to customers	(480,083)	(397,625)
Due to banks and other financial institutions (ii)	(70,732)	(44,387)
Debt securities issued and certificates of deposit	(35,874)	(29,526)
	(586,689)	(471,538)
Net interest income	693,687	690,680

(i) Includes interest income on reverse repurchase agreements.

(ii) Includes interest expense on due to central banks and repurchase agreements.

The above interest income and expense are related to financial instruments which are not measured at fair value through profit or loss.

7. NET FEE AND COMMISSION INCOME

	2022	2021
Fee and commission income on:		
Settlement, clearing business and cash management	45,439	41,270
Personal wealth management and private banking services	26,253	30,001
Investment banking business	19,586	22,416
Bank card business	17,736	16,679
Corporate wealth management services	14,172	15,165
Guarantee and commitment business	8,803	9,756
Asset custody business	8,709	8,738
Trust and agency services	1,894	1,808
Other	3,226	2,894
	145,818	148,727
Fee and commission expense	(16,553)	(15,703)
Net fee and commission income	129,265	133,024

Included in personal wealth management and private banking services, corporate wealth management services, asset custody business and trust and agency services above is an amount of RMB22,290 million (2021: RMB20,999 million) with respect to trust and other fiduciary activities for 2022.

8. NET TRADING INCOME

	2022	2021
Debt securities	5,638	6,781
Derivatives and other	5,332	2,370
Equity investments	(2,360)	(196)
	8,610	8,955

The above amounts mainly include gains and losses arising from the buying and selling of, the interest income and expense on, and the changes in fair value of financial assets and liabilities held for trading.

9. NET GAINS ON FINANCIAL INVESTMENTS

	2022	2021
Dividend income from equity investments designated as at FVTOCI, including:	4,072	3,388
Derecognised during the year	541	291
Held at the end of current year	3,531	3,097
(Losses)/gains on financial instruments measured at FVTPL, net, including:	(1,701)	10,739
Net losses on financial instruments designated as at FVTPL	(6,231)	(17,674)
Net gains on disposal of financial instruments measured at FVTOCI, net	3,047	2,084
Other	897	229
	6,315	16,440

10. OTHER OPERATING INCOME, NET

	2022	2021
Net premium income	48,327	46,024
Operating cost of insurance business	(51,867)	(49,706)
Net lease income	12,075	13,016
Net gains on disposal of property and equipment, repossessed assets and other assets	1,590	2,182
Other	(6,561)	265
	3,564	11,781

11. OPERATING EXPENSES

	2022	2021
Staff costs:		
Salaries and bonuses	93,376	90,250
Staff benefits	31,918	30,800
Post-employment benefits – defined contribution plans (i)	18,207	18,313
	143,501	139,363
Property and equipment expenses:		
Depreciation charge for property and equipment	15,976	14,596
Depreciation charge for right-of-use assets and other leasing expense	7,976	8,173
Repairs and maintenance charges	3,082	4,106
Utility expenses	2,000	1,947
	29,034	28,822
Amortisation	3,721	3,125
Other administrative expenses (ii)	27,457	26,539
Taxes and surcharges	10,100	9,318
Other	27,071	29,060
	240,884	236,227

(i) The defined contribution plans mainly include pension insurance, unemployment insurance and the annuity plan.

(ii) The principal auditor's remuneration of RMB192 million for the year (2021: RMB183 million) is included in other administrative expenses.

12. DIRECTORS' AND SUPERVISORS' REMUNERATION

Details of the directors' and supervisors' remuneration before tax, as disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance, are as follows:

Name	Position	Year ended 31 December 2022			
		Remuneration before tax paid RMB'000 (1)	Contribution by the employer to social insurance, housing allowance, annuities, and additional medical insurances RMB'000 (2)	Fees RMB'000 (3)	Total remuneration before tax RMB'000 (4)=(1)+(2)+(3)
Chen Siqing	Chairman, Executive Director	656	212	–	868
Liao Lin	Vice Chairman, Executive Director, President	656	212	–	868
Zheng Guoyu	Executive Director, Senior Executive Vice President	591	204	–	795
Wang Jingwu	Executive Director, Senior Executive Vice President, Chief Risk Officer	591	204	–	795
Lu Yongzhen	Non-executive Director	–	–	–	–
Feng Weidong	Non-executive Director	–	–	–	–
Cao Liquan	Non-executive Director	–	–	–	–
Chen Yifang	Non-executive Director	–	–	–	–
Dong Yang (i)	Non-executive Director	–	–	–	–
Anthony Francis Neoh	Independent Non-executive Director	–	–	520	520
Yang Siu Shun	Independent Non-executive Director	–	–	470	470
Shen Si	Independent Non-executive Director	–	–	485	485
Fred Zulu Hu	Independent Non-executive Director	–	–	433	433
Norman Chan Tak Lam (ii)	Independent Non-executive Director	–	–	140	140
Huang Li	Employee Supervisor	–	–	50	50
Zhang Jie	External Supervisor	–	–	250	250
Liu Lanbiao (iii)	External Supervisor	–	–	130	130
Huang Liangbo (iv)	Former Chairman of the Board of Supervisors	438	137	–	575
Zheng Fuqing (v)	Former Non-executive Director	–	–	–	–
Nout Wellink (vi)	Former Independent Non-executive Director	–	–	117	117
Zhang Wei (vii)	Former Shareholder Supervisor	325	85	–	410
Wu Xiangjiang (viii)	Former Employee Supervisor	–	–	50	50
Shen Bingxi (ix)	Former External Supervisor	–	–	–	–
Total		3,257	1,054	2,645	6,956

Note: Since January 2015, the remuneration of the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors and other executives of the Bank has followed the State Government's policies relating to the remuneration reform on executives of central enterprises.

The total compensation packages for the Chairman of the Board of Directors, President, Chairman of the Board of Supervisors, Executive Directors, and Shareholder Supervisors of the Bank have not been finalised in accordance with the regulations of the PRC relevant authorities. The remuneration not yet accrued is not expected to have a significant impact on the Group's 2022 consolidated financial statements. The total compensation packages will be further disclosed when determined by the relevant authorities.

In accordance with applicable national regulations, the incentive income for 2018-2020 was paid to the Chairman, the President and Senior Executive Vice President of the Bank in 2021 based on their specific tenure and performance appraisal results. Accordingly, the Bank accrued RMB16 thousand, RMB9 thousand and RMB7 thousand for Mr. Chen Siqing, Mr. Liao Lin and Mr. Wang Jingwu respectively, as additional contribution to the Annuity Plan in 2022.

Fees for Mr. Huang Li and Mr. Wu Xiangjiang are their allowances obtained as Employee Supervisors of the Bank, excluding their remuneration with the Bank in accordance with the employee remuneration system.

As at the approval date of the consolidated financial statements for the year ended 31 December 2022, changes of directors and supervisors of the Bank were as follows:

- (i) At the Second Extraordinary General Meeting of 2021 held on 25 November 2021, Mr. Dong Yang was elected as Non-executive Director of the Bank, and his qualification was approved by CBIRC in January 2022.
- (ii) At the Annual General Meeting for the Year 2021 held on 23 June 2022, Mr. Norman Chan Tak Lam was elected as Independent Non-executive Director of the Bank, and his qualification was approved by CBIRC in September 2022.
- (iii) At the Annual General Meeting for the Year 2021 held on 23 June 2022, Mr. Liu Lanbiao was elected as External Supervisor of the Bank, and his new term of office started from the day of approval at the Annual General Meeting.
- (iv) In September 2022, Mr. Huang Liangbo ceased to act as Shareholder Supervisor and Chairman of the Board of Supervisors of the Bank due to change of job assignments.
- (v) In January 2022, Mr. Zheng Fuqing ceased to act as Non-executive Director of the Bank due to expiration of his term of office.
- (vi) In March 2022, Mr. Nout Wellink ceased to act as Independent Non-executive Director of the Bank due to expiration of his term of office.
- (vii) In April 2022, Mr. Zhang Wei ceased to act as Shareholder Supervisor of the Bank due to his age.
- (viii) In January 2023, Mr. Wu Xiangjiang ceased to act as Employee Supervisor of the Bank due to his age.
- (ix) In June 2022, Mr. Shen Bingxi ceased to act as External Supervisor of the Bank due to expiration of his term of office.

Notes to the Consolidated Financial Statements
(In RMB millions, unless otherwise stated)

Name	Position	Year ended 31 December 2021						
		Fees RMB'000	Remuneration RMB'000	Discretionary bonuses RMB'000	Contribution by the employer to social insurance, housing allowance, annuities and additional medical insurances RMB'000	Total emoluments before tax RMB'000	Of which: deferred payment RMB'000	Actual amount of remuneration before tax paid RMB'000
		(1)	(2)	(3)	(4)	(5)=(1)+(2)+(3)+(4)	(6)	(7)=(5)-(6)
Chen Siqing	Chairman, Executive Director	-	375	519	201	1,095	-	1,095
Liao Lin (i)	Vice Chairman, Executive Director, President	-	372	515	197	1,084	-	1,084
Huang Liangbo (ii)	Chairman of the Board of Supervisors	-	187	260	100	547	-	547
Zheng Guoyu (iii)	Executive Director, Senior Executive Vice President	-	112	156	65	333	-	333
Wang Jingwu (iv)	Executive Director, Senior Executive Vice President, Chief Risk Officer	-	338	467	194	999	-	999
Lu Yongzhen	Non-executive Director	-	-	-	-	-	-	-
Feng Weidong	Non-executive Director	-	-	-	-	-	-	-
Cao Liqun	Non-executive Director	-	-	-	-	-	-	-
Chen Yifang (v)	Non-executive Director	-	-	-	-	-	-	-
Dong Yang (vi)	Non-executive Director	-	-	-	-	-	-	-
Anthony Francis Neoh	Independent Non-executive Director	520	-	-	-	520	-	520
Yang Siu Shun	Independent Non-executive Director	470	-	-	-	470	-	470
Shen Si	Independent Non-executive Director	470	-	-	-	470	-	470
Nout Wellink	Independent Non-executive Director	470	-	-	-	470	-	470
Fred Zulu Hu	Independent Non-executive Director	410	-	-	-	410	-	410
Zhang Wei	Shareholder Supervisor	-	615	1,341	278	2,234	538	1,696
Huang Li	Employee Supervisor	50	-	-	-	50	-	50
Wu Xiangjiang	Employee Supervisor	50	-	-	-	50	-	50
Shen Bingxi	External Supervisor	-	-	-	-	-	-	-
Zhang Jie (vii)	External Supervisor	24	-	-	-	24	-	24
Yang Guozhong (viii)	Former Chairman of the Board of Supervisors	-	63	86	33	182	-	182
Zheng Fuqing (ix)	Former Non-executive Director	-	-	-	-	-	-	-
Mei Yingchun (x)	Former Non-executive Director	-	-	-	-	-	-	-
Qu Qiang (xi)	Former External Supervisor	163	-	-	-	163	-	163
Total		2,627	2,062	3,344	1,068	9,101	538	8,563

Note: Since January 2015, the remuneration of the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors and other executives of the Bank has followed the State Government's policies relating to the remuneration reform on executives of central enterprises.

The remuneration before tax of Directors and Supervisors for 2021 set out in the table above represents the total amount of annual remuneration for each of these individuals, which include the amounts disclosed in the 2021 Annual Report.

Pursuant to the PRC relevant regulations, a portion of the discretionary bonus payments for the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors, Executive Directors and other senior management members are deferred and will be determined based on the future performance.

In accordance with applicable national regulations, the incentive income for 2018-2020 was paid to the Chairman, the President and Senior Executive Vice President of the Bank in 2021 based on their specific tenure and performance appraisal results. Accordingly, the Bank accrued RMB16 thousand, RMB9 thousand and RMB7 thousand for Mr. Chen Siqing, Mr. Liao Lin and Mr. Wang Jingwu respectively, as additional contribution to the Annuity Plan in 2021.

Fees for Mr. Huang Li and Mr. Wu Xiangjiang are their allowances obtained as Employee Supervisors of the Bank, excluding their remuneration with the Bank in accordance with the employee remuneration system.

As at the approval date of the consolidated financial statements for the year ended 31 December 2021, changes of directors and supervisors of the Bank were as follows:

- (i) On 25 February 2021, the Board of Directors elected Mr. Liao Lin as Vice Chairman of the Bank and appointed Mr. Liao Lin as President of the Bank, and his qualification was approved by CBIRC in March 2021. Mr. Liao Lin ceased to act as Chief Risk Officer of the Bank after he took office as President.
- (ii) At the First Extraordinary General Meeting of 2021 held on 29 July 2021, Mr. Huang Liangbo was elected as Shareholder Supervisor of the Bank, and his term of office as Shareholder Supervisor of the Bank started from the day of approval by the Shareholders' General Meeting, and his term of office as Chairman of the Board of Supervisors of the Bank took effect simultaneously.
- (iii) On 24 September 2021, the Board of Directors appointed Mr. Zheng Guoyu as Senior Executive Vice President of the Bank. At the Second Extraordinary General Meeting of 2021 held on 25 November 2021, Mr. Zheng Guoyu was elected as Executive Director of the Bank, and his qualification was approved by CBIRC in December 2021.
- (iv) At the First Extraordinary General Meeting of 2021 held on 29 July 2021, Mr. Wang Jingwu was elected as Executive Director of the Bank, and his qualification was approved by CBIRC in September 2021. On 24 September 2021, the Board of Directors appointed Mr. Wang Jingwu as Chief Risk Officer of the Bank.
- (v) At the Annual General Meeting for the Year 2020 held on 21 June 2021, Ms. Chen Yifang was elected as Non-executive director of the Bank, and her qualification was approved by CBIRC in August 2021.
- (vi) At the Second Extraordinary General Meeting of 2021 held on 25 November 2021, Mr. Dong Yang was elected as Non-executive Director of the Bank, and his qualification was approved by CBIRC in January 2022.
- (vii) At the Second Extraordinary General Meeting of 2021 held on 25 November 2021, Mr. Zhang Jie was elected as External Supervisor of the Bank, and his term of office as External Supervisor of the Bank started from the day of approval by the Shareholders' General Meeting.
- (viii) In March 2021, Mr. Yang Guozhong ceased to act as Shareholder Supervisor and Chairman of the Board of Supervisors of the Bank due to change of job assignments.
- (ix) In January 2022, Mr. Zheng Fuqing ceased to act as Non-executive Director of the Bank due to expiration of his term of office.
- (x) In February 2021, Ms. Mei Yingchun ceased to act as Non-executive Director of the Bank due to expiration of her term of office.
- (xi) In November 2021, Mr. Qu Qiang ceased to act as External Supervisor of the Bank due to change of job assignments.

The Non-executive Directors of the Bank who were recommended by Huijin received emoluments from Huijin in respect of their services during the year.

In 2022, there was no arrangement under which a Director or a Supervisor of the Bank waived or agreed to waive any remuneration (2021: None).

In 2022, no emolument was paid by the Group to any of the Directors or Supervisors as an inducement to join or upon joining the Group or as a compensation for loss of office (2021: Nil).

13. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group are employees of the Bank's subsidiaries. Their emoluments were determined based on the prevailing market rates in the respective countries/regions where the subsidiaries are operating. None of them are directors, supervisors or key management personnel of the Bank whose emoluments are disclosed in Notes 12 and 48(g) to the consolidated financial statements. Details of the emoluments in respect of the five highest paid individuals are as follows:

	2022 RMB'000	2021 RMB'000
Salaries and allowances	14,119	15,998
Discretionary bonuses	74,004	66,495
Other	78	349
	88,201	82,842

The number of these individuals whose emoluments fell within the following bands is set out below:

	Number of employees	
	2022	2021
RMB10,500,001 Yuan to RMB11,000,000 Yuan	–	1
RMB11,000,001 Yuan to RMB11,500,000 Yuan	–	1
RMB11,500,001 Yuan to RMB12,000,000 Yuan	1	1
RMB12,500,001 Yuan to RMB13,000,000 Yuan	1	–
RMB14,000,001 Yuan to RMB14,500,000 Yuan	1	–
RMB23,500,001 Yuan to RMB24,000,000 Yuan	1	1
RMB25,000,001 Yuan to RMB25,500,000 Yuan	1	1
	5	5

In 2022, no emolument was paid by the Group to any of these non-director and non-supervisor individuals as an inducement to join or upon joining the Group or as a compensation for loss of office (2021: Nil).

14. IMPAIRMENT LOSSES ON ASSETS

	2022	2021
Loans and advances to customers (Note 23)	143,173	168,267
Other	39,246	34,356
	182,419	202,623

15. INCOME TAX EXPENSE

(a) Income tax expense

	2022	2021
Current income tax expense		
Chinese mainland	76,152	79,459
Hong Kong SAR and Macau SAR	1,898	1,768
Other overseas jurisdictions	3,584	1,950
	81,634	83,177
Deferred income tax expense	(20,107)	(8,494)
	61,527	74,683

(b) Reconciliation between income tax and accounting profit

PRC statutory income tax rate is 25%. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the countries/regions in which the Group operates in. The Group has reconciled income tax expense applicable to profit before taxation at the PRC statutory income tax rate to actual income tax expense for the Group as follows:

	2022	2021
Profit before taxation	422,565	424,899
Tax at the PRC statutory income tax rate	105,641	106,225
Effects of different applicable rates of tax prevailing in other countries/regions	(869)	(827)
Effects of non-deductible expenses (i)	18,135	22,319
Effects of non-taxable income (ii)	(58,688)	(51,427)
Effects of profits attributable to associates and joint ventures	(439)	(717)
Effects of other	(2,253)	(890)
Income tax expense	61,527	74,683

- (i) The non-deductible expenses mainly represent non-deductible impairment allowance and write-offs.
- (ii) The non-taxable income mainly represents interest income arising from the PRC government bonds and municipal debts.

16. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

The consolidated profit attributable to equity holders of the parent company for the year ended 31 December 2022 includes a profit of RMB346,056 million (2021: RMB323,100 million) which has been dealt with in the financial statements of the Bank (Note 52).

17. DIVIDENDS

	2022	2021
Dividends on ordinary shares declared and paid:		
Dividends on ordinary shares for 2021: RMB0.2933 per share (2020: RMB0.2660 per share)	104,534	94,804
Dividends or interests declared and paid to other equity instrument holders:		
Dividends on preference shares	5,797	6,047
Interests on perpetual bonds distributed	9,013	3,560
	14,810	9,607
Dividends on ordinary shares proposed for approval (not recognised as at 31 December):		
Dividends on ordinary shares for 2022: RMB0.3035 per share (2021: RMB0.2933 per share)	108,169	104,534

18. EARNINGS PER SHARE

	2022	2021
Earnings:		
Profit for the year attributable to equity holders of the parent company	360,483	348,338
Less: Profit for the year attributable to other equity instrument holders of the parent company	(14,810)	(9,607)
Profit for the year attributable to ordinary shareholders of the parent company	345,673	338,731
Shares:		
Weighted average number of ordinary shares in issue (in million shares)	356,407	356,407
Basic earnings per share (RMB yuan)	0.97	0.95
Diluted earnings per share (RMB yuan)	0.97	0.95

Basic and diluted earnings per share were calculated using the profit for the year attributable to ordinary shareholders of the parent company divided by the weighted average number of ordinary shares in issue.

19. CASH AND BALANCES WITH CENTRAL BANKS

	31 December 2022	31 December 2021
Cash on hand	66,340	62,872
Balances with central banks		
Mandatory reserves (i)	2,647,750	2,459,402
Surplus reserves (ii)	516,558	338,551
Fiscal deposits and other	195,604	236,211
Accrued interest	1,640	1,402
	3,427,892	3,098,438

- (i) The Group is required to place mandatory reserve deposits and other restricted deposits with the PBOC and certain central banks of overseas countries or regions where it has operations. They are not available for use in the Group's daily operations. As at 31 December 2022, the mandatory reserve deposits ratios of the domestic branches of the Bank in respect of customer deposits denominated in RMB and foreign currencies were 9.5% (31 December 2021: 10%) and 6% (31 December 2021: 9%) respectively. The mandatory reserve funds placed by domestic subsidiaries of the Group are determined by the PBOC. The amounts of mandatory reserve deposits placed with the central banks of those countries or regions outside Chinese mainland are determined by local jurisdictions.
- (ii) Surplus reserves with the PBOC include funds for the purpose of cash settlement and other kinds of unrestricted deposits.

20. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2022	31 December 2021
Deposits with banks and other financial institutions:		
Banks operating in Chinese mainland	232,042	243,440
Other financial institutions operating in Chinese mainland	14,556	10,508
Banks and other financial institutions operating outside Chinese mainland	116,014	90,511
Accrued interest	3,406	2,347
	366,018	346,806
Less: Allowance for impairment losses	(393)	(349)
	365,625	346,457
Placements with banks and other financial institutions:		
Banks operating in Chinese mainland	288,728	97,106
Other financial institutions operating in Chinese mainland	185,380	188,935
Banks and other financial institutions operating outside Chinese mainland	198,571	192,030
Accrued interest	5,273	3,364
	677,952	481,435
Less: Allowance for impairment losses	(1,073)	(742)
	676,879	480,693
	1,042,504	827,150

21. DERIVATIVE FINANCIAL INSTRUMENTS

A derivative is a financial instrument, the value of which changes in response to the changes in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other similar variables. The Group uses derivative financial instruments including forwards, swaps, options and futures.

The notional amount of a derivative represents the underlying amount of the specific financial instruments mentioned above. It indicates the volume of business transacted by the Group but does not reflect the risk.

The notional amounts and fair values of derivative financial instruments held by the Group are set out below:

	31 December 2022			31 December 2021		
	Notional amounts	Fair values		Notional amounts	Fair values	
		Assets	Liabilities		Assets	Liabilities
Exchange rate contracts	4,310,971	52,249	(54,844)	5,107,815	44,956	(41,578)
Interest rate contracts	3,139,900	24,945	(23,760)	2,018,010	15,706	(15,457)
Commodity derivatives and other	937,006	10,011	(17,746)	975,169	15,478	(14,302)
	8,387,877	87,205	(96,350)	8,100,994	76,140	(71,337)

(a) Cash flow hedges

The Group's cash flow hedges consist of interest rate swap contracts, currency swap contracts, equity and other derivatives that are used to protect against exposures to variability of future cash flows.

Included in the above derivative financial instruments, those designated as hedging instruments in the Group's cash flow hedges are set out below:

	31 December 2022						
	Notional amounts with remaining maturity of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Interest rate swap contracts	886	3,137	4,085	–	8,108	203	(38)
Currency swap contracts	74,270	81,348	4,999	–	160,617	1,739	(3,561)
Equity and other derivatives	4,730	5,002	66	4	9,802	44	(126)
	79,886	89,487	9,150	4	178,527	1,986	(3,725)

	31 December 2021							
	Notional amounts with remaining maturity of					Fair values		
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities	
Interest rate swap contracts	64	2,878	5,283	127	8,352	8	(146)	
Currency swap contracts	47,204	43,049	1,391	–	91,644	436	(948)	
Equity and other derivatives	4,383	1,243	49	4	5,679	–	(96)	
	51,651	47,170	6,723	131	105,675	444	(1,190)	

Details of the Group's hedged risk exposures in cash flow hedges and the corresponding effect on equity are as follows:

	31 December 2022			
	Carrying amount of hedged items		Hedging instruments	
	Assets	Liabilities	Effect on other comprehensive income during the current year	Accumulated effect on other comprehensive income
Debt securities (i)	34,288	(49,433)	184	345
Loans and advances to customers	623	–	8	–
Other (ii)	30,693	(60,418)	1,076	(3,340)
	65,604	(109,851)	1,268	(2,995)

- (i) Debt securities are included in financial investments measured at FVTOCI, financial investments measured at amortised cost and debt securities issued.
- (ii) Other hedged items are included in due from banks and other financial institutions, other assets, due to banks and other financial institutions, customer deposits and other liabilities.

	31 December 2021			
	Carrying amount of hedged items		Hedging instruments	
	Assets	Liabilities	Effect on other comprehensive income during the current year	Accumulated effect on other comprehensive income
Debt securities (i)	19,617	(35,786)	192	161
Loans and advances to customers	4,708	–	74	(8)
Other (ii)	14,027	(28,533)	108	(4,416)
	38,352	(64,319)	374	(4,263)

- (i) Debt securities are included in financial investments measured at FVTOCI, financial investments measured at amortised cost and debt securities issued.
- (ii) Other hedged items are included in due from banks and other financial institutions, other assets, due to banks and other financial institutions, customer deposits and other liabilities.

There was no ineffectiveness recognised in profit or loss that arises from the cash flow hedges in 2022 and 2021.

(b) Fair value hedges

Fair value hedges are used by the Group to protect against changes in fair value of financial assets and financial liabilities due to movements in market interest rates. The Group mainly used interest rate swaps as hedging instruments to hedge the interest risk of financial assets and financial liabilities.

The changes in fair value of the hedging instruments and net gains or losses arising from the hedged risk relating to the hedged items are set out below:

	2022	2021
Gains/(losses) arising from fair value hedges, net:		
Hedging instruments	4,721	2,207
The hedged items	(4,752)	(2,258)
	(31)	(51)

Notes to the Consolidated Financial Statements

(In RMB millions, unless otherwise stated)

Included in the above derivative financial instruments, those designated as hedging instruments in fair value hedges are interest rate swaps and the details are set out below:

	Notional amounts with remaining maturity of				Fair values		
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
31 December 2022	2,976	12,383	61,752	30,892	108,003	725	(94)
31 December 2021	4,623	7,187	41,439	21,108	74,357	627	(1,071)

Details of the Group's hedged risk exposures in fair value hedges are set out below:

	31 December 2022			
	Carrying amount of hedged items		Accumulated adjustments to the fair value of hedged items	
	Assets	Liabilities	Assets	Liabilities
Debt securities (i)	89,761	(1,799)	(493)	105
Loans and advances to customers	4,780	–	(89)	–
Other (ii)	1,267	(6,528)	(10)	22
	95,808	(8,327)	(592)	127

(i) Debt securities are included in financial investments measured at FVTOCI, financial investments measured at amortised cost and debt securities issued.

(ii) Other hedged items are included in due from banks and other financial institutions and repurchase agreements.

	31 December 2021			
	Carrying amount of hedged items		Accumulated adjustments to the fair value of hedged items	
	Assets	Liabilities	Assets	Liabilities
Debt securities (i)	62,768	(339)	21	(3)
Loans and advances to customers	2,441	–	(21)	–
Other (ii)	955	(6,954)	(1)	59
	66,164	(7,293)	(1)	56

(i) Debt securities are included in financial investments measured at FVTOCI, financial investments measured at amortised cost and debt securities issued.

(ii) Other hedged items are included in due from banks and other financial institutions, repurchase agreements and customer deposits.

(c) Net investment hedges

The Group's consolidated statement of financial position is affected by exchange differences between the functional currency of the Bank and functional currencies of its branches and subsidiaries. The Group hedges such exchange exposures under certain circumstances. Hedging is undertaken by using customer deposits taken in the same currencies as the functional currencies of related branches and subsidiaries which are accounted for as hedges of certain net investments in foreign operations.

As at 31 December 2022, an accumulated net losses from the hedging instrument of RMB675 million was recognised in other comprehensive income (31 December 2021: accumulated net gains of RMB1,650 million). There was no ineffectiveness in profit or loss that arises from the net investment hedges in 2022 and 2021.

(d) Offsetting of financial instruments

In accordance with the principle of offsetting financial instruments, the Group offsets certain derivative financial assets and derivative financial liabilities, and presents the net amounts after offsetting in the financial statements.

	31 December 2022		31 December 2021	
	Gross amounts	Net amounts	Gross amounts	Net amounts
Derivative financial assets	57,400	30,970	36,220	25,442
Derivative financial liabilities	60,494	34,064	41,792	31,014

(e) Counterparty credit risk-weighted assets of derivative financial instruments

The credit risk-weighted assets in respect of the above derivatives of the Group as at the end of the reporting period are as follows:

	31 December 2022	31 December 2021
Counterparty credit default risk-weighted assets	116,655	126,653
Including: Non-netting settled credit default risk-weighted assets	80,534	120,128
Netting settled credit default risk-weighted assets	36,121	6,525
Credit value adjustment risk-weighted assets	40,729	67,911
Central counterparties credit risk-weighted assets	8,840	1,751
	166,224	196,315

The credit risk-weighted assets of derivative financial instruments were calculated with reference to Regulation Governing Capital of Commercial Banks (Provisional). The risk-weighted assets for counterparty credit risk of derivatives of the Group were calculated in accordance with the Rules on Measuring Derivative Counterparty Default Risk Assets since 1 January 2019.

22. REVERSE REPURCHASE AGREEMENTS

	31 December 2022	31 December 2021
Measured at amortised cost:		
Reverse repurchase agreements-bills	144,409	96,863
Reverse repurchase agreements-securities	564,615	409,047
Accrued interest	544	59
Less: Allowance for impairment losses	(475)	(128)
	709,093	505,841
Measured at FVTPL:		
Reverse repurchase agreements-securities	122,036	114,994
Cash advanced as collateral on securities borrowing	32,938	42,661
	154,974	157,655
	864,067	663,496

Notes to the Consolidated Financial Statements

(In RMB millions, unless otherwise stated)

- (i) Based on master repurchase agreements and related supplementary agreements, the Group offsets certain reverse repurchase agreements and repurchase agreements, and presents net asset (or liability) amounts as reverse repurchase agreements (or repurchase agreements) in the consolidated financial statements in accordance with the accounting policy of offsetting.

	31 December 2022		31 December 2021	
	Gross amounts	Net amounts	Gross amounts	Net amounts
Reverse repurchase agreements	200,039	108,815	236,536	104,765
Repurchase agreements	209,817	118,593	263,394	131,623

- (ii) As part of the reverse repurchase agreements, the Group has received collateral that it is allowed to sell or repledge in the absence of default by their owners. As at 31 December 2022, the Group had received securities with a fair value of approximately RMB164,498 million on such terms (31 December 2021: RMB143,559 million). Of these, securities with a fair value of approximately RMB121,679 million had been repledged under repurchase agreements (31 December 2021: RMB107,698 million). The Group has an obligation to return the securities to its counterparties at the maturity of the contract. If the collateral received declines in value, the Group may, in certain circumstances, require additional collateral.

23. LOANS AND ADVANCES TO CUSTOMERS

23.1 Loans and advances to customers by type of measurement:

	31 December 2022	31 December 2021
Measured at amortised cost:		
Corporate loans and advances	13,813,025	12,181,841
– Loans	13,614,804	12,000,191
– Finance lease	198,221	181,650
Personal loans	8,236,561	7,944,781
Discounted bills	4,104	2,370
Accrued interest	53,523	45,707
	22,107,213	20,174,699
Less: Allowance for impairment losses on loans and advances to customers measured at amortised cost (Note 23.2(a))	(672,224)	(603,764)
	21,434,989	19,570,935
Measured at FVTOCI:		
Corporate loans and advances		
– Loans	11,161	9,271
Discounted bills	1,144,681	525,388
Accrued interest	37	12
	1,155,879	534,671
Measured at FVTPL:		
Corporate loans and advances		
– Loans	2,780	3,594
	22,593,648	20,109,200

As at 31 December 2022, the Group's allowance for impairment losses on loans and advances to customers measured at FVTOCI was RMB538 million (31 December 2021: RMB219 million), refer to Note 23.2(b).

23.2 Allowance for impairment losses on loans and advances

(a) Movements of the allowance for impairment losses on loans and advances to customers measured at amortised cost are as follows:

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2022	269,376	110,649	223,739	603,764
Transfer:				
– to stage 1	31,002	(28,109)	(2,893)	–
– to stage 2	(11,705)	15,684	(3,979)	–
– to stage 3	(4,594)	(49,676)	54,270	–
(Reverse)/charge for the year	(6,642)	92,227	57,271	142,856
Write-offs and transfer out	–	–	(85,157)	(85,157)
Recoveries of loans and advances previously written off	–	–	9,529	9,529
Other movements	1,278	811	(857)	1,232
Balance at 31 December 2022	278,715	141,586	251,923	672,224

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	223,703	89,151	217,446	530,300
Transfer:				
– to stage 1	17,860	(15,581)	(2,279)	–
– to stage 2	(9,856)	14,056	(4,200)	–
– to stage 3	(3,534)	(35,319)	38,853	–
Charge for the year	41,831	58,906	67,614	168,351
Write-offs and transfer out	–	–	(100,447)	(100,447)
Recoveries of loans and advances previously written off	–	–	9,020	9,020
Other movements	(628)	(564)	(2,268)	(3,460)
Balance at 31 December 2021	269,376	110,649	223,739	603,764

(b) Movements of the allowance for impairment losses on loans and advances to customers measured at FVTOCI are as follows:

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2022	191	–	28	219
Transfer:				
– to stage 1	–	–	–	–
– to stage 2	–	–	–	–
– to stage 3	–	–	–	–
Charge for the year	317	–	–	317
Other movements	2	–	–	2
Balance at 31 December 2022	510	–	28	538

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	211	–	650	861
Transfer:				
– to stage 1	–	–	–	–
– to stage 2	–	–	–	–
– to stage 3	–	–	–	–
Reverse for the year	(13)	–	(71)	(84)
Write-offs and transfer out	–	–	(551)	(551)
Other movements	(7)	–	–	(7)
Balance at 31 December 2021	191	–	28	219

In 2022, the changes of gross carrying amounts of loans and advances to customers with a significant impact on the Group's impairment allowance were mainly resulted from the credit business in Chinese mainland, including: the gross carrying amount of domestic branches loans and advances to customers transferred from Stage 1 to Stage 2 was RMB497,668 million (2021: RMB491,330 million); the gross carrying amount of domestic branches loans transferred from Stage 2 to Stage 3 was RMB122,174 million (2021: RMB93,855 million); the gross carrying amount of domestic branches loans transferred from Stage 2 to Stage 1 was RMB147,733 million (2021: RMB78,888 million). The changes of impairment allowance resulting from loans transferred from Stage 1 to Stage 3, Stage3 to Stage1 and Stage3 to Stage 2 were not significant (2021: not significant).

24. FINANCIAL INVESTMENTS

		31 December 2022	31 December 2021
Financial investments measured at FVTPL	(a)	714,879	623,223
Financial investments measured at FVTOCI	(b)	2,178,018	1,803,604
Financial investments measured at amortised cost	(c)	7,634,395	6,830,933
		10,527,292	9,257,760

(a) Financial investments measured at FVTPL

	31 December 2022	31 December 2021
Financial investments held for trading		
Debt securities (analysed by type of issuers):		
Governments and central banks	123,257	97,364
Policy banks	11,498	12,670
Banks and other financial institutions	73,139	58,218
Corporate entities	106,876	92,666
	314,770	260,918
Equity investments	10,711	9,417
	325,481	270,335
Financial investments designated as at FVTPL		
Funds and other investments	19,077	21,791
	19,077	21,791
Other financial investments measured at FVTPL		
Debt securities (analysed by type of issuers):		
Policy banks	16,418	11,192
Banks and other financial institutions	157,946	143,637
Corporate entities	3,549	4,536
	177,913	159,365
Equity investments	87,032	81,329
Funds and other investments	105,376	90,403
	370,321	331,097
	714,879	623,223
Analysed into:		
Debt securities:		
Listed in Hong Kong SAR	2,177	3,301
Listed outside Hong Kong SAR	30,108	21,164
Unlisted	460,398	395,818
	492,683	420,283
Equity investments:		
Listed in Hong Kong SAR	2,443	1,783
Listed outside Hong Kong SAR	25,817	31,675
Unlisted	69,483	57,288
	97,743	90,746
Funds and other investments:		
Listed in Hong Kong SAR	2,517	4,044
Listed outside Hong Kong SAR	2,805	1,521
Unlisted	119,131	106,629
	124,453	112,194
	714,879	623,223

(b) Financial investments measured at FVTOCI

	31 December 2022	31 December 2021
Debt securities (analysed by type of issuers):		
Governments and central banks	939,236	653,774
Policy banks	210,680	171,130
Banks and other financial institutions	349,500	310,160
Corporate entities	560,640	551,757
Accrued interest	19,584	17,343
	2,079,640	1,704,164
Other debt investments	5,252	–
Equity investments	93,126	99,440
	2,178,018	1,803,604
Analysed into:		
Debt securities:		
Listed in Hong Kong SAR	92,309	119,453
Listed outside Hong Kong SAR	299,962	229,406
Unlisted	1,687,369	1,355,305
	2,079,640	1,704,164
Other debt investments:		
Unlisted	5,252	–
Equity investments:		
Listed in Hong Kong SAR	3,965	2,656
Listed outside Hong Kong SAR	4,506	5,414
Unlisted	84,655	91,370
	93,126	99,440
	2,178,018	1,803,604

The Group designates certain non-trading equity investments as financial investments measured at FVTOCI. In 2022, dividend income from such equity investments was RMB4,072 million (2021: RMB3,388 million), of which RMB541 million dividend income relates to derecognised equity investments (2021: RMB291 million). The value of equity investments disposed of was RMB12,337 million (2021: RMB6,963 million) and the cumulative gains transferred into retained profits from other comprehensive income after disposal was RMB429 million (2021: cumulative losses of RMB334 million).

Allowance for impairment losses on financial investments measured at FVTOCI is recognised in other comprehensive income without decreasing the carrying amount of financial investments presented in the consolidated statement of financial position, and any impairment gain or loss is recognised in the profit or loss. Movements of the allowance for impairment losses on financial investments measured at FVTOCI are as follows:

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2022	2,674	355	1,341	4,370
Transfer:				
– to stage 1	–	–	–	–
– to stage 2	(174)	174	–	–
– to stage 3	(19)	(86)	105	–
Charge for the year	2,204	545	2,072	4,821
Other movements	107	21	9	137
Balance at 31 December 2022	4,792	1,009	3,527	9,328

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	2,206	22	240	2,468
Transfer:				
– to stage 1	–	–	–	–
– to stage 2	(12)	12	–	–
– to stage 3	(44)	–	44	–
Charge for the year	585	322	1,070	1,977
Other movements	(61)	(1)	(13)	(75)
Balance at 31 December 2021	2,674	355	1,341	4,370

(c) Financial investments measured at amortised cost

	31 December 2022	31 December 2021
Debt securities (analysed by type of issuers):		
Governments and central banks (i)	6,437,548	5,661,784
Policy banks	523,274	559,808
Banks and other financial institutions (ii)	510,609	432,980
Corporate entities	64,055	61,257
Accrued interest	90,803	84,598
	7,626,289	6,800,427
Other investments (iii)	40,575	38,341
Accrued interest	103	122
	40,678	38,463
	7,666,967	6,838,890
Less: Allowance for impairment losses	(32,572)	(7,957)
	7,634,395	6,830,933
Analysed into:		
Debt securities:		
Listed in Hong Kong SAR	32,267	31,439
Listed outside Hong Kong SAR	194,467	147,531
Unlisted	7,370,829	6,615,869
	7,597,563	6,794,839
Other investments:		
Unlisted	36,832	36,094
	36,832	36,094
	7,634,395	6,830,933
Market value of listed securities	223,682	179,807

Movements of the allowance for impairment losses on financial investments measured at amortised cost are as follows:

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2022	5,639	2,200	118	7,957
Transfer:				
– to stage 1	–	–	–	–
– to stage 2	(3)	3	–	–
– to stage 3	–	(830)	830	–
Charge/(reverse) for the year	23,037	(241)	1,772	24,568
Other movements	68	–	(21)	47
Balance at 31 December 2022	28,741	1,132	2,699	32,572

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	2,234	2,718	121	5,073
Transfer:				
– to stage 1	402	(402)	–	–
– to stage 2	–	–	–	–
– to stage 3	–	–	–	–
Charge/(reverse) for the year	3,008	(116)	–	2,892
Other movements	(5)	–	(3)	(8)
Balance at 31 December 2021	5,639	2,200	118	7,957

- (i) This includes a special government bond, which is a non-negotiable bond with a nominal value of RMB85,000 million (31 December 2021: RMB85,000 million) issued by the Ministry of Finance of the People's Republic of China (the "MOF") to the Bank in 1998. The bond will mature in 2028 and bears interest at a fixed rate of 2.25% per annum.
- (ii) This includes Huarong bonds of RMB90,309 million (31 December 2021: RMB90,309 million). Huarong bonds are a series of long-term bonds issued by China Huarong Asset Management Co., Ltd. ("Huarong") in the year of 2000 and 2001 to the Bank, with an aggregate amount of RMB312,996 million. The proceeds from the issuance of the bonds were used to purchase non-performing loans of the Bank. The bonds are non-negotiable, with a tenure of 10 years and bear interest at a fixed rate of 2.25% per annum. The MOF provides funding support for the repayment of principal and interest of the bonds. In 2010, the Bank received a notice from the MOF that the maturity dates of the Huarong bonds were extended for ten years. In 2020, the Bank received a notice from the MOF to adjust the interest rate of the Huarong bonds, starting from 1 January 2020. Interest rate would be determined on yearly basis with reference to the average level of five-year government bond yield in the previous year. In January 2021, the Bank received notice from the MOF that the maturity dates of Huarong bonds were further extended for ten years. As at 31 December 2022, the Bank had received accumulated early repayments amounting to RMB222,687 million (31 December 2021: RMB222,687 million).
- (iii) Other investments include debt investment plans, asset management plans and trust plans with fixed or determinable payments. They will mature from February 2023 to November 2032 and bear interest rates ranging from 3.86% to 6.60% per annum.

25. INVESTMENTS IN SUBSIDIARIES

	31 December 2022	31 December 2021
Listed investments, at cost	2,712	2,712
Unlisted investments, at cost	160,571	160,571
	163,283	163,283

Particulars of the Group's principal subsidiaries as at the end of the reporting period are as follows:

Name	Percentage of equity interest % 31 December 2022	31 December 2021	Nominal value of issued share/ paid-in capital 31 December 2022	Amount invested by the Bank	Place of incorporation/ registration and operations	Principal activities
Industrial and Commercial Bank of China (Asia) Limited ("ICBC Asia")	100	100	HKD44,188 million	HKD54,738 million	Hong Kong SAR, the PRC	Commercial banking
ICBC International Holdings Limited ("ICBC International")	100	100	HKD5,963 million	HKD5,963 million	Hong Kong SAR, the PRC	Investment banking
Industrial and Commercial Bank of China (Macau) Limited ("ICBC Macau")	89.33	89.33	MOP589 million	MOP12,064 million	Macau SAR, the PRC	Commercial banking
PT. Bank ICBC Indonesia	98.61	98.61	IDR3,706,100 million	USD361 million	Jakarta, Indonesia	Commercial banking
Industrial and Commercial Bank of China (Malaysia) Berhad	100	100	MYR833 million	MYR833 million	Kuala Lumpur, Malaysia	Commercial banking
Industrial and Commercial Bank of China (Thai) Public Company Limited ("ICBC Thai")	97.98	97.86	THB20,107 million	THB23,711 million	Bangkok, Thailand	Commercial banking
Industrial and Commercial Bank of China (Almaty) Joint Stock Company	100	100	KZT8,933 million	KZT8,933 million	Almaty, Kazakhstan	Commercial banking
Industrial and Commercial Bank of China (New Zealand) Limited ("ICBC New Zealand")	100	100	NZD234 million	NZD234 million	Auckland, New Zealand	Commercial banking
Industrial and Commercial Bank of China (Europe) S.A.	100	100	EUR437 million	EUR437 million	Luxembourg	Commercial banking
ICBC (London) PLC	100	100	USD200 million	USD200 million	London, United Kingdom	Commercial banking
ICBC Standard Bank PLC	60	60	USD1,083 million	USD839 million	London, United Kingdom	Banking
Bank ICBC (joint stock company)	100	100	RUB10,810 million	RUB10,810 million	Moscow, Russia	Commercial banking
ICBC Turkey Bank Anonim Şirketi	92.84	92.84	TRY5,368 million	USD425 million	Istanbul, Turkey	Commercial banking
ICBC Austria Bank GmbH	100	100	EUR200 million	EUR200 million	Vienna, Austria	Commercial banking
Industrial and Commercial Bank of China (USA) NA	80	80	USD369 million	USD306 million	New York, United States	Commercial banking
Industrial and Commercial Bank of China Financial Services LLC	100	100	USD50 million	USD50.25 million	Delaware and New York, United States	Broker dealer and margin trading
Industrial and Commercial Bank of China (Canada)	80	80	CAD208 million	CAD218.66 million	Toronto, Canada	Commercial banking
Industrial and Commercial Bank of China Mexico S.A.	100	100	MXN1,597 million	MXN1,597 million	Mexico City, Mexico	Commercial banking
Industrial and Commercial Bank of China (Brasil) S.A.	100	100	Real202 million	Real202 million	Sao Paulo, Brazil	Commercial banking
Industrial and Commercial Bank of China (Argentina) S.A.	100	100	ARS55,446 million	USD904 million	Buenos Aires, Argentina	Commercial banking
ICBC Peru Bank	100	100	USD120 million	USD120 million	Lima, Peru	Commercial banking
ICBC Credit Suisse Asset Management Co., Ltd. *	80	80	RMB200 million	RMB433 million	Beijing, the PRC	Fund management
ICBC Financial Leasing Co., Ltd. * ("ICBC Leasing")	100	100	RMB18,000 million	RMB11,000 million	Tianjin, the PRC	Leasing
ICBC-AXA Assurance Co., Ltd. ("ICBC-AXA"). *	60	60	RMB12,505 million	RMB7,980 million	Shanghai, the PRC	Insurance
ICBC Financial Asset Investment Co., Ltd.* ("ICBC Investment")	100	100	RMB27,000 million	RMB27,000 million	Nanjing, the PRC	Financial asset investment
ICBC Wealth Management Co., Ltd.*	100	100	RMB16,000 million	RMB16,000 million	Beijing, the PRC	Wealth management
Zhejiang Pinghu ICBC Rural Bank Co., Ltd. *	60	60	RMB200 million	RMB120 million	Zhejiang, the PRC	Commercial banking
Chongqing Bishan ICBC Rural Bank Co., Ltd. *	100	100	RMB100 million	RMB100 million	Chongqing, the PRC	Commercial banking

* These subsidiaries incorporated in Chinese mainland are all limited liability companies.

As at 31 December 2022, the voting rights of subsidiaries of the Group are in line with the Group's equity interests. As at 31 December 2021, the Group held 97.98% voting rights of ICBC Thai. Apart from ICBC Thai, voting rights of other subsidiaries of the Group are in line with the Group's equity interests.

The above table lists the principal subsidiaries of the Bank. To give details of other subsidiaries would, in the opinion of the management, result in particulars of excessive length.

There is no subsidiary of the Group which has material non-controlling interests during the reporting period.

26. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	31 December 2022	31 December 2021
Interests in associates	62,661	60,572
Interests in joint ventures	3,217	1,210
	65,878	61,782

	31 December 2022	31 December 2021
Share of net assets	51,349	47,108
Goodwill	14,894	15,039
	66,243	62,147
Less: Allowance for impairment losses	(365)	(365)
	65,878	61,782

(a) Carrying value of the Group's associates and joint ventures are as follows:

	31 December 2022	31 December 2021
Standard Bank	25,948	24,621
Other	39,930	37,161
	65,878	61,782

Standard Bank Group Limited ("Standard Bank") is a listed commercial bank registered in Johannesburg, the Republic of South Africa with an issued capital of ZAR168 million and a strategic partner of the Group. As at 31 December 2022, the Group's equity interest and voting rights were 19.36% (31 December 2021: 20.06%).

The accounting policies of Standard Bank are consistent with those of the Group. Its financial information is significant to the Group and summarised as follows:

	As at/year ended 31 December 2022	As at/year ended 31 December 2021
The associate		
Assets	1,177,404	1,091,181
Liabilities	1,071,270	993,965
Net assets	106,134	97,216
Profit from continuing operations	14,398	10,725
Equity method of the associate		
Net assets of the associate attributable to the parent company	91,322	82,364
Group's effective interest	19.36%	20.06%
Group's share of net assets of the associate	17,680	16,522
Goodwill	8,616	8,447
Closing balance of the Group's interest in Standard Bank in the consolidated statement of financial position	26,296	24,969

(b) Movements of associates and joint ventures investments of the Group are as follows:

	Movements during the year							Balance at end of the year	Balance of allowance for impairment at end of the year
	Balance at beginning of the year	Investment increase	Investment decrease	Investment income recognised under the equity method	Other comprehensive income	Declared distribution of cash dividends or profits	Other		
Joint ventures	1,210	2,095	(11)	26	–	(37)	(66)	3,217	–
Associates									
Standard Bank	24,969	–	–	2,670	(344)	(1,355)	356	26,296	(348)
Other	35,968	2,914	(2,800)	1,731	6	(1,226)	137	36,730	(17)
Subtotal	60,937	2,914	(2,800)	4,401	(338)	(2,581)	493	63,026	(365)
Total	62,147	5,009	(2,811)	4,427	(338)	(2,618)	427	66,243	(365)

27. PROPERTY AND EQUIPMENT

	Properties and buildings	Construction in progress	Leasehold improvements	Office equipment and motor vehicles	Aircraft and vessels	Total
Cost:						
At 1 January 2021	168,309	35,211	12,825	79,885	169,173	465,403
Additions	1,143	8,521	997	9,212	10,527	30,400
CIP transfer in/(out)	19,850	(24,915)	–	51	5,014	–
Disposals and other movements	(2,353)	(601)	(232)	(7,516)	(3,769)	(14,471)
At 31 December 2021 and 1 January 2022	186,949	18,216	13,590	81,632	180,945	481,332
Additions	1,365	10,250	888	6,388	2,659	21,550
CIP transfer in/(out)	4,621	(11,154)	–	106	6,427	–
Disposals and other movements	(1,232)	(206)	(143)	(4,743)	8,422	2,098
At 31 December 2022	191,703	17,106	14,335	83,383	198,453	504,980
Accumulated depreciation and allowance for impairment losses:						
At 1 January 2021	70,824	38	10,786	61,514	35,962	179,124
Depreciation charge for the year	6,353	–	866	7,377	5,901	20,497
Impairment charge for the year	–	–	–	4	2,282	2,286
Disposals and other movements	(1,374)	(4)	(159)	(6,555)	(2,779)	(10,871)
At 31 December 2021 and 1 January 2022	75,803	34	11,493	62,340	41,366	191,036
Depreciation charge for the year	7,034	–	903	8,039	6,710	22,686
Impairment charge for the year	–	–	–	–	3,477	3,477
Disposals and other movements	(682)	–	(37)	(4,188)	(1,199)	(6,106)
At 31 December 2022	82,155	34	12,359	66,191	50,354	211,093
Carrying amount:						
At 31 December 2021	111,146	18,182	2,097	19,292	139,579	290,296
At 31 December 2022	109,548	17,072	1,976	17,192	148,099	293,887

Notes to the Consolidated Financial Statements

(In RMB millions, unless otherwise stated)

As at 31 December 2022, the process of obtaining the legal titles for the Group's properties and buildings with an aggregate carrying amount of RMB8,372 million (31 December 2021: RMB12,798 million) was still in progress. Management is of the view that the aforesaid matter would neither affect the rights of the Group to these assets nor have any significant impact on the business operation of the Group.

As at 31 December 2022, the carrying amount of aircraft and vessels leased out by the Group under operating leases was RMB148,099 million (31 December 2021: RMB139,579 million).

As at 31 December 2022, the carrying amount of aircraft and vessels owned by the Group that have been pledged as collateral for liabilities due to banks and other financial institutions was RMB86,163 million (31 December 2021: RMB92,426 million).

As at 31 December 2022, the construction in progress for aircraft and vessels was RMB9,225 million (31 December 2021: RMB9,101 million).

28. DEFERRED TAX ASSETS AND LIABILITIES

(a) Analysed by nature

Deferred tax assets:

	31 December 2022		31 December 2021	
	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Allowance for impairment losses	403,252	100,079	328,794	81,662
Change in fair value of financial instruments measured at FVTPL	(2,826)	(761)	(13,823)	(3,455)
Change in fair value of financial instruments measured at FVTOCI	(9,645)	(2,786)	(22,620)	(5,635)
Accrued staff costs	43,808	10,929	34,823	8,684
Other	(23,466)	(5,861)	(7,847)	(1,997)
	411,123	101,600	319,327	79,259

Deferred tax liabilities:

	31 December 2022		31 December 2021	
	Taxable/ (deductible) temporary differences	Deferred tax liabilities/ (assets)	Taxable/ (deductible) temporary differences	Deferred tax liabilities/ (assets)
Allowance for impairment losses	1,086	130	(535)	(268)
Change in fair value of financial instruments measured at FVTPL	9,906	2,138	15,692	3,635
Change in fair value of financial instruments measured at FVTOCI	(2,607)	(503)	2,737	690
Other	8,172	2,035	6,285	1,567
	16,557	3,800	24,179	5,624

(b) Movements of deferred income tax

Deferred tax assets:

	1 January 2022	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2022
Allowance for impairment losses	81,662	18,417	–	100,079
Change in fair value of financial instruments measured at FVTPL	(3,455)	2,694	–	(761)
Change in fair value of financial instruments measured at FVTOCI	(5,635)	–	2,849	(2,786)
Accrued staff costs	8,684	2,245	–	10,929
Other	(1,997)	(3,880)	16	(5,861)
	79,259	19,476	2,865	101,600

Deferred tax liabilities:

	1 January 2022	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2022
Allowance for impairment losses	(268)	398	–	130
Change in fair value of financial instruments measured at FVTPL	3,635	(1,497)	–	2,138
Change in fair value of financial instruments measured at FVTOCI	690	–	(1,193)	(503)
Other	1,567	468	–	2,035
	5,624	(631)	(1,193)	3,800

Deferred tax assets:

	1 January 2021	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2021
Allowance for impairment losses	70,094	11,568	–	81,662
Change in fair value of financial instruments measured at FVTPL	(2,470)	(985)	–	(3,455)
Change in fair value of financial instruments measured at FVTOCI	(5,417)	–	(218)	(5,635)
Accrued staff costs	6,628	2,056	–	8,684
Other	(1,122)	(943)	68	(1,997)
	67,713	11,696	(150)	79,259

Deferred tax liabilities:

	1 January 2021	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2021
Allowance for impairment losses	(937)	669	–	(268)
Change in fair value of financial instruments measured at FVTPL	1,809	1,826	–	3,635
Change in fair value of financial instruments measured at FVTOCI	1,149	–	(459)	690
Other	860	707	–	1,567
	2,881	3,202	(459)	5,624

As at 31 December 2022, the Group did not have significant unrecognised deferred tax assets (31 December 2021: Nil).

29. OTHER ASSETS

		31 December 2022	31 December 2021
Precious metals		275,183	267,239
Settlement and clearing balances		156,278	267,342
Right-of-use assets	(a)	33,653	31,913
Land use rights		14,935	15,593
Goodwill	(b)	9,181	8,518
Advance payments		6,056	8,242
Repossessioned assets		6,204	6,211
Interest receivable		2,941	2,283
Other		113,832	110,574
		618,263	717,915
Less: Allowance for impairment losses		(12,579)	(10,053)
		605,684	707,862

(a) Right-of-use assets

	Properties and buildings	Aircraft and vessels	Office equipment and motor vehicles	Total
Cost:				
At 1 January 2021	30,529	16,550	946	48,025
Additions	6,926	–	91	7,017
Decreases and other movements	(3,191)	(441)	(680)	(4,312)
At 31 December 2021 and 1 January 2022	34,264	16,109	357	50,730
Additions	6,632	–	68	6,700
Decreases and other movements	(3,059)	4,309	(30)	1,220
At 31 December 2022	37,837	20,418	395	58,650
Accumulated depreciation:				
At 1 January 2021	12,095	1,727	135	13,957
Depreciation charge for the year	7,011	570	116	7,697
Decreases and other movements	(2,582)	(222)	(33)	(2,837)
At 31 December 2021 and 1 January 2022	16,524	2,075	218	18,817
Depreciation charge for the year	6,892	624	117	7,633
Decreases and other movements	(2,260)	817	(10)	(1,453)
At 31 December 2022	21,156	3,516	325	24,997
Allowance for impairment losses:				
At 1 January 2021	42	274	–	316
Decreases and other movements	(10)	(55)	–	(65)
At 31 December 2021 and 1 January 2022	32	219	–	251
Other movements	3	636	–	639
At 31 December 2022	35	855	–	890
Carrying amount:				
At 31 December 2021	17,708	13,815	139	31,662
At 31 December 2022	16,646	16,047	70	32,763

(b) Goodwill

	2022	2021
At 1 January	8,518	8,945
Exchange difference	663	(427)
Subtotal	9,181	8,518
Less: Allowance for impairment losses	(382)	(349)
	8,799	8,169

Goodwill arising from business combinations has been allocated to the Group's cash-generating units ("CGU"), which is not larger than the reportable segment of the Group, for impairment testing.

The recoverable amount of the CGU is determined based on the discounted future cash flows of the CGU. The cash flow projections are based on financial forecasts approved by management of the subsidiaries. The average growth rates are projected based on the similar rates which do not exceed the long-term average growth rate for the business in which the CGU operates in. The discount rate is the before-tax rate and reflects the specific risk associated with the CGU.

30. IMPAIRMENT ALLOWANCE

	At 1 January 2022	Charge for the year	Write-offs and transfer out	Recoveries of previous write-offs	Other	At 31 December 2022
Due from banks and other financial institutions	1,091	328	–	–	47	1,466
Reverse repurchase agreements	128	338	–	–	9	475
Loans and advances to customers	603,983	143,173	(85,157)	9,529	1,234	672,762
Financial investments	12,327	29,389	(23)	–	207	41,900
Investments in associates and joint ventures	365	–	–	–	–	365
Property and equipment	10,991	3,477	(1,121)	–	338	13,685
Credit commitments	24,449	2,807	–	–	384	27,640
Other	37,741	2,907	(1,548)	87	1,013	40,200
Total	691,075	182,419	(87,849)	9,616	3,232	798,493

31. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2022	31 December 2021
Deposits:		
Banks and other financial institutions operating in Chinese mainland	2,524,293	2,286,492
Banks and other financial institutions operating outside Chinese mainland	137,552	143,928
Accrued interest	3,056	1,269
	2,664,901	2,431,689
Money market takings:		
Banks and other financial institutions operating in Chinese mainland	213,002	226,907
Banks and other financial institutions operating outside Chinese mainland	300,860	258,465
Accrued interest	6,801	3,968
	520,663	489,340
	3,185,564	2,921,029

32. FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2022	31 December 2021
Financial liabilities related to precious metals and account-based investment products (i)	55,549	64,488
Debt securities issued (i)	5,218	18,409
Other	3,359	4,283
	64,126	87,180

- (i) Financial liabilities related to precious metals and account-based investment products, and certain issued debt securities have been matched with precious metals and derivatives of the Group as part of a documented risk management strategy to mitigate market risk. An accounting mismatch would arise if these financial liabilities were accounted for at amortised cost, whereas the related precious metals and derivative were measured at fair value with movements in fair value taken through the statement of profit or loss. By designating these financial liabilities at FVTPL, the movement in their fair values is recorded in the statement of profit or loss. As at 31 December 2022 and 31 December 2021, the difference between the fair values of the financial liabilities related to precious metals, account-based investment products and issued debt securities and the amounts that the Group would be contractually required to pay to the holders of the financial liabilities related to precious metals, account-based investment products and issued debt securities upon maturity was not significant.

In 2022 and 2021, there were no significant changes in the credit spread of the Group and therefore the amounts of changes in fair value of the financial liabilities arising from changes in the credit risk and the accumulated amounts as at the end of the respective years were not significant. The changes in fair value of the financial liabilities were mainly attributable to changes in other market factors.

33. REPURCHASE AGREEMENTS

	31 December 2022	31 December 2021
Repurchase agreements-bills	6,430	8,110
Repurchase agreements-securities	545,080	341,718
Cash received as collateral on securities lending	16,814	16,015
Accrued interest	6,454	100
	574,778	365,943

34. CERTIFICATES OF DEPOSIT

Certificates of deposit issued by certain of the Bank's overseas branches and subsidiaries are measured at amortised cost.

35. DUE TO CUSTOMERS

	31 December 2022	31 December 2021
Demand deposits:		
Corporate customers	8,076,256	7,533,110
Personal customers	5,991,387	5,390,582
	14,067,643	12,923,692
Time deposits:		
Corporate customers	6,594,898	5,798,353
Personal customers	8,553,919	7,107,386
	15,148,817	12,905,739
Other	199,465	250,349
Accrued interest	454,566	361,994
	29,870,491	26,441,774

As at 31 December 2022, the Group's pledged deposits included in above amounted to RMB201,787 million (31 December 2021: RMB228,227 million).

36. DEBT SECURITIES ISSUED

		31 December 2022	31 December 2021
Subordinated bonds and tier 2 capital bonds issued	(a)		
Issued by the Bank		571,848	458,688
Issued by subsidiaries		9,417	4,116
Accrued interest		10,365	8,002
		591,630	470,806
Other debt securities issued	(b)		
Issued by the Bank		203,876	188,243
Issued by subsidiaries		108,698	130,558
Accrued interest		1,749	1,768
		314,323	320,569
		905,953	791,375

As at 31 December 2022, the amount of debt securities issued that were due within one year was RMB122,602 million (31 December 2021: RMB124,031 million).

In 2022, the Group has not had any defaults in respect of payments of principal or interest or other breaches with respect to the bonds (2021: Nil).

(a) Subordinated bonds and tier 2 capital bonds issued

The Bank:

As approved by the PBOC and the CBIRC, the Bank issued callable subordinated bonds and tier 2 capital bonds through open market bidding. These subordinated bonds and tier 2 capital bonds were traded on the National Interbank Bond Market. The relevant information is set out below:

Name	Issue date	Issued and		Coupon rate	Value date	Maturity date	Circulation date
		Issue price (In RMB)	nominal amount (In RMB million)				
11 ICBC 01	29/06/2011	100 Yuan	38,000	5.56%	30/06/2011	30/06/2031	30/08/2011
19 ICBC 01 Tier 2 Bond	21/03/2019	100 Yuan	45,000	4.26%	25/03/2019	25/03/2029	26/03/2019
19 ICBC 02 Tier 2 Bond	21/03/2019	100 Yuan	10,000	4.51%	25/03/2019	25/03/2034	26/03/2019
19 ICBC 03 Tier 2 Bond	24/04/2019	100 Yuan	45,000	4.40%	26/04/2019	26/04/2029	28/04/2019
19 ICBC 04 Tier 2 Bond	24/04/2019	100 Yuan	10,000	4.69%	26/04/2019	26/04/2034	28/04/2019
20 ICBC 01 Tier 2 Bond	22/09/2020	100 Yuan	60,000	4.20%	24/09/2020	24/09/2030	25/09/2020
20 ICBC 02 Tier 2 Bond	12/11/2020	100 Yuan	30,000	4.15%	16/11/2020	16/11/2030	17/11/2020
20 ICBC 03 Tier 2 Bond	12/11/2020	100 Yuan	10,000	4.45%	16/11/2020	16/11/2035	17/11/2020
21 ICBC 01 Tier 2 Bond	19/01/2021	100 Yuan	30,000	4.15%	21/01/2021	21/01/2031	22/01/2021
21 ICBC 02 Tier 2 Bond	13/12/2021	100 Yuan	50,000	3.48%	15/12/2021	15/12/2031	16/12/2021
21 ICBC 03 Tier 2 Bond	13/12/2021	100 Yuan	10,000	3.74%	15/12/2021	15/12/2036	16/12/2021
22 ICBC 01 Tier 2 Bond	18/01/2022	100 Yuan	35,000	3.28%	20/01/2022	20/01/2032	21/01/2022
22 ICBC 02 Tier 2 Bond	18/01/2022	100 Yuan	5,000	3.60%	20/01/2022	20/01/2037	21/01/2022
22 ICBC 03 Tier 2 Bond	12/04/2022	100 Yuan	45,000	3.50%	14/04/2022	14/04/2032	15/04/2022
22 ICBC 04 Tier 2 Bond	12/04/2022	100 Yuan	5,000	3.74%	14/04/2022	14/04/2037	15/04/2022
22 ICBC 03A Tier-2 Capital Bonds	18/08/2022	100 Yuan	30,000	3.02%	22/08/2022	22/08/2032	23/08/2022
22 ICBC 03B Tier-2 Capital Bonds	18/08/2022	100 Yuan	10,000	3.32%	22/08/2022	22/08/2037	23/08/2022
22 ICBC 04A Tier-2 Capital Bonds	08/11/2022	100 Yuan	50,000	3.00%	10/11/2022	10/11/2032	11/11/2022
22 ICBC 04B Tier-2 Capital Bonds	08/11/2022	100 Yuan	10,000	3.34%	10/11/2022	10/11/2037	11/11/2022
22 ICBC 05A Tier-2 Capital Bonds	20/12/2022	100 Yuan	25,000	3.70%	22/12/2022	22/12/2032	23/12/2022
22 ICBC 05B Tier-2 Capital Bonds	20/12/2022	100 Yuan	5,000	3.85%	22/12/2022	22/12/2037	23/12/2022

The Bank has the option to redeem these bonds in whole or in part on specific dates at par value in future upon the approval of the relevant regulatory authorities.

Notes to the Consolidated Financial Statements

(In RMB millions, unless otherwise stated)

In 2015, the Bank issued tier 2 capital bonds denominated in USD. The bonds were approved for listing and dealing by The Stock Exchange of Hong Kong Limited. The relevant information is set out below:

Name	Issue date	Currency	Issued price	Issued amount	Ending balance	Coupon rate	Value date	Maturity date	Circulation date
			(In original currency)	(In original currency)	(In RMB)				
			(million)	(million)	(million)				
15 USD									
Tier 2 capital bonds	21/09/2015	USD	99.189	2,000	13,900	4.875%	21/09/2015	21/09/2025	22/09/2015

The bonds cannot be redeemed before maturity.

Subsidiaries:

On 23 March 2018, ICBC Thai issued a tier 2 capital bond with an aggregate nominal amount of THB5,000 million, bearing a fixed interest rate of 3.5%. The bond will mature on 23 September 2028.

On 12 September 2019, ICBC Macau issued a tier 2 capital bond with an aggregate nominal amount of USD500 million, bearing a fixed interest rate of 2.875%. The bond will mature on 12 September 2029.

On 15 March 2022, ICBC-AXA issued a capital supplementary bond with an aggregate nominal amount of RMB5,000 million, bearing an initial fixed interest rate of 3.7%. The bond will mature on 17 March 2032. The issuer has an option to redeem the capital supplementary bond in whole or in part at par values at the end of the fifth interest-bearing year. If the issuer does not exercise the redemption option, the coupon rate would increase to 4.7% from the sixth interest-bearing year.

The above tier 2 capital bonds are separately traded on the Thai Bond Market Association, The Stock Exchange of Hong Kong Limited and the National Interbank Bond Market.

(b) Other debt securities issued

The Bank:

- (i) Head Office issued debt securities and interbank certificates of deposit, denominated in RMB at fixed interest rates amounting to RMB74,830 million in total with maturities between 2023 and 2025.
- (ii) Sydney Branch issued notes denominated in AUD, RMB, HKD and USD at fixed or floating interest rates amounting to an equivalent of RMB8,600 million in total with maturities between 2023 and 2027.
- (iii) Singapore Branch issued notes denominated in USD at fixed or floating interest rates amounting to an equivalent of RMB35,381 million in total with maturities between 2023 and 2025.
- (iv) New York Branch issued notes denominated in USD at fixed interest rates amounting to an equivalent of RMB9,660 million in total with maturities between 2023 and 2027.
- (v) Luxembourg Branch issued notes denominated in USD and EUR at fixed or floating interest rates amounting to an equivalent of RMB9,948 million in total with maturities between 2023 and 2024.
- (vi) Dubai (DIFC) Branch issued notes denominated in RMB and USD at fixed or floating interest rates amounting to an equivalent of RMB10,826 million in total with maturities between 2023 and 2025.
- (vii) Hong Kong Branch issued notes denominated in USD and HKD at fixed or floating interest rates amounting to an equivalent of RMB36,450 million in total with maturities between 2023 and 2026.
- (viii) London Branch issued notes denominated in GBP, USD and EUR at fixed or floating interest rates amounting to an equivalent of RMB14,718 million in total with maturities between 2023 and 2025.
- (ix) Macau Branch issued notes denominated in USD and MOP at fixed or floating interest rates amounting to an equivalent of RMB3,463 million in total with maturities between 2023 and 2024.

Subsidiaries:

- (i) ICBC Asia issued medium-term debt securities and notes denominated in RMB and USD at fixed or floating interest rates amounting to an equivalent of RMB5,384 million in total with maturities between 2023 and 2025.
- (ii) ICBC Leasing issued medium-term debt securities and notes denominated in RMB and USD at fixed or floating interest rates amounting to an equivalent of RMB66,976 million in total with maturities between 2023 and 2031.
- (iii) ICBC Thai issued short-term, medium-term and long-term debt securities and notes denominated in THB at fixed interest rates amounting to an equivalent of RMB8,163 million in total with maturities between 2023 and 2026.
- (iv) ICBC International issued medium-term debt securities and notes denominated in RMB and USD at fixed interest rates amounting to an equivalent of RMB10,294 million in total with maturities between 2023 and 2025.
- (v) ICBC New Zealand issued medium-term debt securities and notes denominated in NZD at fixed or floating interest rates amounting to an equivalent of RMB2,094 million in total with maturities between 2023 and 2025.
- (vi) ICBC Investment issued financial bonds denominated in RMB at fixed interest rates amounting to RMB13,800 million in total with maturities between 2024 and 2025.
- (vii) ICBC Macau issued medium-term and long-term debt securities and notes denominated in RMB at fixed interest rates amounting to RMB1,987 million in total that will mature in 2024.

37. OTHER LIABILITIES

		31 December 2022	31 December 2021
Settlement and clearing balances		280,230	317,591
Insurance contract liabilities		243,718	213,457
Salaries, bonuses, allowances and subsidies payables	(a)	41,282	32,751
Lease liabilities	(b)	28,629	28,340
Provisions for credit commitments	(c)	27,640	24,449
Sundry tax payables		16,493	16,454
Promissory notes		756	1,081
Early retirement benefits		19	32
Other		149,188	155,200
		787,955	789,355

(a) There were no overdue payment for staff salaries, bonuses, allowances and subsidies payable as at 31 December 2022 (31 December 2021: Nil).

(b) Lease liabilities

	31 December 2022	31 December 2021
Less than one year	8,923	8,315
One to two years	6,473	6,749
Two to three years	4,572	4,542
Three to five years	5,704	5,210
More than five years	4,625	5,113
Undiscounted lease liabilities	30,297	29,929
Ending balance of lease liabilities	28,629	28,340

(c) Provisions for credit commitments

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2022	19,881	3,581	987	24,449
Transfer:				
– to stage 1	123	(123)	–	–
– to stage 2	(219)	249	(30)	–
– to stage 3	(2)	(12)	14	–
Charge/(reverse) for the year	687	2,860	(740)	2,807
Other movements	313	56	15	384
Balance at 31 December 2022	20,783	6,611	246	27,640

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	22,021	2,957	1,732	26,710
Transfer:				
– to stage 1	121	(121)	–	–
– to stage 2	(120)	120	–	–
– to stage 3	–	(2)	2	–
(Reverse)/charge for the year	(1,901)	670	(735)	(1,966)
Other movements	(240)	(43)	(12)	(295)
Balance at 31 December 2021	19,881	3,581	987	24,449

38. SHARE CAPITAL

	31 December 2022		31 December 2021	
	Number of shares (millions)	Nominal value	Number of shares (millions)	Nominal value
Issued and fully paid:				
H shares of RMB1 Yuan each	86,795	86,795	86,795	86,795
A shares of RMB1 Yuan each	269,612	269,612	269,612	269,612
	356,407	356,407	356,407	356,407

Except for the dividends of H shares which are payable in Hong Kong dollars, all of the ordinary A shares and H shares rank pari passu with each other in respect of dividends on ordinary shares.

39. OTHER EQUITY INSTRUMENTS

(1) Preference shares

(a) Preference shares ("Preference Shares") outstanding:

Financial instrument outstanding	Issue date	Accounting classification	Dividend rate	Issue price	Amount (million shares)	In original currency (million)	In RMB (million)	Maturity	Conversion condition	Conversion
Offshore Preference Shares:										
USD	23/09/2020	Equity	3.58%	USD20/Share	145	2,900	19,716	None	Mandatory	No
Domestic Preference Shares:										
RMB2015	18/11/2015	Equity	4.58%	RMB100/Share	450	45,000	45,000	None	Mandatory	No
RMB2019	19/09/2019	Equity	4.20%	RMB100/Share	700	70,000	70,000	None	Mandatory	No
Total							134,716			

(b) Main clauses and basic information

(i) Dividend

Offshore and domestic dividends are paid annually.

Offshore and domestic dividends are set at a fixed rate for 5 years after issuance, and are reset every 5 years thereafter to the sum of the benchmark rate and the fixed spread. The fixed spread is equal to the spread between the initial offshore and domestic dividend rate and the benchmark rate at the time of issuance. The fixed spread remains unchanged throughout the term of the Preference Shares.

(ii) Conditions to distribution of dividends

The Bank can pay offshore and domestic dividends when it has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Bank's capital adequacy ratios meet regulatory requirements. Preference shareholders of the Bank are senior to the ordinary shareholders in respect of the right to dividends. The order of payment of Domestic Preference Shares is equal to Offshore Preference Shares. The Bank may elect to cancel all or part of offshore and domestic dividends and this shall not constitute a default for any purpose, but such cancellation will require a shareholder's resolution to be passed.

(iii) Dividend stopper and setting mechanism

For Offshore and Domestic Preference Shares, if the Bank cancels all or part of the dividends to the Preference Shares, the Bank shall not make any dividend distribution to ordinary shareholders before the Bank pays the dividends to the preference shareholders in full for the current dividend period.

Non-cumulative dividend is a dividend on Offshore and Domestic Preference Shares which does not cumulate upon omission of payment and the passed or omitted dividend of one year is not carried to the following year. After receiving a dividend at the agreed dividend rate, preference shareholders of the Bank will not participate in the distribution of residual profits with ordinary shareholders.

The Bank shall distribute dividends for Offshore and Domestic Preference Shares in cash, based on the liquidation preference amount for the issued and outstanding Offshore Preference Shares or total amount of issued and outstanding Domestic Preference Shares during the corresponding period (i.e. the product of the issue price of Preference Shares and the number of the issued and outstanding preference shares).

(iv) Order of distribution and liquidation method

The offshore preference shareholders and domestic preference shareholders will rank equally for payment. The preference shareholders will be subordinated to the depositors, general creditors and holders of convertible bonds, holders of subordinated debts, holders of tier 2 capital bonds and holders of other tier 2 capital instruments of the Bank, but will be senior to the ordinary shareholders of the Bank.

(v) Mandatory conversion trigger events

For Offshore Preference Shares, upon the occurrence of any Non-Viability Trigger Event, the Bank shall have the right to irrevocably and compulsorily convert all or part of the outstanding Offshore Preference Shares into H shares, under the consent of the CBIRC but without the need for the consent of the offshore preference shareholders or the ordinary shareholders. If the Offshore Preference Shares were converted into H shares, they cannot be converted to Preference Shares again under any circumstances.

For Domestic Preference Shares, upon the occurrence of an Additional Tier 1 Capital Trigger Event (Common Equity Tier 1 Capital Adequacy Ratio of the Bank falling to 5.125% or below), the Bank shall have the right without the need for the consent of the domestic preference shareholders to convert all or part of the outstanding face value of Domestic Preference Shares into A shares, in order to restore the Common Equity Tier 1 Capital Adequacy Ratio of the Bank to above 5.125%. If Domestic Preference Shares were converted into A shares, they cannot be converted to Preference Shares again under any circumstances. Upon the occurrence of a Tier 2 Capital Trigger Event, the Bank shall have the right without the need for the consent of the domestic preference shareholders to convert all the outstanding face value of Domestic Preference Shares into A shares. If Domestic Preference Shares were converted into A share, they cannot be converted to Preference Shares again under any circumstances.

The initial mandatory conversion prices are HKD5.73 for Offshore Preference Shares per H share; RMB3.44 for Domestic 2015 Preference Shares and RMB5.43 for Domestic 2019 Preference Shares. In case of stock dividends distribution of H or A shares of the Bank or other circumstances, the Bank will make cumulative adjustment to the compulsory conversion price in turn.

(vi) Redemption conditions

Subject to obtaining the approval of the CBIRC and satisfying the conditions of redemption, the Bank has the right to redeem all or part of the Offshore Preference Shares at the first call date and any subsequent dividend payment date. Redemption price of Offshore Preference Shares is equal to liquidation preference price plus any declared but unpaid dividend in current period. The first redemption date of Offshore Preference Shares is five years after issuance.

Under the premise of obtaining the approval of the CBIRC and compliance with relevant requirements, the Bank has the right to redeem all or part of Domestic Preference Shares, after five years having elapsed since the date of issuance/the date of closing. The redemption period of Domestic Preference Shares is from the start date of redemption to the date of full redemption or conversion. Redemption price of Domestic Preference Shares is equal to book value plus any declared but unpaid dividend in current period.

(c) Changes in preference shares outstanding

Financial instrument outstanding	1 January 2022			Movement during the year			31 December 2022		
	Amount (million shares)	In original currency (million)	In RMB (million)	Amount (million shares)	In original currency (million)	In RMB (million)	Amount (million shares)	In original currency (million)	In RMB (million)
Offshore Preference Shares:									
USD	145	2,900	19,716	-	-	-	145	2,900	19,716
Domestic Preference Shares:									
RMB2015	450	45,000	45,000	-	-	-	450	45,000	45,000
RMB2019	700	70,000	70,000	-	-	-	700	70,000	70,000
Total			134,716			-			134,716

The carrying amount of preference shares issued by the Bank, net of related issuance fees, was RMB134,614 million as at 31 December 2022 (31 December 2021: RMB134,614 million).

(2) Perpetual bonds

(a) Perpetual bonds outstanding

Financial instrument outstanding	Issue date	Accounting classification	Initial Interest rate	Issue price	Amount (million units)	In original currency (million)	In RMB (million)	Maturity	Conversion condition	Conversion
Offshore										
USD Perpetual bond	24/09/2021	Equity	3.20%	Note (i)	N/A	6,160	39,793	None	None	No
Domestic										
RMB2019										
Perpetual bond	26/07/2019	Equity	4.45%	RMB100/Unit	800	80,000	80,000	None	None	No
RMB2021										
Perpetual bond Series 1	04/06/2021	Equity	4.04%	RMB100/Unit	700	70,000	70,000	None	None	No
RMB2021										
Perpetual bond Series 2	24/11/2021	Equity	3.65%	RMB100/Unit	300	30,000	30,000	None	None	No
Total							219,793			

- (i) Offshore USD Perpetual Bond was issued in specific denomination of USD200,000 and integral multiples of USD1,000 in excess thereof at an issue price of 100%.

(b) Main clauses and basic information

With the approvals of relevant regulatory authorities, the Bank issued RMB80,000 million, RMB70,000 million and RMB30,000 million of undated capital bonds on 26 July 2019, 4 June 2021 and 24 November 2021 (hereinafter referred to as "2019 Domestic Perpetual Bond", "2021 Domestic Perpetual Bond Series 1" and "2021 Domestic Perpetual Bond Series 2" respectively, collectively Domestic Perpetual Bonds) in the National Interbank Bond Market.

The Bank issued USD6,160 million of undated capital bonds (hereinafter referred to as "Offshore Perpetual Bond") on The Stock Exchange of Hong Kong Limited on 24 September 2021.

The funds raised by the Bank from the bonds were used to supplement additional tier 1 capital of the Bank in accordance with the relevant laws and approvals by regulatory authorities.

(i) Interest

Each Domestic Perpetual Bond has a par value of RMB100, and the interest rate of the bonds for the first five years are 4.45% for 2019 Domestic Perpetual Bond, 4.04% for 2021 Domestic Perpetual Bond Series 1, and 3.65% for 2021 Domestic Perpetual Bond Series 2, resetting every 5 years. The rates are determined by a benchmark rate plus a fixed spread. The initial fixed spreads are the difference between the interest rate and the benchmark rate as determined at the time of issuance. The fixed spread will not be adjusted once determined during the duration period. The interest of Domestic Perpetual Bonds shall be paid annually.

The interest rate of Offshore Perpetual Bond for the first five years is 3.20%, resetting every 5 years. The rate is determined by a benchmark rate plus a fixed spread, and the fixed spread will remain unchanged during the duration period. The dividend shall be paid semi-annually.

(ii) Interest stopper and setting mechanism

The interest payment for both the Domestic Perpetual Bonds and Offshore Perpetual Bond is non-cumulative. The Bank shall have the right to cancel, in whole or in part, distributions on the interest payment and any such cancellation shall not constitute an event of default. The Bank may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. However, the Bank shall not distribute profits to ordinary shareholders until resumption of full interest payment.

(iii) Order of distribution and liquidation method

The claims in respect of Domestic Perpetual Bonds will be subordinated to claims of depositors, general creditors, and subordinated indebtedness that rank senior to Domestic Perpetual Bonds, and will rank in priority to all classes of shares held by shareholders of the Bank. The claims in respect of Offshore Perpetual Bond will be subordinated to claims of depositors, general creditors, tier 2 capital bond holders and subordinated indebtedness that rank senior to the Offshore Perpetual Bond, and will rank in priority to all classes of shares held by shareholders of the Bank. Domestic Perpetual Bonds and Offshore Perpetual Bond will rank pari passu with the claims in respect of any other Additional Tier 1 Capital instruments of the Bank that rank pari passu with the perpetual bonds.

(iv) Write down conditions

For 2019 Domestic Perpetual Bond, upon the occurrence of an Additional Tier 1 Capital Trigger Event (Common Equity Tier 1 Capital Adequacy Ratio of the Bank falling to 5.125% or below), the Bank has the right to write down all or part of the total nominal amount of the outstanding 2019 Domestic Perpetual Bond with the consent of the CBIRC but without the need for the consent of the bond holders, in order to restore the Common Equity Tier 1 Capital Adequacy Ratio of the Bank to above 5.125%. Upon the occurrence of a Tier 2 Capital Trigger Event, without the need for the consent of the bond holders, the Bank has the right to write down all the total nominal amount of the outstanding 2019 Domestic Perpetual Bond.

For 2021 Domestic Perpetual Bond Series 1 and 2021 Domestic Perpetual Bond Series 2, upon the occurrence of a Non-Viability Trigger Event, the Bank has the right to write down all or part of the nominal amount of the outstanding perpetual bonds without the need for the consent of the bond holders.

For Offshore Perpetual Bond, upon the occurrence of a Non-Viability Trigger Event, the Bank has the right to write down all or part of the perpetual bonds issued and outstanding at that time up to the total nominal value without the need for the consent of the bond holders.

(v) Redemption conditions

The duration of the Domestic Perpetual Bonds and Offshore Perpetual Bond is the same as the continuing operation of the Bank. Five years after the issuance date of the Domestic Perpetual Bonds and Offshore Perpetual Bond, the Bank shall have the right to redeem them in whole or in part on each distribution payment date (including the fifth distribution payment date since the issuance). In the event that the perpetual bonds are not classified as additional tier 1 capital due to unpredicted changes in regulations, the Bank shall have the right to redeem Domestic Perpetual Bonds and Offshore Perpetual Bond fully instead of partly.

(c) Changes in perpetual bond outstanding

Financial instrument outstanding	1 January 2022			Movement during the year			31 December 2022		
	Amount (million units)	In original currency (million)	In RMB (million)	Amount (million units)	In original currency (million)	In RMB (million)	Amount (million units)	In original currency (million)	In RMB (million)
Offshore									
USD Perpetual bond	N/A	6,160	39,793	-	-	-	N/A	6,160	39,793
Domestic									
RMB2019 Perpetual bond	800	80,000	80,000	-	-	-	800	80,000	80,000
RMB2021 Perpetual bond Series 1	700	70,000	70,000	-	-	-	700	70,000	70,000
RMB2021 Perpetual bond Series 2	300	30,000	30,000	-	-	-	300	30,000	30,000
Total			219,793			-			219,793

The carrying amount of perpetual bonds issued by the Bank, net of related issuance fees, was RMB219,717 million as at 31 December 2022 (31 December 2021: RMB219,717 million).

(3) Interests attributable to equity instruments' holders

Items	31 December 2022	31 December 2021
1. Total equity attributable to equity holders of the parent company	3,495,171	3,257,755
(1) Equity attributable to ordinary shareholders of the parent company	3,140,840	2,903,424
(2) Equity attributable to other equity instrument holders of the parent company	354,331	354,331
2. Total equity attributable to non-controlling interests	18,655	17,503
(1) Equity attributable to ordinary shareholders of non-controlling interests	18,655	17,503
(2) Equity attributable to other equity instrument holders of non-controlling interests	-	-

40. RESERVES

(a) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of par value.

(b) Surplus reserves

(i) Statutory surplus reserve

The Bank is required to appropriate 10% of its profit for the year, as determined under the Accounting Standards for Business Enterprises and other relevant requirements ("PRC GAAP"), pursuant to the Company Law of the PRC and the Articles of the Bank to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses of the Bank, if any, and may also be converted into capital of the Bank, provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before capitalisation.

Pursuant to the resolution of the board of directors' meeting held on 30 March 2023, the total appropriation to surplus reserve of the Bank was RMB34,411 million (2021: RMB32,494 million), among which an appropriation of 10% of the profit of the Bank for the year determined under the PRC GAAP to the statutory surplus reserve, in the amount of RMB34,343 million (2021: RMB32,438 million) was approved and a total surplus reserve appropriated by overseas branches was RMB68 million (2021: RMB56 million) pursuant to the requirements of local authorities.

(ii) Discretionary surplus reserve

After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its profit for the year determined under the PRC GAAP to the discretionary surplus reserve upon approval by the shareholders in general meeting. Subject to the approval by the shareholders, the discretionary surplus reserve may be used to offset accumulated losses of the Bank, if any, and may be converted into capital.

(iii) Other surplus reserve

The Bank's overseas entities appropriate their profits to other surplus reserve or statutory reserve in accordance with the relevant laws and regulations promulgated by the local regulatory bodies.

(c) General reserve

In accordance with the "Administrative Measures for the Provision of Reserves of Financial Enterprises" (Cai Jin [2012] No. 20) issued by the MOF, the Bank maintains a general reserve within equity, through the appropriation of profit for the year, which should not be less than 1.5% of the year-end balance of its risk assets, to partially cover unidentified possible losses.

The Bank's subsidiaries appropriate their profits to the general reserve according to the applicable local regulations.

Pursuant to the resolution of the board of directors' meeting held on 30 March 2023, the total appropriation to general reserve of the Bank was RMB53,571 million (2021: RMB97,505 million). The general reserve balance of the Bank as at 31 December 2022 amounted to RMB480,285 million, which reached 1.5% of the year-end balance of the Bank's risk assets.

(d) Investment revaluation reserve

The investment revaluation reserve records the fair value changes and impairment provision of financial investments measured at FVTOCI.

(e) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the subsidiaries and branches incorporated outside Chinese mainland.

(f) Cash flow hedging reserve

The cash flow hedging reserve comprises the effective portion of the gains or losses on the hedging instruments.

(g) Other reserves

Other reserves represent reserves other than the items listed above, including other comprehensive income recognised under the equity method.

(h) Distributable profits

The Bank's distributable profit is based on its retained profits as determined under PRC GAAP and IFRSs, whichever is lower. The amount that the Bank's subsidiaries can legally distribute is determined by referring to their profits as reflected in their financial statements prepared in accordance with the accounting regulations and principles promulgated by the local regulatory bodies. These profits may differ from those dealt with in these financial statements, which are prepared in accordance with IFRSs.

41. OTHER COMPREHENSIVE INCOME

(a) Other comprehensive income attributable to equity holders of the parent company in the consolidated statement of financial position

	Investment revaluation reserve	Foreign currency translation reserve	Other	Total
1 January 2021	22,377	(27,882)	(4,923)	(10,428)
Movement during the year	2,251	(12,117)	1,951	(7,915)
31 December 2021 and 1 January 2022	24,628	(39,999)	(2,972)	(18,343)
Movement during the year	(23,861)	22,758	(1,038)	(2,141)
31 December 2022	767	(17,241)	(4,010)	(20,484)

(b) Other comprehensive income in the consolidated statement of profit or loss and other comprehensive income

	2022	2021
Items that will not be reclassified to profit or loss:		
(i) Changes in fair value of equity instruments designated as at FVTOCI	(2,968)	(1,180)
(ii) Other comprehensive income recognised under the equity method	(25)	15
(iii) Other	13	28
Items that may be reclassified subsequently to profit or loss:		
(i) Changes in fair value of debt instruments measured at FVTOCI	(27,769)	5,777
Less: Amount transferred to profit or loss from other comprehensive income and income tax effect	3,394	(4,154)
	(24,375)	1,623
(ii) Credit losses of debt instruments measured at FVTOCI	3,831	1,827
(iii) Cash flow hedging reserve:		
Gain during the year	1,268	374
Less: Income tax effect	16	68
	1,284	442
(iv) Other comprehensive income recognised under the equity method	(313)	541
(v) Foreign currency translation reserve	21,345	(12,353)
(vi) Other	(1,975)	885
	(3,183)	(8,172)

42. CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Cash on hand	66,340	62,872
Balances with central banks other than restricted deposits	516,558	338,551
Deposits with banks and other financial institutions with original maturity of three months or less	228,987	228,082
Placements with banks and other financial institutions with original maturity of three months or less	365,112	157,323
Reverse repurchase agreements with original maturity of three months or less	749,854	649,929
	1,926,851	1,436,757

43. INTERESTS IN STRUCTURED ENTITIES

(a) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds an interest in some structured entities sponsored by third party institutions through investments in the products issued by these structured entities. Such structured entities include investment funds, asset management plans and asset-backed securities, trust plans and the Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors and are financed through the issuance of investment products to investors.

The following table sets out an analysis of the carrying amounts and maximum exposure of interests held by the Group in the structured entities sponsored by third party institutions:

	31 December 2022		31 December 2021	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
Investment funds	41,342	41,342	36,702	36,702
Asset management plans and asset-backed securities	79,311	79,311	77,997	77,997
Trust plans	16,732	16,732	20,903	20,903
	137,385	137,385	135,602	135,602

The maximum loss exposures in the above investment funds, asset management plans and asset-backed securities, trust plans are the carrying amounts which are measured at amortised cost, or the fair value of the investments held by the Group as at the reporting date.

The following tables set out an analysis of the line items in the consolidated statement of financial position in which assets were recognised relating to the Group's interests in structured entities sponsored by third party institutions:

	31 December 2022		
	Financial investments measured at FVTPL	Financial investments measured at FVTOCI	Financial investments measured at amortised cost
Investment funds	41,342	–	–
Asset management plans and asset-backed securities	24,958	8,769	45,584
Trust plans	1,204	–	15,528
	67,504	8,769	61,112

	31 December 2021		
	Financial investments measured at FVTPL	Financial investments measured at FVTOCI	Financial investments measured at amortised cost
Investment funds	36,702	–	–
Asset management plans and asset-backed securities	18,661	2,740	56,596
Trust plans	1,435	–	19,468
	56,798	2,740	76,064

(b) Structured entities sponsored by the Group in which the Group does not consolidate but holds an interest

The types of unconsolidated structured entities sponsored by the Group include non-principal-guaranteed wealth management products and investment funds. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issuance of investment products to investors. Interest held by the Group includes investments in the products issued by these unconsolidated structured entities and fees charged for providing management services. As at 31 December 2022 and 31 December 2021, the carrying amounts of the investments in the products issued by these structured entities and fee receivables being recognised were not material in the consolidated financial statements. Management fee income earned by the Group was included in fee and commission income of personal wealth management and private banking services and corporate wealth management services set out in Note 7.

As at 31 December 2022, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products and investment funds, which are sponsored by the Group, were RMB2,143,978 million (31 December 2021: RMB2,586,393 million) and RMB1,713,743 million (31 December 2021: RMB1,810,281 million) respectively.

In 2022, the amount of the average exposure of financing transactions through placements and reverse repurchase agreements from the Group with non-principal-guaranteed wealth management products sponsored by the Group was RMB21,631 million (2021: RMB26,699 million). The transactions were conducted in the ordinary course of business under normal terms and conditions and at market rates.

(c) Consolidated structured entities

The consolidated structured entities of the Group are primarily the principal-guaranteed wealth management products, certain investment funds, asset-backed securities and asset management plans issued or initiated and invested by the Group or purchased due to regulatory requirements related to wealth management business. The Group controls these entities because the Group has power over, is exposed to, or has rights to variable returns from its involvement with these entities and has the ability to use its power over these entities to affect the amount of the Group's variable returns.

44. TRANSFERRED FINANCIAL ASSETS

The Group enters into transactions in the ordinary course of business by which it transfers recognised financial assets to third parties or structured entities. In some cases, these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets.

Repurchase transactions and securities lending transactions

Transferred financial assets that do not qualify for derecognition mainly include debt securities held by counterparties as collateral under repurchase agreements and debt securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or repledge those securities in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. For securities lent out, if the securities increase or decrease in value, the Group may in certain circumstances require additional cash collateral from counterparties or return part of the cash collateral to counterparties. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. In addition, it recognises a financial liability for cash received as collateral.

As at 31 December 2022, the par value of the financial assets transferred to third parties that did not qualify for derecognition in the repurchase agreements and securities lending transactions were RMB156,154 million and RMB23,314 million respectively.

Securitisation transactions

The Group transfers credit assets to structured entities which issue asset-backed securities to investors. The Group may acquire some asset-backed securities at the subordinated tranche level and accordingly, may retain parts of the risks and rewards of the transferred credit assets. The Group would determine whether to derecognise the associated credit assets by evaluating the extent to which it retains the risks and rewards of the assets.

For those in which the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and retained control of the credit assets, the Group recognises the assets on the consolidated statement of financial position to the extent of the Group's continuing involvement and the rest is derecognised. The extent of the Group's continuing involvement is the extent of the risks and rewards undertaken by the Group with value changes of the transferred financial assets. As at 31 December 2022, loans with an original carrying amount of RMB627,857 million at the time of transfer (31 December 2021: RMB619,736 million) have been securitised by the Group under arrangements in which the Group retained a continuing involvement in such assets. The carrying amount of assets that the Group continues to recognise on the consolidated statement of financial position was RMB75,925 million as at 31 December 2022 (31 December 2021: RMB74,121 million).

As at 31 December 2022, the carrying amount of asset-backed securities held by the Group in securitisation transactions that were qualified for derecognition was RMB721 million (31 December 2021: RMB973 million), and its maximum exposure approximated to the carrying amount.

With respect to the securitisation of financial assets that do not qualify for derecognition, the relevant financial assets are not derecognised, and the consideration received is recorded as a financial liability. As at 31 December 2022, transferred credit assets that were not qualified for derecognition of the Group amounted to RMB132 million at the time of transfer (31 December 2021: RMB132 million).

45. ASSETS PLEDGED AS SECURITY

The Group's collaterals for liabilities or contingent liabilities include financial assets such as securities and bills, which mainly serve as collaterals for repurchase agreements, securities borrowing, derivatives, or local statutory requirements. As at 31 December 2022, the par value of the financial assets of the Group pledged as collateral amounted to approximately RMB940,239 million (31 December 2021: approximately RMB319,877 million).

46. SHARE APPRECIATION RIGHTS PLAN

The Bank's share appreciation rights plan was approved in 2006, which allows share appreciation rights to be granted to eligible participants including directors, supervisors, senior management and other key personnel designated by the board of directors. The share appreciation rights will be granted and exercised based on the price of the Bank's H shares and will be valid for 10 years. As at the approval date of these financial statements, no share appreciation rights have been granted.

47. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

At the end of the reporting period, the Group had capital commitments as follows:

	31 December 2022	31 December 2021
Contracted but not provided for	19,427	31,307

(b) Credit commitments

The Group has outstanding commitments to extend credit including approved loans and undrawn credit card limits.

The Group provides letters of credit and financial guarantees to guarantee the performance of customers to third parties.

Bank acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of credit commitments by category are set out below. The amounts disclosed in respect of loan commitments and undrawn credit card limits are under the assumption that the amounts will be fully advanced. The amounts for bank acceptances, letters of credit and guarantees represent the maximum potential losses that would be recognised at the end of the reporting period had the counterparties failed to perform as contracted.

	31 December 2022	31 December 2021
Bank acceptances	680,068	449,141
Guarantees issued		
– Financing letters of guarantees	56,365	50,114
– Non-financing letters of guarantees	501,054	444,418
Sight letters of credit	53,646	54,466
Usance letters of credit	112,606	114,733
Loan commitments		
– With an original maturity of under one year	108,102	50,199
– With an original maturity of one year or over	348,202	497,892
Undrawn credit card limits	1,111,002	1,069,406
	2,971,045	2,730,369

	31 December 2022	31 December 2021
Credit risk-weighted assets of credit commitments	1,113,801	1,082,099

(c) Operating leases

At the end of the reporting period, the Group's total future minimum lease receivables in respect of non-cancellable operating leases of assets are as follows:

	31 December 2022	31 December 2021
Within one year	16,946	16,451
Over one year but within two years	15,380	15,920
Over two years but within three years	14,627	15,937
Over three years but within five years	24,864	27,840
Over five years	57,258	59,648
	129,075	135,796

(d) Legal proceedings and arbitrations

The Group is involved in lawsuits and arbitrations during its normal course of operations. As at 31 December 2022, there were a number of legal proceedings and arbitrations outstanding against the Bank and/or its subsidiaries with a total claimed amount of RMB4,738 million (31 December 2021: RMB6,165 million).

In the opinion of management, the Group has made adequate allowance for any probable losses based on the current facts and circumstances, and the ultimate outcome of these lawsuits and arbitrations will not have any significant impact on the financial position or operations of the Group.

(e) Redemption commitments of government bonds and securities underwriting commitments

As an underwriting agent of the MOF, the Bank underwrites certain PRC government bonds and sells the bonds to the general public. The Bank is obliged to redeem these bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the nominal value of the bonds plus any interest accrued up to the redemption date. The MOF will not provide funding for the early redemption of these PRC government bonds on a back-to-back basis but is obliged to repay the principal and the respective interest upon maturity. The redemption obligations, which represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured as at 31 December 2022 were RMB62,140 million (31 December 2021: RMB75,553 million). Management expects that the redemption obligation of these PRC government bonds by the Bank prior to maturity will not be material.

As at 31 December 2022, the Group has not had any outstanding securities underwriting commitments (31 December 2021: RMB6,350 million).

(f) Designated funds and loans

	31 December 2022	31 December 2021
Designated funds	3,420,373	2,783,961
Designated loans	3,420,106	2,783,778

The designated funds represent the funding that the trustors have instructed the Group to use to make loans to third parties as designated by them. The credit risk remains with the trustors.

The designated loans represent the loans granted to specific borrowers designated by the trustors on their behalf according to the entrust agreements signed by the Group and the trustors. The Group does not bear any risk.

(g) Fiduciary activities

The Group provides custody, trust and asset management services to third parties. Revenue from such activities is included in “net fee and commission income” set out in Note 7. Those assets held in a fiduciary capacity are not included in the Group’s consolidated statement of financial position.

48. RELATED PARTY DISCLOSURES

In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties during the reporting year:

(a) The MOF

The MOF is a ministry under the State Council of the PRC, primarily responsible for, among others, state fiscal revenues, expenses and taxation policies. As at 31 December 2022, the MOF directly owned approximately 31.14% (31 December 2021: approximately 31.14%) of the issued share capital of the Bank. The Group entered into banking transactions with the MOF in its ordinary course of business. Details of the major transactions are as follows:

	31 December 2022	31 December 2021
Balances at end of the year:		
The PRC government bonds and the special government bond	1,935,944	1,563,353
	2022	2021
Transactions during the year:		
Interest income on the government bonds	46,812	42,953

Other related party transactions between the Group and enterprises under the control or joint control of the MOF are disclosed in Note 48(i) “Transactions with state-owned entities in the PRC”.

(b) Huijin

Central Huijin Investment Ltd. (“Huijin”) is a wholly-owned subsidiary of China Investment Corporation, and in accordance with the authorisation of the State Government, Huijin makes equity investments in major state-owned financial enterprises, and shall, to the extent of its capital contribution, exercise the rights and perform the obligations as an investor on behalf of the State Government in accordance with applicable laws, to achieve the goal of preserving and enhancing the value of state-owned financial assets. Huijin does not conduct any other businesses or commercial activities nor intervene in the day-to-day business operations of the financial enterprises in which it invests. Huijin was established on 16 December 2003 with a total registered and paid-in capital of RMB828,209 million. As at 31 December 2022, Huijin directly owned approximately 34.71% (31 December 2021: approximately 34.71%) of the issued share capital of the Bank.

As at 31 December 2022, bonds issued by Huijin (“the Huijin Bonds”) held by the Group were of an aggregate face value of RMB50,237 million (31 December 2021: RMB63,660 million), with terms ranging from one to thirty years and coupon rates ranging from 2.15% to 4.38%. The Huijin Bonds are government-backed bonds, short-term bills and medium-term notes. The Group’s subscription of the Huijin Bonds was conducted in the ordinary course of business, in compliance with relevant regulatory and the corporate governance requirements of the Group.

The Group entered into banking transactions with Huijin in the ordinary course of business under normal commercial terms and the transactions were priced based on market rates. Details of the major transactions are as follows:

	31 December 2022	31 December 2021
Balances at end of the year:		
Debt securities purchased	51,083	64,841
Loans and advances to customers	19,015	–
Due to customers	11,813	60,331

	2022	2021
Transactions during the year:		
Interest income on debt securities purchased	1,833	2,306
Interest income on loans and advances to customers	49	74
Interest expense on amounts due to customers	658	799

Huijin holds equity interests in certain other banks and financial institutions under the direction of the State Government. The Group entered into transactions with these banks and financial institutions in the ordinary course of business under normal commercial terms and the transactions were priced based on market rates. Management considers that these banks and financial institutions are competitors of the Group. Details of major transactions conducted with these banks and financial institutions are as follows:

	31 December 2022	31 December 2021
Balances at end of the year:		
Debt securities purchased	641,257	536,655
Due from banks and other financial institutions	207,170	174,811
Reverse repurchase agreements	49,410	23,796
Loans and advances to customers	1,336	3,794
Derivative financial assets	7,767	7,375
Due to banks and other financial institutions	238,492	276,415
Repurchase agreements	6,200	13,246
Derivative financial liabilities	7,409	6,318
Due to customers	646	917
Credit commitments	8,821	8,750

	2022	2021
Transactions during the year:		
Interest income on debt securities purchased	16,174	17,805
Interest income on amounts due from banks and other financial institutions	999	623
Interest income on reverse repurchase agreements	12	42
Interest income on loans and advances to customers	37	52
Interest expense on amounts due to banks and other financial institutions	2,191	1,018
Interest expense on repurchase agreements	2	8
Interest expense on amounts due to customers	8	10

(c) National Council for Social Security Fund of the People's Republic of China

National Council for Social Security Fund (the "SSF") is a public institution managed by the MOF. It is the management and operating organisation of the national social security fund. As at 31 December 2022, the SSF held approximately 5.72% (31 December 2021: approximately 5.69%) of the Bank's issued share capital. The Group entered into banking transactions with the SSF in the ordinary course of business under normal commercial terms and the transactions were priced based on market rates. Details of the major transactions are as follows:

	31 December 2022	31 December 2021
Balances at end of the year:		
Due to customers	48,000	38,000
Transactions during the year:		
Interest expense on amounts due to customers	2,028	1,284

(d) Subsidiaries

	31 December 2022	31 December 2021
Balances at end of the year:		
Financial investments	42,242	33,753
Due from banks and other financial institutions	422,401	410,896
Reverse repurchase agreements	15,423	26,481
Loans and advances to customers	79,639	45,269
Derivative financial assets	6,183	7,897
Due to banks and other financial institutions	187,431	151,307
Repurchase agreements	2,581	–
Derivative financial liabilities	8,680	8,519
Credit commitments	60,370	60,280
Transactions during the year:		
Interest income on financial investments	1,495	1,386
Interest income on amounts due from banks and other financial institutions	1,666	715
Interest income on reverse repurchase agreements	70	13
Interest income on loans and advances to customers	1,359	653
Interest expense on amounts due to banks and other financial institutions	3,086	599
Interest expense on repurchase agreements	22	–
Fee and commission income	4,108	5,636

The major balances and transactions with subsidiaries have been eliminated in the consolidated financial statements.

(e) Associates and affiliates

	31 December 2022	31 December 2021
Balances at end of the year:		
Debt securities purchased	11,265	13,162
Due from banks and other financial institutions	4,652	13,652
Reverse repurchase agreements	1,469	191
Loans and advances to customers	3,815	3,672
Derivative financial assets	3,085	1,797
Due to banks and other financial institutions	2,250	9,858
Due to customers	1,568	638
Derivative financial liabilities	3,108	2,436
Credit commitments	5,085	6,145

	2022	2021
Transactions during the year:		
Interest income on debt securities purchased	344	387
Interest income on amounts due from banks and other financial institutions	49	181
Interest income on reverse repurchase agreements	1	0
Interest income on loans and advances to customers	80	33
Interest expense on amounts due to banks and other financial institutions	70	95
Interest expense on amounts due to customers	41	0

Transactions between the Group and the aforementioned parties were conducted under normal commercial terms and conditions and priced based on market rates.

(f) Joint ventures and affiliates

	31 December 2022	31 December 2021
Balances at end of the year:		
Loans and advances to customers	44	–
Due to customers	4	18

	2022	2021
Transactions during the year:		
Interest income on loans and advances to customers	4	0
Interest expense on amounts due to customers	0	0

Transactions between the Group and the aforementioned parties were conducted in the ordinary course of business under normal terms and conditions and priced based on market rates.

(g) Key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, including members of the board of directors and the board of supervisors, and executive officers.

The aggregate compensation of key management personnel is as follows:

	2022 In RMB'000	2021 In RMB'000
Salaries and benefits	14,294	21,673

The above remuneration before tax payable to key management personnel for 2021 represents the total amount of their annual remunerations, which includes the amount disclosed in the 2021 annual report.

The total compensation packages for the Chairman of the Board of Directors, President, Chairman of the Board of Supervisors, Executive Directors, Shareholder Supervisors of the Bank, and other Senior Management members have not been finalised in accordance with the regulations of the PRC relevant authorities. The total remuneration not yet accrued is not expected to have a significant impact on the Group's 2022 consolidated financial statements. The total compensation packages will be further disclosed when determined by the relevant authorities.

Related parties of the Group include key management personnel of the Group and their close relatives, as well as companies controlled, jointly controlled or significantly influenced by key management personnel or their close relatives.

In 2022, there were no material transactions and balances with key management personnel individually or in the aggregate (2021: Immaterial). The Group entered into banking transactions with key management personnel in the ordinary course of business.

The aggregate balance of loans and credit card overdrafts to the persons who are considered as related parties according to the relevant rules of Shanghai Stock Exchange was RMB11.32 million as at 31 December 2022 (31 December 2021: RMB12.23 million).

The Bank's aggregate balance of loans and credit card overdrafts to the persons who are considered as related parties according to the relevant rules of CBIRC was RMB195.17 million as at 31 December 2022 (31 December 2021: RMB183.71 million).

The transactions between the Group and the aforementioned parties were conducted in the ordinary course of business under normal terms and conditions and priced based on market rates.

(h) Annuity fund

Apart from the obligations for defined contributions to the annuity fund established by the Bank, annuity fund held A shares of the Bank with market value of RMB0 as at 31 December 2022 (31 December 2021: RMB3.16 million), and bonds issued by the Bank of RMB527.91 million as at 31 December 2022 (31 December 2021: RMB324.13 million).

(i) Transactions with state-owned entities in the PRC

The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the Government through its authorities, affiliates or other organisations (collectively the “state-owned entities”). During the reporting year, the Group entered into extensive banking transactions with these state-owned entities including, but are not limited to, lending and deposit taking, taking and placing of interbank balances, entrusted lending and the provision of intermediary services, the sale, purchase, underwriting and redemption of bonds issued by other state-owned entities, and the sale, purchase, and leasing of properties and other assets.

The transactions with state-owned entities are activities conducted in the ordinary course of business under normal terms and conditions and priced based on market rates, and the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those state-owned entities are ultimately controlled or owned by the Government. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are state-owned entities.

(j) Proportion of major related party transactions

The major balances and transactions with subsidiaries have been eliminated in the consolidated financial statements. When calculating the proportion of related party transactions, transactions with the subsidiaries are excluded.

	31 December 2022		31 December 2021	
	Balance	Percentage	Balance	Percentage
Financial investments	2,639,549	25.07%	2,178,011	23.53%
Due from banks and other financial institutions	211,822	20.32%	188,463	22.78%
Reverse repurchase agreements	50,879	5.89%	23,987	3.62%
Loans and advances to customers	24,210	0.11%	7,466	0.04%
Derivative financial assets	10,852	12.44%	9,172	12.05%
Due to banks and other financial institutions	240,742	7.56%	286,273	9.80%
Repurchase agreements	6,200	1.08%	13,246	3.62%
Derivative financial liabilities	10,517	10.92%	8,754	12.27%
Due to customers	62,031	0.21%	99,904	0.38%
Credit commitments	13,906	0.47%	14,895	0.55%

	2022		2021	
	Amount	Percentage	Amount	Percentage
Interest income	66,394	5.19%	64,456	5.55%
Interest expense	4,998	0.85%	3,214	0.68%

49. SEGMENT INFORMATION

(a) Operating segments

The Group is organised into different operating segments, namely corporate banking, personal banking and treasury operations, based on internal organisation structure, management requirements and internal reporting system.

Corporate banking

The corporate banking segment covers the provision of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit-taking activities, corporate wealth management services, custody activities and various types of corporate intermediary services.

Personal banking

The personal banking segment covers the provision of financial products and services to individual customers. The products and services include personal loans, deposit-taking activities, card business, personal wealth management services and various types of personal intermediary services.

Treasury operations

The treasury operations segment covers the Group's treasury operations which include money market transactions, investment securities, foreign exchange transactions and the holding of derivative positions for its own accounts or on behalf of customers.

Other

This segment covers the Group's assets, liabilities, income and expenses that are not directly attributable or cannot be allocated to a segment on a reasonable basis.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

Transactions between segments mainly represent the provision of funding to and from individual segments. The internal transfer pricing of these transactions is determined with reference to the market rates and have been reflected in the performance of each segment. Net interest income and expense arising on internal fund transfer are referred to as "internal net interest income or expense". Net interest income and expense relating to third parties are referred to as "external net interest income or expense".

Segment revenues, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The basis for allocation is mainly based on occupation of or contribution to resources. Income taxes are managed on a group basis and are not allocated to operating segments.

	2022				
	Corporate banking	Personal banking	Treasury operations	Other	Total
External net interest income	291,628	132,168	269,891	–	693,687
Internal net interest income/(expense)	14,267	167,717	(181,984)	–	–
Net fee and commission income	74,554	54,228	483	–	129,265
Other income/(expense), net (i)	8,466	(8,010)	11,984	6,049	18,489
Operating income	388,915	346,103	100,374	6,049	841,441
Operating expenses	(97,437)	(122,897)	(16,812)	(3,738)	(240,884)
Impairment losses on assets	(125,707)	(24,851)	(30,822)	(1,039)	(182,419)
Operating profit	165,771	198,355	52,740	1,272	418,138
Share of results of associates and joint ventures	–	–	–	4,427	4,427
Profit before taxation	165,771	198,355	52,740	5,699	422,565
Income tax expense					(61,527)
Profit for the year					361,038
Other segment information:					
Depreciation and amortisation	10,543	13,271	2,781	111	26,706
Capital expenditure	13,255	16,618	3,501	139	33,513

	31 December 2022				
	Corporate banking	Personal banking	Treasury operations	Other	Total
Segment assets	14,683,048	8,658,389	15,992,193	174,427	39,508,057
Including: Investments in associates and joint ventures	–	–	–	65,878	65,878
Property and equipment	106,222	141,504	27,976	18,185	293,887
Other non-current assets (ii)	45,386	22,659	5,610	9,649	83,304
Unallocated assets					101,600
Total assets					39,609,657
Segment liabilities	15,448,837	15,326,369	5,039,830	191,414	36,006,450
Unallocated liabilities					89,381
Total liabilities					36,095,831
Other segment information:					
Credit commitments	1,861,309	1,109,736	–	–	2,971,045

(i) Includes net trading income, net gains on financial investments and other net operating income.

(ii) Includes intangible assets, goodwill, long-term deferred expenses, right-of-use assets and other non-current assets.

Notes to the Consolidated Financial Statements
(In RMB millions, unless otherwise stated)

	2021				Total
	Corporate banking	Personal banking	Treasury operations	Other	
External net interest income	292,402	146,911	251,367	–	690,680
Internal net interest income/(expense)	17,262	148,301	(165,563)	–	–
Net fee and commission income	78,082	53,760	1,182	–	133,024
Other income/(expense), net (i)	10,627	(2,800)	24,292	5,057	37,176
Operating income	398,373	346,172	111,278	5,057	860,880
Operating expenses	(94,823)	(121,173)	(16,885)	(3,346)	(236,227)
Impairment losses on assets	(162,981)	(29,341)	(9,067)	(1,234)	(202,623)
Operating profit	140,569	195,658	85,326	477	422,030
Share of results of associates and joint ventures	–	–	–	2,869	2,869
Profit before taxation	140,569	195,658	85,326	3,346	424,899
Income tax expense					(74,683)
Profit for the year					350,216
Other segment information:					
Depreciation and amortisation	10,452	10,901	3,370	125	24,848
Capital expenditure	18,219	19,027	5,870	215	43,331

	31 December 2021				Total
	Corporate banking	Personal banking	Treasury operations	Other	
Segment assets	12,436,885	8,399,240	14,086,517	169,482	35,092,124
Including: Investments in associates and joint ventures	–	–	–	61,782	61,782
Property and equipment	112,952	120,366	37,432	19,546	290,296
Other non-current assets (ii)	43,468	20,945	6,304	9,944	80,661
Unallocated assets					79,259
Total assets					35,171,383
Segment liabilities	13,960,681	13,213,984	4,425,332	198,061	31,798,058
Unallocated liabilities					98,067
Total liabilities					31,896,125
Other segment information:					
Credit commitments	1,674,769	1,055,600	–	–	2,730,369

(i) Includes net trading income, net gains on financial investments and other net operating income.

(ii) Includes intangible assets, goodwill, long-term deferred expenses, right-of-use assets and other non-current assets.

(b) Geographical information

The Group operates principally in Chinese mainland, and also has branches and subsidiaries operating outside Chinese mainland. The distribution of the geographical areas is as follows:

Chinese mainland (Head Office and domestic branches)

Head Office (“HO”):	the HO business divisions (including institutions directly managed by the HO and its offices);
Yangtze River Delta:	including Shanghai, Jiangsu, Zhejiang and Ningbo;
Pearl River Delta:	including Guangdong, Shenzhen, Fujian and Xiamen;
Bohai Rim:	including Beijing, Tianjin, Hebei, Shandong and Qingdao;
Central China:	including Shanxi, Henan, Hubei, Hunan, Anhui, Jiangxi and Hainan;
Western China:	including Chongqing, Sichuan, Guizhou, Yunnan, Guangxi, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang, Inner Mongolia and Tibet; and
Northeastern China:	including Liaoning, Heilongjiang, Jilin and Dalian.

Overseas and other

Branches located outside Chinese mainland, domestic and overseas subsidiaries, and investments in associates and joint ventures.

	2022									
	Chinese mainland (HO and domestic branches)								Eliminations	Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and other		
External net interest income	290,613	77,438	80,913	11,062	77,663	103,557	8,725	43,716	–	693,687
Internal net interest (expense)/income	(259,518)	52,414	18,670	125,852	28,413	18,105	18,710	(2,646)	–	–
Net fee and commission income	42,134	20,667	14,954	17,965	9,327	10,437	2,621	12,830	(1,670)	129,265
Other income/(expense), net (i)	11,096	(1,992)	(1,078)	(1,057)	(594)	(1,297)	(842)	12,651	1,602	18,489
Operating income	84,325	148,527	113,459	153,822	114,809	130,802	29,214	66,551	(68)	841,441
Operating expenses	(30,360)	(36,619)	(26,794)	(37,485)	(34,096)	(38,699)	(13,050)	(23,849)	68	(240,884)
Impairment losses on assets	(53,708)	(13,775)	(26,978)	(21,243)	(20,634)	(30,262)	(4,286)	(11,533)	–	(182,419)
Operating profit	257	98,133	59,687	95,094	60,079	61,841	11,878	31,169	–	418,138
Share of results of associates and joint ventures	–	–	–	–	–	–	–	4,427	–	4,427
Profit before taxation	257	98,133	59,687	95,094	60,079	61,841	11,878	35,596	–	422,565
Income tax expense	–	–	–	–	–	–	–	–	–	(61,527)
Profit for the year	–	–	–	–	–	–	–	–	–	361,038
Other segment information:										
Depreciation and amortisation	4,534	3,946	2,696	3,972	3,511	4,206	1,471	2,370	–	26,706
Capital expenditure	3,758	3,579	2,796	2,933	3,292	3,547	1,099	12,509	–	33,513

Notes to the Consolidated Financial Statements
(In RMB millions, unless otherwise stated)

31 December 2022										
	Chinese mainland (HO and domestic branches)							Overseas and other	Eliminations	Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China			
Assets by geographical areas	8,069,477	9,418,551	6,583,520	6,065,352	4,396,769	5,174,047	1,469,644	4,365,670	(6,034,973)	39,508,057
Including: Investments in associates and joint ventures	–	–	–	–	–	–	–	65,878	–	65,878
Property and equipment	12,750	32,205	13,678	19,853	18,542	22,240	8,403	166,216	–	293,887
Other non-current assets (ii)	16,623	7,274	6,149	6,812	8,359	9,769	2,469	25,849	–	83,304
Unallocated assets										101,600
Total assets										39,609,657
Liabilities by geographical areas	5,335,535	9,208,450	5,833,211	9,263,328	4,599,017	4,842,967	1,819,550	1,139,365	(6,034,973)	36,006,450
Unallocated liabilities										89,381
Total liabilities										36,095,831
Other segment information:										
Credit commitments	1,157,911	1,378,232	931,972	1,106,387	624,496	680,902	160,799	796,832	(3,866,486)	2,971,045

- (i) Includes net trading income, net gains on financial investments and other net operating income.
- (ii) Includes intangible assets, goodwill, long-term deferred expenses, right-of-use assets and other non-current assets.

2021										
	Chinese mainland (HO and domestic branches)							Overseas and other	Eliminations	Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China			
External net interest income	268,554	79,643	83,851	24,702	77,869	105,129	12,041	38,891	–	690,680
Internal net interest (expense)/income	(202,860)	39,174	11,381	106,166	20,293	12,805	15,066	(2,025)	–	–
Net fee and commission income	47,014	21,368	14,503	17,067	8,623	11,540	2,361	12,120	(1,572)	133,024
Other income/(expense), net (i)	22,780	(3,641)	(2,261)	(2,275)	(1,428)	(2,675)	114	25,059	1,503	37,176
Operating income	135,488	136,544	107,474	145,660	105,357	126,799	29,582	74,045	(69)	860,880
Operating expenses	(32,376)	(34,986)	(26,051)	(37,142)	(33,208)	(38,426)	(12,923)	(21,184)	69	(236,227)
Impairment losses on assets	(45,081)	(17,638)	(21,724)	(44,135)	(25,034)	(22,896)	(15,400)	(10,715)	–	(202,623)
Operating profit	58,031	83,920	59,699	64,383	47,115	65,477	1,259	42,146	–	422,030
Share of results of associates and joint ventures	–	–	–	–	–	–	–	2,869	–	2,869
Profit before taxation	58,031	83,920	59,699	64,383	47,115	65,477	1,259	45,015	–	424,899
Income tax expense										(74,683)
Profit for the year										350,216
Other segment information:										
Depreciation and amortisation	3,910	3,412	2,584	3,939	3,358	4,040	1,450	2,155	–	24,848
Capital expenditure	6,089	4,639	3,845	3,710	4,100	4,625	1,501	14,822	–	43,331

	31 December 2021									
	Chinese mainland (HO and domestic branches)									
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and other	Eliminations	Total
Assets by geographical areas	8,145,032	8,248,981	5,870,705	5,186,815	3,786,925	4,553,489	1,333,077	4,100,318	(6,133,218)	35,092,124
Including: Investments in associates and joint ventures	–	–	–	–	–	–	–	61,782	–	61,782
Property and equipment	13,971	33,190	13,729	20,726	18,911	23,331	8,865	157,573	–	290,296
Other non-current assets (ii)	16,056	7,371	6,075	7,087	8,457	9,685	2,317	23,613	–	80,661
Unallocated assets										79,259
Total assets										35,171,383
Liabilities by geographical areas	5,470,908	8,944,022	5,645,178	7,928,583	3,568,847	3,745,729	1,539,014	1,088,995	(6,133,218)	31,798,058
Unallocated liabilities										98,067
Total liabilities										31,896,125
Other segment information:										
Credit commitments	1,123,767	1,172,580	791,688	1,001,597	450,171	611,013	147,856	631,815	(3,200,118)	2,730,369

- (i) Includes net trading income, net gains on financial investments and other net operating income.
- (ii) Includes intangible assets, goodwill, long-term deferred expenses, right-of-use assets and other non-current assets.

50. FINANCIAL RISK MANAGEMENT

The board of directors (the “Board”) has the ultimate responsibility for risk management and oversees the Group’s risk management functions through the Risk Management Committee and the Audit Committee of the Board.

The President supervises risk management and reports directly to the Board. He chairs two management committees including the Risk Management Committee and the Asset and Liability Management Committee, which set the risk management strategies and appetite, evaluate and formulate risk management policies and procedures, and make recommendations through the President to the Risk Management Committee of the Board. The Chief Risk Officer assists the President to supervise the Bank’s risk management.

The Group has clearly defined the roles of each department in monitoring financial risks within the Group. The Credit and Investment Management Department monitors credit risk, the Risk Management Department together with the Asset and Liability Management Department monitor market and liquidity risks, and the Internal Control and Compliance Department monitors operational risk. The Risk Management Department is primarily responsible for establishing and coordinating a comprehensive risk management framework, preparing consolidated reports on credit risk, market risk and operational risk and reporting directly to the Chief Risk Officer.

The Bank maintains a dual-reporting risk management structure at the branch level. Under this structure, the risk management department of the branches report to both the Group risk management department and the management of the branches.

(a) Credit risk

Definition and scope

Credit risk is the risk of loss arising from a borrower or counterparty's failure to perform its obligations. Operational failures which result in unauthorised or inappropriate guarantees, financial commitments or investments by the Group may also give rise to credit risk. The Group's credit risk is mainly attributable to its loans, due from banks and other financial institutions and financial investments.

The Group is also exposed to credit risk in other areas. The credit risk arising from derivative financial instruments is limited to derivative financial assets recorded in the consolidated statement of financial position. In addition, the Group provides guarantees for customers and may therefore be required to make payments on their behalf. These payments would be recovered from customers in accordance with the terms of the agreement. Therefore, the Group assumes a credit risk similar to that arising from loans and applies the same risk control procedures and policies to reduce risks.

Credit risk assessment method

Staging of financial instruments

The Group classifies financial instruments into three stages and makes provisions for expected credit loss accordingly, depending on whether credit risk on that financial instrument has increased significantly since initial recognition and whether the assets have been credit-impaired. Refer to Note 4(10) Impairment of financial assets for the definition of the three stages.

During the reporting year, based on the requirements of the Implementation Rules on Expected Credit Loss Approach of Commercial Banks, the Group has analysed the historical data of credit risk exposures and the current risk profile, identified various factors that are most relevant to credit risk changes, optimised and adjusted the criteria of financial instruments staging.

Classification of credit risk exposures

The Group classifies credit risk exposures with sufficient information by considering factors such as internal ratings-based ("IRB") segmentation, product types, customer types, industry risk characteristics, and response to macro-economic changes.

Significant increase in credit risk

The assessment of significant increase in credit risk since initial recognition is performed at least on a quarterly basis for financial instruments held by the Group. The Group takes into consideration all reasonable and supportable information (including forward-looking information) that reflects significant change in credit risk for the purposes of classifying financial instruments. The main considerations are regulatory and operating environment, internal and external credit risk rating, debt-servicing capacity, operating capabilities, contractual terms, and repayment willingness and records. The Group compares the risk of default of a single financial instrument or a portfolio of financial instruments with similar credit risk characteristics as at the end of the reporting period and its risk of default at the date of initial recognition to determine changes in the risk of default over the expected lifetime of a financial instrument or a portfolio of financial instruments. In determining whether credit risk of a financial instrument has increased significantly since initial recognition, the Group considers factors indicating whether the probability of default has risen above threshold, the background for financing have been authenticated, the financial instrument has been past due for more than 30 days, the loan has been modified in payment term of principal or interest, any significant negative issue has been arisen and any other indicators of increase in risk have been noticed.

The Group has further facilitated the deferral in principal repayment and interest payment credit arrangements for the inclusive loans to micro and small-sized businesses in accordance with the government's regulations. The Group classifies the credit risk based on the actual situation of the borrower and the judgement of the substantive risk of the business for those loans with deferred principal repayment and interest payment. However, the temporary deferral in principal repayment and interest payment are not considered as an automatic trigger event for a significant increase in credit risk.

Definition of default

The Group defines a corporate borrower as in default when it meets one or more of the following criteria:

- (i) The principal or interest of any credit business is past due more than 90 days to the Group;
- (ii) The corporate borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as liquidation against collateral; or
- (iii) The corporate borrower has the matters refer to in (i) or (ii) above in other financial institutions.

The Group defines a retail business borrower as in default when any single credit asset of a borrower meets one or more of the following criteria:

- (i) The principal or interest of loan is past due more than 90 days;
- (ii) Write-offs of loan; or
- (iii) The retail business borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as liquidation against collateral.

Impairment assessment

A financial asset is generally considered to be credit-impaired if:

- it has been overdue for more than 90 days;
- in light of economic, legal or other factors, the Group has made concessions to a borrower in financial difficulties, which would otherwise have been impossible under normal circumstances;
- it is probable that the borrower will be insolvent or carry out other financial restructurings;
- due to serious financial difficulties, the financial asset cannot continue to be traded in an active market;
- there are other objective evidences that indicate the financial asset is impaired.

Parameters, assumptions and estimation techniques

ECL for a financial instrument is measured at an amount equal to 12-month ECL or lifetime ECL depending on whether a significant increase in credit risk on that financial instrument has occurred since initial recognition and whether an asset is considered to be credit-impaired. The loss allowance for loans and advances to customers, other than those corporate loans and advance to customers which are credit-impaired, is measured using the risk parameters method. The key parameters include Probability of Default ("PD"), Loss Given Default ("LGD"), and Exposure at Default ("EAD"), considering the time value of money.

PD is the possibility that a customer will default on its obligation within a certain period of time in light of forward-looking information. The Group's PD is adjusted based on the results of the IRB approach under the New Basel Capital Accord, taking the forward-looking information into account and deducting the prudential adjustment to reflect the debtor's point-in-time PD under the current macro-economic environment.

LGD is the magnitude of the likely loss if there is a default in light of forward-looking information. LGD depends on the type of counterparty, the method and priority of the recourse, and the type of collateral, taking the forward-looking adjustments into account.

EAD refers to the total amount of on- and off-balance sheet exposures in the event of default and is determined based on the historical repayment records.

The assumptions underlying the ECL calculation, such as how the PDs and LGDs of different maturity profiles change are monitored and reviewed on a quarterly basis by the Group.

There have been no significant changes in estimation techniques or significant assumptions adopted in ECL calculation during the year.

Notes to the Consolidated Financial Statements

(In RMB millions, unless otherwise stated)

The impairment loss on credit-impaired corporate loans and advance to customers applied discounted cash flow method. If there is objective evidence that an impairment loss on a loan or advance has incurred, the amount of the loss is measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The allowance for impairment loss is deducted in the carrying amount. The impairment loss is recognised in the consolidated statement of profit or loss. In determining allowances on an individual basis, the following factors are considered:

- the sustainability of the borrower's business plan;
- the borrower's ability to improve performance when a financial difficulty arises;
- the estimated recoverable cash flows from projects and liquidation;
- the availability of other financial support and the realisable value of collateral; and
- the timing of the expected cash flows.

It may not be possible to identify a single, or discrete events that result in the impairment, but it may be possible to identify impairment through the combined effect of several events. The impairment losses are evaluated at the end of each reporting period, unless unforeseen circumstances require more careful attention.

Forward-looking information contained in ECL

The assessment of significant increase in credit risk and the calculation of ECL incorporate forward-looking information. The Group has performed historical data analysis and identified Gross Domestic Product ("GDP"), Consumer Price Index ("CPI"), Purchasing Managers' Index ("PMI") and other macro-economic indicators as impacting the ECL for each portfolio. The impact of these economic variables on the PD and LGD has been determined by performing statistical regression analysis to understand the correlations among the historical changes of the economic variables, PD and LGD. The impact of these economic variables on the PD and LGD varies according to different types of business. Forecasts of these economic variables are carried out at least quarterly by the Group that provide the best estimate view of the economy over the next year.

When calculating the weighted average ECL provision, the Group determines the optimistic, neutral and pessimistic scenarios and their weightings through a combination of macro-statistical analysis and expert judgement. The neutral, optimistic and pessimistic scenarios are of comparable weightings, of which, the weighting of neutral scenario is slightly higher than the other two scenarios. The weightings of the scenarios are consistent with those as at 31 December 2021.

As at 31 December 2022, the Group has taken into account different macro-economic scenarios, combined with the impact of factors such as effect of prior period base data on economic development trends, and made forward-looking forecasts of macro-economic indicators. Of which, the year-on-year GDP growth rate used to estimate ECL under each scenario is as follows: 5.3% under neutral scenario, 6.0% under optimistic scenario, and 4.6% under pessimistic scenario.

The Group has carried out sensitivity analysis of macro-economic indicators used in forward-looking measurement. As at 31 December 2022, when the key economic indicators in the neutral scenario moved up or down by 10%, the ECL changed by no more than 5% (31 December 2021: no more than 5%).

Financial assets contract modification

The Group might modify the terms of loan with a customer based on commercial renegotiations, or when the customer is in financial difficulty, with a view to maximise the recovery of loan.

Such modifications include restructuring the loan to provide extended payment term arrangements, payment holidays or payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue, and reviewed regularly. Such restructures are especially common for medium-term loans. The classification of a rescheduled loan shall not be upgraded unless it has met certain criteria and after an observation period of at least 6 months.

The following table includes carrying amount of rescheduled loans and advance to customers:

	31 December 2022	31 December 2021
Rescheduled loans and advances to customers	26,229	19,134
Impaired loans and advances to customers included in above	6,425	7,455

Collateral and other credit enhancements

The amount and type of collateral required depends on the assessment of credit risk of the counterparty. Guidelines are in place specifying the types of collateral and valuation parameters which can be accepted.

Reverse repurchase business is mainly collateralised by bills and investment securities. As part of certain reverse repurchase agreements, the Group has received collateral that it is allowed to sell or repledge in the absence of default by their owners.

Corporate loans and discounted bills are mainly collateralised by properties or other assets. As at 31 December 2022, the gross carrying amount of corporate loans and discounted bills amounted to RMB14,975,751 million (31 December 2021: RMB12,722,464 million), of which credit exposure covered by collateral amounted to RMB4,680,161 million (31 December 2021: RMB3,849,616 million).

Retail loans are mainly collateralised by residential properties. As at 31 December 2022, the gross carrying amount of retail loans amounted to RMB8,236,561 million (31 December 2021: RMB7,944,781 million), of which credit exposure covered by collateral amounted to RMB7,361,305 million (31 December 2021: RMB7,056,652 million).

The Group prefers more liquid collateral with relatively stable market value and does not accept collateral that is illiquid, with difficulties in registration or high fluctuations in market value. The value of collateral should be appraised and confirmed by the Group or valuation specialists engaged by the Group. The value of collateral should adequately cover the outstanding balance of loans. The Group takes into consideration the types of collateral, state of condition, liquidity, price volatility and realisation cost to determine the loan-to-value ratio of collateral. All collateral has to be registered in accordance with the relevant laws and regulations. The credit officers inspect the collateral and assess the changes in the value of collateral regularly.

The Group monitors the market value of the collateral and when needed, require additional collateral according to agreements. The Group disposes of repossessed assets in an orderly manner.

(i) Maximum exposure to credit risk without taking into account of any collateral and other credit enhancements

As at the end of the reporting period, the maximum credit risk exposure of the Group without taking into account of any collateral and other credit enhancements is set out below:

	31 December 2022	31 December 2021
Balances with central banks	3,361,552	3,035,566
Due from banks and other financial institutions	1,042,504	827,150
Derivative financial assets	87,205	76,140
Reverse repurchase agreements	864,067	663,496
Loans and advances to customers	22,593,648	20,109,200
Financial investments		
Financial investments measured at FVTPL	544,356	465,064
Financial investments measured at FVTOCI	2,084,892	1,704,164
Financial investments measured at amortised cost	7,634,395	6,830,933
Other	93,560	294,960
	38,306,179	34,006,673
Credit commitments	2,971,045	2,730,369
Total maximum credit risk exposure	41,277,224	36,737,042

(ii) Risk concentrations

Credit risk is often greater when counterparties are concentrated in one single industry or geographic location or have comparable economic features. In addition, different geographic areas and industrial sectors have their unique characteristics in terms of economic development, and could present a different credit risk.

(1) Loans and advances to customers

By geographical distribution

The composition of the Group's gross loans and advances to customers (excluding accrued interest) by geographical distribution is as follows:

	31 December 2022		31 December 2021	
	Amount	Percentage	Amount	Percentage
Head Office	747,980	3.22%	791,994	3.83%
Yangtze River Delta	4,798,204	20.68%	4,163,732	20.15%
Pearl River Delta	3,621,603	15.60%	3,134,781	15.17%
Bohai Rim	3,816,621	16.45%	3,371,325	16.31%
Central China	3,561,290	15.34%	3,133,539	15.16%
Western China	4,225,369	18.20%	3,746,867	18.13%
Northeastern China	978,246	4.21%	895,238	4.33%
Overseas and other	1,462,999	6.30%	1,429,769	6.92%
Total	23,212,312	100.00%	20,667,245	100.00%

By industry distribution

The composition of the Group's gross loans and advances to customers (excluding accrued interest) by industry is as follows:

	31 December 2022	31 December 2021
Transportation, storage and postal services	3,357,175	3,017,397
Manufacturing	2,068,044	1,801,933
Leasing and commercial services	1,980,076	1,739,367
Water, environment and public utility management	1,531,163	1,388,883
Production and supply of electricity, heating, gas and water	1,313,234	1,152,584
Real estate	976,460	932,390
Wholesale and retail	608,722	559,559
Finance	584,594	357,229
Construction	392,535	343,860
Science, education, culture and sanitation	368,149	312,352
Mining	263,109	239,155
Other	383,705	349,997
Subtotal for corporate loans	13,826,966	12,194,706
Personal mortgage and business loans	7,362,031	7,065,126
Other	874,530	879,655
Subtotal for personal loans	8,236,561	7,944,781
Discounted bills	1,148,785	527,758
Total for loans and advances to customers	23,212,312	20,667,245

By collateral

The composition of the Group's gross loans and advances to customers (excluding accrued interest) by collateral is as follows:

	31 December 2022	31 December 2021
Unsecured loans	8,221,000	6,988,877
Guaranteed loans	2,544,651	2,459,887
Loans secured by mortgages	9,977,153	9,497,898
Pledged loans	2,469,508	1,720,583
Total	23,212,312	20,667,245

Overdue loans

The composition of the Group's gross overdue loans (excluding accrued interest) by collateral is as follows:

	31 December 2022				
	Overdue for 1 to 90 days	Overdue for 91 days to 1 year	Overdue for 1 to 3 years	Overdue for over 3 years	Total
Unsecured loans	33,114	22,052	30,694	3,304	89,164
Guaranteed loans	11,219	16,734	20,007	5,674	53,634
Loans secured by mortgages	44,182	37,795	38,550	9,999	130,526
Pledged loans	5,287	2,928	1,926	566	10,707
Total	93,802	79,509	91,177	19,543	284,031

	31 December 2021				
	Overdue for 1 to 90 days	Overdue for 91 days to 1 year	Overdue for 1 to 3 years	Overdue for over 3 years	Total
Unsecured loans	22,405	22,502	29,315	3,269	77,491
Guaranteed loans	10,326	15,031	26,406	6,117	57,880
Loans secured by mortgages	38,491	30,029	33,485	8,546	110,551
Pledged loans	1,222	2,495	4,041	1,221	8,979
Total	72,444	70,057	93,247	19,153	254,901

(2) Debt securities investments

By issuers distribution

The following tables present an analysis of the Group's debt securities (excluding accrued interest) by types of issuers and investments:

	31 December 2022			Total
	Financial	Financial	Financial	
	investments	investments	investments	
	measured at	measured at	measured at	
	FVTPL	FVTOCI	amortised cost	
Governments and central banks	123,257	939,236	6,413,329	7,475,822
Policy banks	27,916	210,680	523,140	761,736
Banks and other financial institutions	231,085	349,500	506,438	1,087,023
Corporate entities	110,425	560,640	63,853	734,918
	492,683	2,060,056	7,506,760	10,059,499

	31 December 2021			Total
	Financial	Financial	Financial	
	investments	investments	investments	
	measured at	measured at	measured at	
	FVTPL	FVTOCI	amortised cost	
Governments and central banks	97,364	653,774	5,658,676	6,409,814
Policy banks	23,862	171,130	559,727	754,719
Banks and other financial institutions	201,855	310,160	430,758	942,773
Corporate entities	97,202	551,757	61,080	710,039
	420,283	1,686,821	6,710,241	8,817,345

By rating distribution

The Group adopts a credit rating approach to manage the credit risk of the debt securities portfolio held. The ratings are obtained from Bloomberg Composite, or major rating agencies where the issuers of debt securities are located. The carrying amounts of debt securities investments (excluding accrued interest) analysed by rating as at the end of the reporting period are as follows:

	31 December 2022					Total
	Unrated	AAA	AA	A	Below A	
Governments and central banks	2,207,198	5,155,283	30,519	47,631	35,191	7,475,822
Policy banks	700,390	44,454	3,222	13,310	360	761,736
Banks and other financial institutions	442,644	412,047	24,171	127,208	80,953	1,087,023
Corporate entities	158,854	420,745	4,214	101,736	49,369	734,918
	3,509,086	6,032,529	62,126	289,885	165,873	10,059,499

	31 December 2021					
	Unrated	AAA	AA	A	Below A	Total
Governments and central banks	1,890,581	4,454,127	18,348	18,747	28,011	6,409,814
Policy banks	698,003	38,194	6,324	12,167	31	754,719
Banks and other financial institutions	380,276	382,264	12,010	103,667	64,556	942,773
Corporate entities	165,078	384,700	4,868	98,708	56,685	710,039
	3,133,938	5,259,285	41,550	233,289	149,283	8,817,345

(iii) Three-stage analysis of financial instruments' risk exposure

The Group's credit risk stages of financial instruments are as follows:

	31 December 2022							
	Gross carrying amount				Provision for ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Cash and balances with central banks	3,427,892	–	–	3,427,892	–	–	–	–
Due from banks and other financial institutions	1,043,970	–	–	1,043,970	(1,466)	–	–	(1,466)
Reverse repurchase agreements	709,568	–	–	709,568	(475)	–	–	(475)
Loans and advances to customers	21,100,713	685,365	321,135	22,107,213	(278,715)	(141,586)	(251,923)	(672,224)
Financial investments	7,660,893	2,935	3,139	7,666,967	(28,741)	(1,132)	(2,699)	(32,572)
Precious metal leasing and lending	184,267	2,718	541	187,526	(1,454)	(36)	(384)	(1,874)
Total	34,127,303	691,018	324,815	35,143,136	(310,851)	(142,754)	(255,006)	(708,611)

	31 December 2022							
	Gross carrying amount				Provision for ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at FVTOCI								
Loans and advances to customers	1,155,844	–	35	1,155,879	(510)	–	(28)	(538)
Financial investments	2,073,472	10,534	886	2,084,892	(4,792)	(1,009)	(3,527)	(9,328)
Total	3,229,316	10,534	921	3,240,771	(5,302)	(1,009)	(3,555)	(9,866)

	31 December 2021							
	Gross carrying amount				Provision for ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Cash and balances with central banks	3,098,438	–	–	3,098,438	–	–	–	–
Due from banks and other financial institutions	828,241	–	–	828,241	(1,091)	–	–	(1,091)
Reverse repurchase agreements	505,969	–	–	505,969	(128)	–	–	(128)
Loans and advances to customers	19,380,019	501,286	293,394	20,174,699	(269,376)	(110,649)	(223,739)	(603,764)
Financial investments	6,832,308	6,425	157	6,838,890	(5,639)	(2,200)	(118)	(7,957)
Precious metal leasing and lending	166,184	298	24	166,506	(1,177)	(58)	(21)	(1,256)
Total	30,811,159	508,009	293,575	31,612,743	(277,411)	(112,907)	(223,878)	(614,196)

	31 December 2021							
	Gross carrying amount				Provision for ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at FVTOCI								
Loans and advances to customers	534,636	–	35	534,671	(191)	–	(28)	(219)
Financial investments	1,703,228	630	306	1,704,164	(2,674)	(355)	(1,341)	(4,370)
Total	2,237,864	630	341	2,238,835	(2,865)	(355)	(1,369)	(4,589)

As at 31 December 2022 and 2021, credit risk exposures of credit commitments were mainly classified in Stage 1.

(b) Liquidity risk

Liquidity risk is the risk that funds will not be sufficient or funds will not be raised at a reasonable cost in a timely manner to meet the need of asset growth or repayment of debts due, although the Group remains solvent. This may arise from amount or maturity mismatches of assets and liabilities.

The Group manages its liquidity risk through the Asset and Liability Management Department and aims at:

- optimising the structure of assets and liabilities;
- maintaining the stability of the deposit base;
- projecting cash flows and evaluating the extent of current assets; and
- maintaining an efficient internal fund transfer mechanism to ensure sufficient liquidity at branch level.

(i) Maturity analysis of assets and liabilities

The tables below summarise the maturity profile of the Group's assets and liabilities. The Group's actual remaining maturity of its financial instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

	31 December 2022							Total
	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	Over five years	Undated (iii)	
Assets:								
Cash and balances with central banks	766,050	3,771	3,471	2,534	4,316	–	2,647,750	3,427,892
Due from banks and other financial institutions (i)	231,177	1,148,778	199,613	269,497	57,506	–	–	1,906,571
Derivative financial assets	1,228	14,136	20,960	25,225	16,705	8,951	–	87,205
Loans and advances to customers	32,364	1,110,110	1,048,838	4,280,564	3,772,395	12,253,435	95,942	22,593,648
Financial investments								
Financial investments measured at FVTPL	91,682	7,792	22,371	206,585	96,657	190,726	99,066	714,879
Financial investments measured at FVTOCI	–	121,032	234,407	345,296	867,833	516,140	93,310	2,178,018
Financial investments measured at amortised cost	–	115,000	203,097	838,367	2,790,630	3,686,681	620	7,634,395
Investments in associates and joint ventures	–	–	–	–	–	–	65,878	65,878
Property and equipment	–	–	–	–	–	–	293,887	293,887
Other	85,836	183,562	67,726	137,432	32,700	89,833	110,195	707,284
Total assets	1,208,337	2,704,181	1,800,483	6,105,500	7,638,742	16,745,766	3,406,648	39,609,657
Liabilities:								
Due to central banks	–	6,127	16,882	121,734	1,038	–	–	145,781
Due to banks and other financial institutions (ii)	2,509,370	540,163	204,501	421,705	68,494	16,109	–	3,760,342
Financial liabilities measured at FVTPL	56,884	61	578	2,338	3,597	668	–	64,126
Derivative financial liabilities	1,955	17,932	23,702	30,565	14,231	7,965	–	96,350
Certificates of deposit	–	68,099	125,796	175,348	6,209	–	–	375,452
Due to customers	14,271,619	1,913,802	1,683,372	5,432,348	6,551,322	18,028	–	29,870,491
Debt securities issued	–	6,899	29,260	86,443	203,986	579,365	–	905,953
Other	–	256,480	132,334	167,139	129,849	191,534	–	877,336
Total liabilities	16,839,828	2,809,563	2,216,425	6,437,620	6,978,726	813,669	–	36,095,831
Net liquidity gap	(15,631,491)	(105,382)	(415,942)	(332,120)	660,016	15,932,097	3,406,648	3,513,826

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(iii) Undated loans and advances to customers and financial investments are impaired or not impaired but overdue for more than one month.

Notes to the Consolidated Financial Statements
(In RMB millions, unless otherwise stated)

	31 December 2021							
	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	Over five years	Undated (iii)	Total
Assets:								
Cash and balances with central banks	621,110	9,741	1,965	6,220	–	–	2,459,402	3,098,438
Due from banks and other financial institutions (i)	239,523	778,638	225,730	204,230	39,484	3,041	–	1,490,646
Derivative financial assets	261	12,784	14,924	29,509	11,996	6,666	–	76,140
Loans and advances to customers	17,882	1,097,463	849,883	3,116,875	3,219,890	11,723,988	83,219	20,109,200
Financial investments								
Financial investments measured at FVTPL	88,573	6,662	23,625	163,412	81,410	167,956	91,585	623,223
Financial investments measured at FVTOCI	–	66,225	206,666	347,980	702,386	380,896	99,451	1,803,604
Financial investments measured at amortised cost	–	81,718	137,289	748,029	2,831,810	3,029,696	2,391	6,830,933
Investments in associates and joint ventures	–	–	–	–	–	–	61,782	61,782
Property and equipment	–	–	–	–	–	–	290,296	290,296
Other	106,055	279,318	59,652	136,411	80,479	23,055	102,151	787,121
Total assets	1,073,404	2,332,549	1,519,734	4,752,666	6,967,455	15,335,298	3,190,277	35,171,383
Liabilities:								
Due to central banks	–	–	1,111	36,252	2,360	–	–	39,723
Due to banks and other financial institutions (ii)	2,268,162	488,000	175,347	278,804	52,944	23,715	–	3,286,972
Financial liabilities measured at FVTPL	64,944	622	1,304	12,378	3,689	4,243	–	87,180
Derivative financial liabilities	165	10,670	13,773	26,766	12,768	7,195	–	71,337
Certificates of deposit	–	65,193	106,765	109,507	8,877	–	–	290,342
Due to customers	13,002,739	1,546,301	1,491,308	4,409,851	5,972,715	18,860	–	26,441,774
Debt securities issued	–	9,544	28,189	86,298	203,003	464,341	–	791,375
Other	–	301,667	117,672	170,157	173,032	124,894	–	887,422
Total liabilities	15,336,010	2,421,997	1,935,469	5,130,013	6,429,388	643,248	–	31,896,125
Net liquidity gap	(14,262,606)	(89,448)	(415,735)	(377,347)	538,067	14,692,050	3,190,277	3,275,258

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(iii) Undated loans and advances to customers and financial investments are impaired or not impaired but overdue for more than one month.

(ii) Maturity analysis of undiscounted contractual cash flows

The tables below summarise the maturity profile of the Group's financial instruments based on the undiscounted contractual cash flows. The balances of some items in the tables below are different from the balances in the consolidated statement of financial position as the tables incorporate all cash flows relating to both principal and interest. The Group's actual cash flows on these instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

	31 December 2022							Total
	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	Over five years	Undated (iv)	
Non-derivative cash flows:								
Financial assets:								
Cash and balances with central banks	766,050	3,774	3,478	2,566	4,579	–	2,647,750	3,428,197
Due from banks and other financial institutions (i)	231,187	1,151,140	202,631	275,217	59,009	–	–	1,919,184
Loans and advances to customers (ii)	40,595	1,213,398	1,255,510	5,133,983	7,016,225	20,395,144	525,600	35,580,455
Financial investments								
Financial investments measured at FVTPL	91,682	8,491	23,953	216,392	128,644	209,268	99,746	778,176
Financial investments measured at FVTOCI	–	134,557	241,166	384,006	991,935	632,472	94,446	2,478,582
Financial investments measured at amortised cost	–	137,051	237,093	1,018,492	3,436,757	4,536,068	3,129	9,368,590
Other	80,115	172,649	53,377	128,658	17,734	92,825	39	545,397
	1,209,629	2,821,060	2,017,208	7,159,314	11,654,883	25,865,777	3,370,710	54,098,581
Financial liabilities:								
Due to central banks	–	6,132	16,923	122,938	1,038	–	–	147,031
Due to banks and other financial institutions (iii)	2,509,380	541,567	206,552	436,973	97,907	17,746	–	3,810,125
Financial liabilities measured at FVTPL	56,884	65	578	2,403	3,598	668	–	64,196
Certificates of deposit	–	68,186	126,364	177,563	6,649	–	–	378,762
Due to customers	14,281,430	1,920,323	1,695,923	5,520,110	6,916,340	20,642	–	30,354,768
Debt securities issued	–	9,558	32,841	107,640	297,722	673,025	–	1,120,786
Other	–	248,535	38,301	16,524	34,445	94,479	–	432,284
	16,847,694	2,794,366	2,117,482	6,384,151	7,357,699	806,560	–	36,307,952
Derivative cash flows:								
Derivative financial instruments settled on net basis	–	817	464	1,529	1,542	100	–	4,452
Derivative financial instruments settled on gross basis								
Including: Cash inflow	85,965	979,392	586,504	849,091	263,153	37,805	–	2,801,910
Cash outflow	(88,580)	(975,680)	(593,312)	(849,885)	(265,245)	(38,589)	–	(2,811,291)
	(2,615)	3,712	(6,808)	(794)	(2,092)	(784)	–	(9,381)

(i) Includes reverse repurchase agreements.

(ii) The maturity profile of the rescheduled loans' undiscounted contractual cash flows is determined according to the negotiated terms.

(iii) Includes repurchase agreements.

(iv) Undated loans and advances to customers and financial investments are impaired or not impaired but overdue for more than one month.

Notes to the Consolidated Financial Statements
(In RMB millions, unless otherwise stated)

	31 December 2021							
	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	Over five years	Undated (iv)	Total
Non-derivative cash flows:								
Financial assets:								
Cash and balances with central banks	621,110	9,748	1,978	6,356	–	–	2,459,402	3,098,594
Due from banks and other financial institutions (i)	239,524	779,758	227,507	208,024	42,720	3,340	–	1,500,873
Loans and advances to customers (ii)	22,930	1,194,834	1,025,340	3,837,204	6,198,405	19,491,028	468,472	32,238,213
Financial investments								
Financial investments measured at FVTPL	88,573	6,717	24,438	173,529	106,924	184,838	92,607	677,626
Financial investments measured at FVTOCI	–	69,799	212,545	385,083	777,859	444,114	99,726	1,989,126
Financial investments measured at amortised cost	–	116,381	167,261	919,230	3,404,308	3,666,299	3,147	8,276,626
Other	98,177	279,659	49,188	128,358	83,643	5,041	3	644,069
	1,070,314	2,456,896	1,708,257	5,657,784	10,613,859	23,794,660	3,123,357	48,425,127
Financial liabilities:								
Due to central banks	–	1	1,114	36,614	2,360	–	–	40,089
Due to banks and other financial institutions (iii)	2,268,538	488,702	175,898	290,018	61,495	24,381	–	3,309,032
Financial liabilities measured at FVTPL	64,944	623	1,306	12,476	3,701	4,249	–	87,299
Certificates of deposit	–	65,201	106,862	109,863	9,076	–	–	291,002
Due to customers	13,003,897	1,551,479	1,510,507	4,519,399	6,274,552	21,447	–	26,881,281
Debt securities issued	–	10,862	31,300	108,543	298,841	535,026	–	984,572
Other	–	286,731	36,804	16,089	100,695	7,190	–	447,509
	15,337,379	2,403,599	1,863,791	5,093,002	6,750,720	592,293	–	32,040,784
Derivative cash flows:								
Derivative financial instruments settled on net basis	–	215	1,308	2,138	493	260	–	4,414
Derivative financial instruments settled on gross basis								
Including: Cash inflow	65,958	1,097,393	450,359	647,297	179,297	23,254	–	2,463,558
Cash outflow	(65,601)	(1,080,685)	(449,200)	(638,174)	(181,812)	(22,948)	–	(2,438,420)
	357	16,708	1,159	9,123	(2,515)	306	–	25,138

(i) Includes reverse repurchase agreements.

(ii) The maturity profile of the rescheduled loans' undiscounted contractual cash flows is determined according to the negotiated terms.

(iii) Includes repurchase agreements.

(iv) Undated loans and advances to customers and financial investments are impaired or not impaired but overdue for more than one month.

(iii) Analysis of credit commitments by contractual expiry date

Management does not expect all of the commitments to be drawn down before the expiry of the commitments.

	31 December 2022						Total
	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	Over five years	
Credit commitments	1,228,303	112,499	273,992	682,822	490,874	182,555	2,971,045

	31 December 2021						Total
	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	Over five years	
Credit commitments	1,211,830	105,556	215,011	497,709	420,178	280,085	2,730,369

(c) Market risk

Market risk is the risk of loss, in respect of the Group's on- and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's trading and non-trading businesses.

The Group is primarily exposed to structural interest rate risk arising from commercial banking and interest rate risk arising from treasury business positions. Interest rate risk is inherent in many of its businesses and largely arises from mismatches between the repricing dates of interest-generating assets and interest-bearing liabilities. The analysis of the interest rate risk in the banking book is disclosed in Note 50(d).

The Group's currency risk mainly results from the risk arising from exchange rate fluctuations on its foreign exchange exposures. Foreign exchange exposures include the mismatch of foreign currency assets and liabilities, and off-balance sheet foreign exchange positions arising from exchange rate derivative transactions.

The Group considers the market risk arising from stock price fluctuations in respect of its investment portfolios to be immaterial.

Sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major market risk management tools used by the Group. The Bank monitors market risk separately in respect of trading and other non-trading portfolios. The Value-at-risk ("VaR") analysis is a major tool used by the Bank to measure and monitor the market risk of its trading portfolios. The following sections include a VaR analysis by risk type of the Group's trading portfolios and a sensitivity analysis based on the Group's currency risk exposure and interest rate risk exposure (both trading and non-trading portfolios).

(i) VaR

VaR analysis is a statistical technique which estimates the potential maximum losses that could occur on risk positions taken due to movements in interest rates, foreign exchange rates or prices over a specified time horizon and at a specified level of confidence. The Bank adopts a historical simulation model to calculate and monitor trading portfolio VaR with 250 days' historical market data (with a 99% confidence level, and one-day holding period) on a daily basis.

A summary of VaRs by risk type of trading portfolios is as follows:

	2022			
	End of year	Average	Maximum	Minimum
Interest rate risk	121	67	121	30
Currency risk	297	160	297	83
Commodity risk	32	12	33	7
Total portfolio VaR	411	179	411	89

	2021			
	End of year	Average	Maximum	Minimum
Interest rate risk	72	88	153	46
Currency risk	95	172	288	71
Commodity risk	14	37	105	12
Total portfolio VaR	144	198	347	80

VaR for each risk factor is the derived largest potential loss due to fluctuations solely in that risk factor. As there is a diversification effect due to the correlation amongst the risk factors, the individual VaRs do not add up to the total portfolio VaR.

Although VaR is an important tool for measuring market risk under normal market environment, the assumptions on which the model is based do give rise to some limitations, mainly including the following:

- (1) VaR does not reflect liquidity risk. In the VaR model, a one-day holding period assumes that it is possible to hedge or dispose positions within that period without restriction, the price of the financial instruments will fluctuate in the specified range, and the correlation between these market prices will remain unchanged. This may not fully reflect the market risk arising at times of severe illiquidity, when a one-day holding period may be insufficient to hedge or dispose all positions fully;
- (2) Even though positions may change throughout the day, VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence level; and
- (3) VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, especially those of an exceptional nature due to significant market moves.

(ii) Currency risk

The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, HKD, and other currencies to a lesser extent. The exchange rate of RMB to USD is managed under a floating exchange rate system. The HKD exchange rate has been pegged to the USD and therefore the exchange rate of RMB to HKD has fluctuated in line with the changes in the exchange rate of RMB to USD. Transactions in foreign currencies mainly arise from the Group's foreign currency treasury operations, foreign exchange dealings and overseas investments.

The Group manages its currency risk through various methods, including limit management and risk hedging to hedge currency risk, and performs currency risk sensitivity analysis and stress testing regularly.

The tables below indicate a sensitivity analysis of exchange rate changes of the main foreign currencies to which the Group had significant on- and off-balance sheet exposure on its monetary assets and liabilities and its forecasted cash flows. The analysis calculates the effect of a reasonably possible movement in the currency rates against RMB, with all other variables held constant, on profit before taxation and equity. A negative amount in the table reflects a potential net reduction in profit before taxation or equity, while a positive amount reflects a potential net increase. While the table below indicates the effect on profit before taxation and equity of a 1% depreciation of USD and HKD against RMB, there will be an opposite effect with the same amount if the currencies appreciate by the same percentage. This effect, however, is based on the assumption that the Group's foreign exchange exposures as at the end of the reporting period are kept unchanged and, therefore, have not incorporated actions that would be taken by the Group to mitigate the adverse impact of this currency risk.

Currency	Change in currency rate	Effect on profit before taxation		Effect on equity	
		31 December	31 December	31 December	31 December
		2022	2021	2022	2021
USD	-1%	522	(210)	(890)	(448)
HKD	-1%	817	566	(1,279)	(1,331)

Notes to the Consolidated Financial Statements
(In RMB millions, unless otherwise stated)

A breakdown of the assets and liabilities analysed by currency is as follows:

	31 December 2022				
	RMB	USD (in RMB equivalent)	HKD (in RMB equivalent)	Other (in RMB equivalent)	Total (in RMB equivalent)
Assets:					
Cash and balances with central banks	3,126,696	150,292	14,937	135,967	3,427,892
Due from banks and other financial institutions (i)	1,108,215	644,064	35,575	118,717	1,906,571
Derivative financial assets	27,006	29,132	15,269	15,798	87,205
Loans and advances to customers	21,139,957	752,795	352,901	347,995	22,593,648
Financial investments					
Financial investments measured at FVTPL	664,741	32,710	8,122	9,306	714,879
Financial investments measured at FVTOCI	1,662,603	389,335	8,989	117,091	2,178,018
Financial investments measured at amortised cost	7,313,379	166,488	57,165	97,363	7,634,395
Investments in associates and joint ventures	36,740	2,728	189	26,221	65,878
Property and equipment	137,342	153,536	643	2,366	293,887
Other	346,828	84,400	38,442	237,614	707,284
Total assets	35,563,507	2,405,480	532,232	1,108,438	39,609,657
Liabilities:					
Due to central banks	143,352	–	–	2,429	145,781
Due to banks and other financial institutions (ii)	2,848,497	598,689	57,370	255,786	3,760,342
Financial liabilities measured at FVTPL	5,200	3,707	–	55,219	64,126
Derivative financial liabilities	31,128	33,778	15,856	15,588	96,350
Certificates of deposit	127,443	203,301	17,030	27,678	375,452
Due to customers	28,153,014	937,078	418,526	361,873	29,870,491
Debt securities issued	685,154	191,789	2,317	26,693	905,953
Other	713,734	138,878	14,136	10,588	877,336
Total liabilities	32,707,522	2,107,220	525,235	755,854	36,095,831
Net long position	2,855,985	298,260	6,997	352,584	3,513,826
Credit commitments	2,379,809	398,563	8,896	183,777	2,971,045

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

	31 December 2021				
	RMB	USD (in RMB equivalent)	HKD (in RMB equivalent)	Other (in RMB equivalent)	Total (in RMB equivalent)
Assets:					
Cash and balances with central banks	2,724,409	174,831	66,652	132,546	3,098,438
Due from banks and other financial institutions (i)	871,298	515,224	25,637	78,487	1,490,646
Derivative financial assets	24,951	33,808	5,804	11,577	76,140
Loans and advances to customers	18,705,303	780,912	319,687	303,298	20,109,200
Financial investments					
Financial investments measured at FVTPL	565,961	37,844	6,913	12,505	623,223
Financial investments measured at FVTOCI	1,300,499	338,301	54,886	109,918	1,803,604
Financial investments measured at amortised cost	6,641,400	106,016	6,607	76,910	6,830,933
Investments in associates and joint ventures	35,768	1,010	130	24,874	61,782
Property and equipment	143,897	143,589	673	2,137	290,296
Other	454,407	79,085	23,585	230,044	787,121
Total assets	31,467,893	2,210,620	510,574	982,296	35,171,383
Liabilities:					
Due to central banks	37,360	–	–	2,363	39,723
Due to banks and other financial institutions (ii)	2,354,265	702,938	42,953	186,816	3,286,972
Financial liabilities measured at FVTPL	611	6,719	–	79,850	87,180
Derivative financial liabilities	18,897	35,831	5,687	10,922	71,337
Certificates of deposit	41,707	177,383	20,490	50,762	290,342
Due to customers	24,914,524	864,226	366,861	296,163	26,441,774
Debt securities issued	528,377	227,278	593	35,127	791,375
Other	741,923	117,020	9,600	18,879	887,422
Total liabilities	28,637,664	2,131,395	446,184	680,882	31,896,125
Net long position	2,830,229	79,225	64,390	301,414	3,275,258
Credit commitments	2,085,604	395,773	76,881	172,111	2,730,369

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

(d) Interest rate risk in the banking book

Interest rate risk in the banking book is defined as the risk of loss in the overall return and the economic value of the banking book arising from adverse movements in interest rate and term structure. This type of risk may occur in the following situations:

- the repricing period of different financial instruments are different when the interest rate changes;
- despite the similarities in maturity periods, changes in the benchmark interest rate vary among on- and off-balance sheet business with different pricing benchmark interest rates;
- the Bank or the counterparty can elect to change the level or the maturity of future cash flows of financial instruments when the Bank holds option derivatives or when there are embedded option terms or implied options in the on- and off-banking book businesses; and
- due to changes in expected default levels or market liquidity, the market's assessment of the credit quality of financial instruments changes, leading to changes in credit spreads.

The Group manages the interest rate risk in the banking book through the Asset and Liability Management Department, and the following methods have been adopted:

- interest rate prediction: analysing the macro-economic factors that may impact the PBOC benchmark interest rates and market interest rates;
- duration management: optimising the differences in timing between contractual repricing (or maturities) of interest-generating assets and interest-bearing liabilities;
- pricing management: managing the deviation of the pricing of interest-generating assets and interest-bearing liabilities from the benchmark interest rates or market interest rates;
- limit management: optimising the positions of interest-generating assets and interest-bearing liabilities and controlling the impact on profit or loss and equity; and
- hedging: using interest rate derivatives for hedging management in a timely manner.

The Group measures interest rate risk mainly by analysing the sensitivity of projected net interest income under various interest rate movements (scenario analysis). The Group aims to mitigate the impact of prospective interest rate movements which might reduce future net interest income, while balancing the cost of hedging on the current revenue.

The following tables demonstrate the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, on the Group's net interest income and equity.

The effect on net interest income is the impact of the assumed changes in interest rates on the net interest income, arising from the financial assets and financial liabilities held at the end of the reporting period that are subject to repricing within the coming year, including the effect of hedging instruments. The effect on equity is the impact of the assumed changes in interest rates on other comprehensive income, calculated by revaluing fixed rate financial assets measured at FVTOCI held at the end of the reporting period, including the effect of any associated hedges.

Currency	31 December 2022			
	Increased by 100 basis points		Decreased by 100 basis points	
	Effect on net interest income	Effect on equity	Effect on net interest income	Effect on equity
RMB	(29,467)	(56,877)	29,467	63,210
USD	(469)	(4,663)	469	4,945
HKD	(809)	1,563	809	(1,642)
Other	(436)	(1,290)	436	1,355
Total	(31,181)	(61,267)	31,181	67,868

Currency	31 December 2021			
	Increased by 100 basis points		Decreased by 100 basis points	
	Effect on net interest income	Effect on equity	Effect on net interest income	Effect on equity
RMB	(27,350)	(39,969)	27,350	43,662
USD	1,551	(5,873)	(1,551)	6,126
HKD	(958)	(140)	958	142
Other	1,029	(1,661)	(1,029)	1,694
Total	(25,728)	(47,643)	25,728	51,624

The interest rate sensitivities set out in the tables above are for illustration only and are based on simplified scenarios. The figures represent the effect of the expected movements in net interest income and equity based on the projected yield curve scenarios and the Group's current interest rate risk profile. This effect, however, does not incorporate actions other than hedging that would be taken by management to mitigate the impact of interest rate risk. The projections above also assume that interest rates of all maturities move by the same degree and, therefore, do not reflect the potential impact on net interest income and equity in the case where some rates change while others remain unchanged.

Notes to the Consolidated Financial Statements
(In RMB millions, unless otherwise stated)

The tables below summarise the contractual repricing or maturity dates, whichever is earlier, of the Group's assets and liabilities:

	31 December 2022					Total
	Less than three months	Three months to one year	One to five years	Over five years	Non- interest- bearing	
Assets:						
Cash and balances with central banks	3,096,086	2,534	4,152	–	325,120	3,427,892
Due from banks and other financial institutions (i)	1,540,885	266,013	51,637	–	48,036	1,906,571
Derivative financial assets	–	–	–	–	87,205	87,205
Loans and advances to customers	8,088,056	13,733,858	405,677	314,051	52,006	22,593,648
Financial investments						
Financial investments measured at FVTPL	32,254	210,224	67,841	179,668	224,892	714,879
Financial investments measured at FVTOCI	440,796	372,109	770,266	481,951	112,896	2,178,018
Financial investments measured at amortised cost	467,447	825,606	2,677,684	3,572,321	91,337	7,634,395
Investments in associates and joint ventures	–	–	–	–	65,878	65,878
Property and equipment	–	–	–	–	293,887	293,887
Other	351	2,634	18,290	55,653	630,356	707,284
Total assets	13,665,875	15,412,978	3,995,547	4,603,644	1,931,613	39,609,657
Liabilities:						
Due to central banks	23,009	121,734	1,038	–	–	145,781
Due to banks and other financial institutions (ii)	3,264,992	410,049	31,106	933	53,262	3,760,342
Financial liabilities measured at FVTPL	3,005	1,168	1,421	27	58,505	64,126
Derivative financial liabilities	–	–	–	–	96,350	96,350
Certificates of deposit	195,459	172,644	6,159	–	1,190	375,452
Due to customers	17,539,353	5,273,380	6,347,993	16,484	693,281	29,870,491
Debt securities issued	95,251	62,121	167,260	569,208	12,113	905,953
Other	2,459	8,304	34,116	62,243	770,214	877,336
Total liabilities	21,123,528	6,049,400	6,589,093	648,895	1,684,915	36,095,831
Interest rate exposure	(7,457,653)	9,363,578	(2,593,546)	3,954,749	N/A	N/A

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

The data set out in the above table includes trading book data.

	31 December 2021					Total
	Less than three months	Three months to one year	One to five years	Over five years	Non- interest- bearing	
Assets:						
Cash and balances with central banks	2,786,830	–	–	–	311,608	3,098,438
Due from banks and other financial institutions (i)	1,207,522	202,551	36,170	3,041	41,362	1,490,646
Derivative financial assets	–	–	–	–	76,140	76,140
Loans and advances to customers	7,520,367	11,830,293	386,803	327,354	44,383	20,109,200
Financial investments						
Financial investments measured at FVTPL	33,045	150,390	69,283	164,957	205,548	623,223
Financial investments measured at FVTOCI	334,480	340,866	642,215	369,260	116,783	1,803,604
Financial investments measured at amortised cost	350,431	735,724	2,718,515	2,939,372	86,891	6,830,933
Investments in associates and joint ventures	–	–	–	–	61,782	61,782
Property and equipment	–	–	–	–	290,296	290,296
Other	–	4,385	70,493	–	712,243	787,121
Total assets	12,232,675	13,264,209	3,923,479	3,803,984	1,947,036	35,171,383
Liabilities:						
Due to central banks	1,108	36,252	2,360	–	3	39,723
Due to banks and other financial institutions (ii)	2,919,746	302,294	31,688	1,547	31,697	3,286,972
Financial liabilities measured at FVTPL	1,069	7,214	1,066	–	77,831	87,180
Derivative financial liabilities	–	–	–	–	71,337	71,337
Certificates of deposit	174,720	109,344	5,947	–	331	290,342
Due to customers	15,457,811	4,353,175	5,951,386	18,530	660,872	26,441,774
Debt securities issued	116,340	62,391	146,410	456,464	9,770	791,375
Other	1,968	9,834	86,118	7,133	782,369	887,422
Total liabilities	18,672,762	4,880,504	6,224,975	483,674	1,634,210	31,896,125
Interest rate exposure	(6,440,087)	8,383,705	(2,301,496)	3,320,310	N/A	N/A

(i) Includes reverse repurchase agreements.

(ii) Includes repurchase agreements.

The data set out in the above table includes trading book data.

(e) Capital management

The Group has set the following capital management objectives:

- maintain sound capital adequacy to meet regulatory requirements on capital, keep stable capital base to ensure the Group's business growth and the implementation of business development and strategic plans in order to achieve comprehensive, balanced, and sustainable development;
- adopt the advanced capital measurement approach, improve the internal capital adequacy assessment process (ICAAP), publicly disclose information on capital management, cover all types of material risks, and ensure stable operations of the Group;
- leverage on the results of quantitative assessments of material risks for daily risk management, establish a bank-wide value management mechanism with a core of economic capital, improve the aligned policies, processes, and applications in business management, strengthen the capital constraints and capital incentives mechanism, enhance the product pricing and decision-making support, and improve the capital allocation efficiency; and
- make effective use of various capital instruments, continuously enhance capital strengths, refine the capital structure, improve capital quality, reduce capital costs, and maximise shareholders' returns.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the risk profiles of its business operations. In order to maintain or adjust the capital structure, the Group may adjust its profit distribution policies, issue or repurchase its own shares, eligible additional tier 1 capital instruments, eligible tier 2 capital instruments, or convertible bonds.

The management monitors the capital adequacy ratios regularly based on regulations issued by the CBIRC. The required information is quarterly filed with the CBIRC by the Group and the Bank.

Since 1 January 2013, the Group commenced calculating the capital adequacy ratios in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) and other relevant regulations. In April 2014, the CBIRC officially approved the Bank to adopt the advanced capital management approach. Within the approved scope of risk exposures that meet the regulatory requirements, the Bank can adopt the foundation IRB approach for its corporate credit risk exposures, the IRB approach for its retail credit risk exposures, the internal model approach (IMA) for its market risk exposures, and the standardised approach for its operational risk exposures.

According to Regulation Governing Capital of Commercial Banks (Provisional), Measures for the Assessment of Systemically Important Banks, Additional Regulation of Systemically Important Banks (Provisional), and the capital surcharge applied to global systemically important banks as required by the Basel Committee on Banking Supervision, the minimum common equity tier 1 capital adequacy ratio, the tier 1 capital adequacy ratio and the capital adequacy ratio of the Group shall not be lower than 9%, 10% and 12% respectively. In addition, overseas entities are directly regulated by local banking regulators, and the required capital adequacy ratios differ by countries or regions.

The Group calculates the following common equity tier 1 capital adequacy ratio, the tier 1 capital adequacy ratio and the capital adequacy ratio in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) and relevant requirements. The requirements pursuant to these regulations may be different from those applicable in Hong Kong SAR and other jurisdictions.

The capital adequacy ratios and related components of the Group are calculated based on the statutory financial statements of the Group prepared under the PRC GAAP. During the reporting year, the Group has complied in full with all its externally imposed regulatory capital requirements.

The common equity tier 1 capital adequacy ratio, the tier 1 capital adequacy ratio and the capital adequacy ratio of the Group calculated after implementation of the advanced capital measurement approaches approved by the CBIRC are as follows:

	31 December 2022	31 December 2021
Common equity tier 1 capital	3,141,891	2,903,516
Paid-in capital	356,407	356,407
Valid portion of capital reserve	148,174	148,597
Surplus reserve	392,162	356,849
General reserve	496,406	438,640
Retained profits	1,766,288	1,618,142
Valid portion of minority interests	3,293	3,539
Other	(20,839)	(18,658)
Common equity tier 1 capital deductions	20,811	17,138
Goodwill	8,320	7,691
Other intangible assets other than land use rights	7,473	5,669
Cash flow hedging reserve that relates to the hedging of items that are not fair-valued on the balance sheet	(2,962)	(4,202)
Investments in common equity tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	7,980	7,980
Net common equity tier 1 capital	3,121,080	2,886,378
Additional tier 1 capital	354,915	354,986
Additional tier 1 capital instruments and related premiums	354,331	354,331
Valid portion of minority interests	584	655
Net tier 1 capital	3,475,995	3,241,364
Tier 2 capital	805,084	668,305
Valid portion of tier 2 capital instruments and related premiums	528,307	418,415
Surplus provision for loan impairment	275,764	248,774
Valid portion of minority interests	1,013	1,116
Net capital base	4,281,079	3,909,669
Risk-weighted assets (i)	22,225,272	21,690,349
Common equity tier 1 capital adequacy ratio	14.04%	13.31%
Tier 1 capital adequacy ratio	15.64%	14.94%
Capital adequacy ratio	19.26%	18.02%

(i) Refers to risk-weighted assets after the capital floor and adjustments.

51. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group has established policies and internal controls with respect to the measurement of fair values, specifically the framework of fair value measurement of financial instruments, fair value measurement methodologies and operating procedures. Fair value measurement policies specify valuation techniques, parameter selection and relevant concepts, models and parameter-seeking methods. Operating procedures specify measurement procedures, timing of valuation, market parameter selection and corresponding allocation of responsibilities. In the process of fair value measurement, front office is responsible for daily transaction management. The Finance and Accounting Department plays a lead role in formulating accounting policies of fair value measurement, valuation methodologies and system implementation. The Risk Management Department is responsible for verifying trade details and validating models.

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1 inputs: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2 inputs: valuation techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3 inputs: valuation techniques for which certain inputs that have a significant effect on the recorded fair value are not based on observable market data.

The following is a description of the fair value of financial instruments measured at fair value which are determined using valuation techniques. They incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

Financial investments

Financial investments that use valuation techniques for their valuation include debt securities, asset-backed securities, investment funds, unlisted equity instruments and asset management plans. The Group values such securities by incorporating either only observable data or both observable and unobservable data. Observable inputs include assumptions regarding current interest rates; unobservable inputs include assumptions regarding expected future default rates, prepayment rates, discount rates and market liquidity discounts.

The majority of the debt securities classified as level 2 are RMB bonds. The fair value of these bonds are determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data.

Derivatives

Derivatives that use valuation techniques with market observable inputs are mainly interest rate swaps, foreign exchange forwards, swaps and options. The most frequently applied valuation techniques include discounted cash flow model and Black-Scholes model. The models incorporate various inputs including foreign exchange spot and forward rates, foreign exchange rate volatility, interest rate yield curves.

Structured products are mainly valued using dealer's quotations.

Loans and advances to customers

The loans and advances to customers that use valuation techniques are mainly the bill business and discounted cash flow model is used. For bank acceptance bill, based on the different credit risk of the acceptor, interest rate yield curve is set up using the actual market data; for commercial bill, based on the interbank offered rate, interest rate yield curve is constructed according to the credit risk and liquidity point difference adjustment.

Other liabilities at fair value through profit or loss

For unquoted other liabilities at FVTPL, discounted cash flow model is used based on current yield curve appropriate for the remaining term to maturity adjusted for market liquidity and credit spreads; and Heston model is applied based on parameters including yields, foreign exchange forward rates, foreign exchange rate volatilities, which are calibrated by active market quotes of standard European option with the same underlying items.

(a) Financial instruments measured at fair value

	31 December 2022			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Derivative financial assets	3,730	82,589	886	87,205
Reverse repurchase agreements measured at FVTPL	–	154,974	–	154,974
Loans and advances to customers measured at FVTPL	–	2,671	109	2,780
Loans and advances to customers measured at FVTOCI	–	1,155,879	–	1,155,879
Financial investments measured at FVTPL				
Debt securities	32,905	456,620	3,158	492,683
Equity investments	16,925	12,334	68,484	97,743
Funds and other investments	32,674	55,459	36,320	124,453
	82,504	524,413	107,962	714,879
Financial investments measured at FVTOCI				
Debt securities	329,895	1,749,383	362	2,079,640
Other debt investments	–	5,252	–	5,252
Equity investments	7,792	38,310	47,024	93,126
	337,687	1,792,945	47,386	2,178,018
	423,921	3,713,471	156,343	4,293,735
Financial liabilities:				
Due to customers	–	235,414	–	235,414
Repurchase agreements	–	144,959	–	144,959
Financial liabilities measured at FVTPL	761	62,054	1,311	64,126
Derivative financial liabilities	4,203	89,962	2,185	96,350
	4,964	532,389	3,496	540,849

Notes to the Consolidated Financial Statements
(In RMB millions, unless otherwise stated)

	31 December 2021			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Derivative financial assets	4,440	70,634	1,066	76,140
Reverse repurchase agreements measured at FVTPL	–	157,655	–	157,655
Loans and advances to customers measured at FVTPL	–	3,488	106	3,594
Loans and advances to customers measured at FVTOCI	–	534,671	–	534,671
Financial investments measured at FVTPL				
Debt securities	24,430	392,013	3,840	420,283
Equity investments	15,308	16,751	58,687	90,746
Funds and other investments	52,995	26,400	32,799	112,194
	92,733	435,164	95,326	623,223
Financial investments measured at FVTOCI				
Debt securities	293,759	1,407,578	2,827	1,704,164
Equity investments	5,855	39,746	53,839	99,440
	299,614	1,447,324	56,666	1,803,604
	396,787	2,648,936	153,164	3,198,887
Financial liabilities:				
Due to customers	–	296,128	–	296,128
Financial liabilities measured at FVTPL	15	86,598	567	87,180
Derivative financial liabilities	4,822	65,089	1,426	71,337
	4,837	447,815	1,993	454,645

(b) Movement of level 3 financial instruments measured at fair value

The following table shows the movement of level 3 financial assets and financial liabilities measured at fair value:

	1 January 2022	Total gains/(losses) recorded in profit or loss	Total effects in other comprehensive income	Additions	Disposals and settlements	Transfer (out)/in of level 3	31 December 2022
Financial assets:							
Derivative financial assets	1,066	848	–	88	(1,080)	(36)	886
Loans and advances to customers measured at FVTPL	106	12	–	102	(111)	–	109
Financial investments measured at FVTPL							
Debt securities	3,840	(218)	–	1,111	(2,149)	574	3,158
Equity investments	58,687	582	–	14,959	(5,744)	–	68,484
Funds and other investments	32,799	(2)	–	9,164	(3,478)	(2,163)	36,320
Financial investments measured at FVTOCI							
Debt securities	2,827	1	(2)	363	(2,764)	(63)	362
Equity investments	53,839	–	(1,198)	2,677	(6,320)	(1,974)	47,024
	153,164	1,223	(1,200)	28,464	(21,646)	(3,662)	156,343
Financial liabilities:							
Financial liabilities measured at FVTPL	(567)	(74)	–	(340)	167	(497)	(1,311)
Derivative financial liabilities	(1,426)	(2,174)	–	(14)	1,022	407	(2,185)
	(1,993)	(2,248)	–	(354)	1,189	(90)	(3,496)

	1 January 2021	Total (losses)/gains recorded in profit or loss	Total effects in other comprehensive income	Additions	Disposals and settlements	Transfer in/(out) of level 3	31 December 2021
Financial assets:							
Derivative financial assets	1,691	(191)	–	57	(589)	98	1,066
Loans and advances to customers measured at FVTPL	328	(9)	–	–	(213)	–	106
Financial investments measured at FVTPL							
Debt securities	66,046	(154)	–	1,001	(356)	(62,697)	3,840
Equity investments	73,710	(2,826)	–	1,878	(9,187)	(4,888)	58,687
Funds and other investments	25,563	4,220	–	9,976	(5,559)	(1,401)	32,799
Financial investments measured at FVTOCI							
Debt securities	464	–	(39)	2,092	(311)	621	2,827
Equity investments	59,216	–	(2,898)	10,733	(6,894)	(6,318)	53,839
	227,018	1,040	(2,937)	25,737	(23,109)	(74,585)	153,164
Financial liabilities:							
Financial liabilities measured at FVTPL	(615)	48	–	–	–	–	(567)
Derivative financial liabilities	(1,596)	(82)	–	(28)	203	77	(1,426)
	(2,211)	(34)	–	(28)	203	77	(1,993)

Net gains or losses on level 3 financial instruments of the Group are set out below:

	2022	2021
Realised	(298)	296
Unrealised	(727)	710
	(1,025)	1,006

(c) Transfers between levels

(i) Transfers between level 1 and level 2

Due to changes in market conditions for certain securities, quoted prices in active markets were available for these securities. Therefore, these securities were transferred from level 2 to level 1 of the fair value hierarchy as at the end of the reporting period.

Due to changes in market conditions for certain securities, quoted prices in active markets were no longer available for these securities. However, there was sufficient information available to measure the fair values of these securities based on observable market inputs. Therefore, these securities were transferred from level 1 to level 2 of the fair value hierarchy as at the end of the reporting period.

In 2022 and 2021, the transfers between level 1 and level 2 of the fair value hierarchy for financial assets and liabilities of the Group were not significant.

(ii) Transfers between level 2 and level 3

At the end of the reporting period, certain financial instruments were transferred out from level 2 to level 3 of the fair value hierarchy for financial assets and liabilities when significant inputs used in their fair value measurements, which was previously observable became unobservable.

At the end of the reporting period, certain financial instruments were transferred out from level 3 of the fair value hierarchy for financial assets and liabilities, when significant inputs used in their fair value measurements, which was previously unobservable became observable, or when there was a change in valuation technique.

(d) Valuation of financial instruments with significant unobservable inputs

Financial instruments valued with significant unobservable inputs primarily include certain structured derivatives, asset-backed securities, investment funds, unlisted equity instruments and asset management plans. These financial instruments are valued using discounted cash flow model, net asset value method and market comparison approach. The models incorporate various unobservable assumptions such as expected future default rates, prepayment rates, discount rates and market liquidity discounts.

As at 31 December 2022, the effects of changing the significant unobservable assumptions to reasonably possible alternative assumptions were not significant (31 December 2021: not significant).

(e) Fair value of financial assets and financial liabilities not carried at fair value

There are no significant differences between the carrying amount and the fair value of financial assets and financial liabilities not measured at fair value, except for the following items:

31 December 2022					
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial investments measured at amortised cost	7,634,395	7,803,577	42,594	7,549,514	211,469
Financial liabilities					
Subordinated bonds and tier 2 capital bonds	591,630	594,718	–	594,718	–

31 December 2021					
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial investments measured at amortised cost	6,830,933	6,886,188	29,158	6,644,213	212,817
Financial liabilities					
Subordinated bonds and tier 2 capital bonds	470,806	481,954	–	481,954	–

Subject to the existence of an active market such as an authorised stock exchange, the market value is the best reflection of the fair value of a financial instrument. As there is no available market value for certain financial assets held and financial liabilities issued by the Group, discounted cash flow or other valuation methods described below are adopted to determine the fair values of these financial assets and financial liabilities:

- (i) The fair values of financial investments measured at amortised cost relating to the restructuring of the Bank are estimated on the basis of the stated interest rates and the consideration of the relevant special clauses of the instruments evaluated in the absence of any other relevant observable market data, and the fair values approximate to their carrying amounts. The fair values of financial investments measured at amortised cost irrelevant to the restructuring of the Bank are determined based on the available market values. If quoted market prices are not available, fair values are estimated on the basis of pricing models or discounted cash flows.
- (ii) The fair values of subordinated bonds and tier 2 capital bonds are determined with reference to the available market values. If quoted market prices are not available, fair values are estimated on the basis of pricing models or discounted cash flows.

All of the aforementioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group's financial assets and financial liabilities. However, other institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

52. STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY OF THE BANK

The statement of financial position of the Bank are set out below.

	31 December 2022	31 December 2021
ASSETS		
Cash and balances with central banks	3,347,555	2,959,034
Due from banks and other financial institutions	1,194,812	998,406
Derivative financial assets	51,163	47,218
Reverse repurchase agreements	686,682	523,897
Loans and advances to customers	21,761,362	19,310,688
Financial investments	9,748,008	8,562,631
Financial investments measured at FVTPL	466,374	396,261
Financial investments measured at FVTOCI	1,928,908	1,522,578
Financial investments measured at amortised cost	7,352,726	6,643,792
Investments in subsidiaries	163,283	163,283
Investments in associates	36,183	35,042
Property and equipment	127,907	133,698
Deferred tax assets	100,306	76,066
Other assets	534,276	630,440
TOTAL ASSETS	37,751,537	33,440,403
LIABILITIES		
Due to central banks	145,763	39,648
Due to banks and other financial institutions	3,106,929	2,821,165
Financial liabilities measured at FVTPL	55,936	70,256
Derivative financial liabilities	59,300	39,994
Repurchase agreements	400,490	178,256
Certificates of deposit	317,123	238,632
Due to customers	28,986,751	25,659,484
Income tax payable	82,932	91,029
Debt securities issued	786,799	655,515
Other liabilities	451,633	503,623
TOTAL LIABILITIES	34,393,656	30,297,602
EQUITY		
Share capital	356,407	356,407
Other equity instruments	354,331	354,331
Preference shares	134,614	134,614
Perpetual bonds	219,717	219,717
Reserves	1,022,148	945,798
Retained profits	1,624,995	1,486,265
TOTAL EQUITY	3,357,881	3,142,801
TOTAL LIABILITIES AND EQUITY	37,751,537	33,440,403

Chen Siqing
Chairman

Liao Lin
Vice Chairman and President

Wang Gang
Person in charge of Finance and
Accounting Department

The statement of changes in equity of the Bank are set out below.

	Reserves											Total equity
	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedging reserve	Other reserves	Subtotal	Retained profits	
Balance as at 1 January 2021	356,407	219,143	153,285	317,903	329,209	22,342	(2,097)	(4,082)	63	816,623	1,397,575	2,789,748
Profit for the year	-	-	-	-	-	-	-	-	-	-	323,100	323,100
Other comprehensive income	-	-	-	-	-	1,764	(2,676)	86	(61)	(887)	-	(887)
Total comprehensive income	-	-	-	-	-	1,764	(2,676)	86	(61)	(887)	323,100	322,213
Dividends – ordinary shares 2020 final (Note 17)	-	-	-	-	-	-	-	-	-	-	(94,804)	(94,804)
Distributions to other equity instrument holders (Note 17)	-	-	-	-	-	-	-	-	-	-	(9,607)	(9,607)
Appropriation to surplus reserve (i)	-	-	-	32,494	-	-	-	-	-	32,494	(32,494)	-
Appropriation to general reserve	-	-	-	-	97,505	-	-	-	-	97,505	(97,505)	-
Capital injection by other equity instrument holders	-	139,730	-	-	-	-	-	-	-	-	-	139,730
Capital reduction by other equity instrument holders	-	(4,542)	63	-	-	-	-	-	-	63	-	(4,479)
Balance as at 31 December 2021 and 1 January 2022	356,407	354,331	153,348	350,397	426,714	24,106	(4,773)	(3,996)	2	945,798	1,486,265	3,142,801
Profit for the year	-	-	-	-	-	-	-	-	-	-	346,056	346,056
Other comprehensive income	-	-	-	-	-	(15,593)	3,245	907	(191)	(11,632)	-	(11,632)
Total comprehensive income	-	-	-	-	-	(15,593)	3,245	907	(191)	(11,632)	346,056	334,424
Dividends – ordinary shares 2021 final (Note 17)	-	-	-	-	-	-	-	-	-	-	(104,534)	(104,534)
Distributions to other equity instrument holders (Note 17)	-	-	-	-	-	-	-	-	-	-	(14,810)	(14,810)
Appropriation to surplus reserve (i)	-	-	-	34,411	-	-	-	-	-	34,411	(34,411)	-
Appropriation to general reserve	-	-	-	-	53,571	-	-	-	-	53,571	(53,571)	-
Balance as at 31 December 2022	356,407	354,331	153,348	384,808	480,285	8,513	(1,528)	(3,089)	(189)	1,022,148	1,624,995	3,357,881

(i) Includes the appropriation made by overseas branches in the amount of RMB68 million (2021: RMB56 million).

53. EVENTS AFTER THE REPORTING PERIOD

A final dividend of RMB0.3035 (pre-tax) per share after the appropriation of statutory surplus reserve and general reserve, was approved at the board of directors' meeting held on 30 March 2023, and is subject to the approval of the Bank's shareholders at the forthcoming annual general meeting. Based on the number of ordinary shares issued as at 31 December 2022, the final dividend amounted to approximately RMB108,169 million in total. The dividend payable was not recognised as a liability in the consolidated financial statements.

54. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the presentation of 2022.

55. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on 30 March 2023.

Unaudited Supplementary Information to the Consolidated Financial Statements

(In RMB millions, unless otherwise stated)

1. Statement of differences between the financial statements prepared under IFRSs and those prepared in accordance with PRC GAAP

There are no differences between the profit attributable to equity holders of the parent company under IFRSs and PRC GAAP for the year ended 31 December 2022 and 2021. There are no differences between the equity attributable to equity holders of the parent company under IFRSs and PRC GAAP as at 31 December 2022 and 31 December 2021.

2. Currency concentrations

	31 December 2022			
	USD	HKD	Other	Total
Spot assets	2,249,216	531,400	1,079,851	3,860,467
Spot liabilities	(2,089,919)	(525,235)	(754,849)	(3,370,003)
Forward purchases	1,732,590	247,474	453,110	2,433,174
Forward sales	(2,002,155)	(96,680)	(691,849)	(2,790,684)
Net option position	14,142	1,468	(3,292)	12,318
Net (short)/long position	(96,126)	158,427	82,971	145,272
Net structural position	138,963	832	27,582	167,377

	31 December 2021			
	USD	HKD	Other	Total
Spot assets	2,066,021	509,771	955,285	3,531,077
Spot liabilities	(2,115,377)	(446,184)	(680,182)	(3,241,743)
Forward purchases	2,112,979	166,543	385,249	2,664,771
Forward sales	(2,210,989)	(153,095)	(580,802)	(2,944,886)
Net option position	1,342	2,443	32	3,817
Net (short)/long position	(146,024)	79,478	79,582	13,036
Net structural position	128,581	803	26,055	155,439

The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority. The net structural position of the Group includes the structural positions of the Bank's overseas branches, banking subsidiaries and other subsidiaries substantially involved in foreign exchange. Structural assets and liabilities include:

- property and equipment, net of depreciation charges;
- capital and statutory reserves of overseas branches; and
- investments in overseas subsidiaries, associates and joint ventures.

3. Loans and advances to customers (excludes accrued interest)

(i) Overdue loans and advances to customers

	31 December 2022	31 December 2021
Gross loans and advances to customers of the Group which have been overdue with respect to either principal or interest for periods of:		
Between 3 and 6 months	30,627	28,208
Between 6 and 12 months	48,882	41,849
Over 12 months	110,720	112,400
	190,229	182,457
As a percentage of the total gross loans and advances to customers:		
Between 3 and 6 months	0.13%	0.14%
Between 6 and 12 months	0.21%	0.20%
Over 12 months	0.48%	0.54%
	0.82%	0.88%

The definition of overdue loans and advances to customers is as follows:

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

For loans and advances repayable by regular instalments, if part of the instalments is overdue, the whole amount of the loans and advances would be classified as overdue.

(ii) Overdue loans and advances to customers by geographical distribution

	31 December 2022	31 December 2021
Head Office	42,383	35,969
Bohai Rim	45,934	50,790
Western China	41,139	33,400
Central China	39,140	37,461
Pearl River Delta	48,177	28,978
Yangtze River Delta	26,399	30,210
Northeastern China	25,550	27,324
Overseas and other	15,309	10,769
	284,031	254,901

(iii) Rescheduled loans and advances to customers

	31 December 2022		31 December 2021	
		% of total loans and advances		% of total loans and advances
Rescheduled loans and advances	26,229	0.11%	19,134	0.09%
Less: Rescheduled loans and advances overdue for more than three months	(2,281)	(0.01%)	(2,301)	(0.01%)
Rescheduled loans and advances overdue for less than three months	23,948	0.10%	16,833	0.08%

4. Exposures to non-bank entities in Chinese mainland

The Bank is a commercial bank incorporated in Chinese mainland with its banking business primarily conducted in Chinese mainland. As at 31 December 2022 and 31 December 2021, substantial amounts of the Bank's exposures arose from businesses with entities or individuals in Chinese mainland. Analyses of various types of exposures by counterparty have been disclosed in the respective notes to the financial statements.

5. Correspondence between balance sheet in published financial statements and capital composition

The disclosure of correspondence between balance sheet in published financial statements and capital composition is based on the Notice on Issuing Regulatory Documents on Capital Regulation for Commercial Banks (Yin Jian Fa [2013] No. 33) Appendix 2 Notice on Enhancing Disclosure Requirements for Composition of Capital.

(i) Capital composition

Item	31 December 2022	31 December 2021	Reference
Common equity tier 1 capital:			
1 Paid-in capital	356,407	356,407	X18
2 Retained earnings	2,654,856	2,413,631	
2a Surplus reserve	392,162	356,849	X21
2b General reserve	496,406	438,640	X22
2c Retained profits	1,766,288	1,618,142	X23
3 Accumulated other comprehensive income (and other public reserve)	127,335	129,939	
3a Capital reserve	148,174	148,597	X19
3b Other	(20,839)	(18,658)	X24
4 Valid portion to common equity tier 1 capital during the transition period (only applicable to non-joint stock companies. Fill in 0 for joint stock banks)	–	–	
5 Valid portion of minority interests	3,293	3,539	X25
6 Common equity tier 1 capital before regulatory adjustments	3,141,891	2,903,516	
Common equity tier 1 capital: Regulatory adjustments			
7 Prudential valuation adjustments	–	–	
8 Goodwill (net of deferred tax liabilities)	8,320	7,691	X16
9 Other intangible assets other than land use rights (net of deferred tax liabilities)	7,473	5,669	X14-X15
10 Deferred tax assets that rely on future profits excluding those arising from temporary differences (net of deferred tax liabilities)	–	–	
11 Cash flow hedge reserve that relates to the hedging of items that are not fair-valued on the balance sheet	(2,962)	(4,202)	X20
12 Shortfall of provision for loan impairment	–	–	
13 Gain on sales related to asset securitisation	–	–	
14 Unrealised gains and losses due to changes in own credit risk on fair-valued liabilities	–	–	
15 Defined-benefit pension fund net assets (net of deferred tax liabilities)	–	–	

Unaudited Supplementary Information to the Consolidated Financial Statements
(In RMB millions, unless otherwise stated)

Item	31 December 2022	31 December 2021	Reference
16 Direct or indirect investments in own ordinary shares	–	–	
17 Reciprocal cross-holdings in common equity tier 1 capital between banks, or between banks and other financial institutions	–	–	
18 Deductible amount of non-significant minority investments in common equity tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–	–	
19 Deductible amount of significant minority investments in common equity tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–	–	
20 Mortgage servicing rights	N/A	N/A	
21 Deferred tax assets arising from temporary differences (amount above 10% threshold, net of deferred tax liabilities)	–	–	
22 Deductible amount exceeding the 15% threshold for significant minority capital investments in common equity tier 1 capital instruments issued by financial institutions that are not subject to consolidation and undeducted portion of deferred tax assets arising from temporary differences (net of deferred tax liabilities)	–	–	
23 Including: Deductible amount of significant minority investments in common equity tier 1 capital instruments issued by financial institutions	–	–	
24 Including: Deductible amount of mortgage servicing rights	N/A	N/A	
25 Including: Deductible amount in deferred tax assets arising from temporary differences	–	–	
26a Investments in common equity tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	7,980	7,980	X11
26b Shortfall in common equity tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	–	–	
26c Other that should be deducted from common equity tier 1 capital	–	–	
27 Undeducted shortfall that should be deducted from additional tier 1 capital and tier 2 capital	–	–	
28 Total regulatory adjustments to common equity tier 1 capital	20,811	17,138	
29 Common equity tier 1 capital	3,121,080	2,886,378	
Additional tier 1 capital:			
30 Additional tier 1 capital instruments and related premiums	354,331	354,331	
31 Including: Portion classified as equity	354,331	354,331	X28+X32
32 Including: Portion classified as liabilities	–	–	

Item	31 December 2022	31 December 2021	Reference
33 Invalid instruments to additional tier 1 capital after the transition period	–	–	
34 Valid portion of minority interests	584	655	X26
35 Including: Invalid portion to additional tier 1 capital after the transition period	–	–	
36 Additional tier 1 capital before regulatory adjustments	354,915	354,986	
Additional tier 1 capital: Regulatory adjustments			
37 Direct or indirect investments in own additional tier 1 instruments	–	–	
38 Reciprocal cross-holdings in additional tier 1 capital between banks, or between banks and other financial institutions	–	–	
39 Deductible amount of non-significant minority investments in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–	–	
40 Significant minority investments in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–	–	
41a Investments in additional tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	–	–	
41b Shortfall in additional tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	–	–	
41c Other that should be deducted from additional tier 1 capital	–	–	
42 Undeducted shortfall that should be deducted from tier 2 capital	–	–	
43 Total regulatory adjustments to additional tier 1 capital	–	–	
44 Additional tier 1 capital	354,915	354,986	
45 Tier 1 capital (common equity tier 1 capital + additional tier 1 capital)	3,475,995	3,241,364	
Tier 2 capital:			
46 Tier 2 capital instruments and related premiums	528,307	418,415	X17
47 Invalid instruments to tier 2 capital after the transition period	–	20,285	
48 Valid portion of minority interests	1,013	1,116	X27
49 Including: Invalid portion to tier 2 capital after the transition period	–	–	
50 Valid portion of surplus provision for loan impairment	275,764	248,774	X02+X04
51 Tier 2 capital before regulatory adjustments	805,084	668,305	

Item	31 December 2022	31 December 2021	Reference
Tier 2 capital: Regulatory adjustments			
52 Direct or indirect investments in own tier 2 instruments	—	—	
53 Reciprocal cross-holdings in tier 2 capital between banks, or between banks and other financial institutions	—	—	
54 Deductible portion of non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	—	—	
55 Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	—	—	X31
56a Investments in tier 2 capital instruments issued by financial institutions that are under control but not subject to consolidation	—	—	
56b Shortfall in tier 2 capital instruments issued by financial institutions that are under control but not subject to consolidation	—	—	
56c Other that should be deducted from tier 2 capital	—	—	
57 Total regulatory adjustments to tier 2 capital	—	—	
58 Tier 2 capital	805,084	668,305	
59 Total capital (tier 1 capital+ tier 2 capital)	4,281,079	3,909,669	
60 Total risk-weighted assets	22,225,272	21,690,349	
Requirements for capital adequacy ratio and reserve capital			
61 Common equity tier 1 capital adequacy ratio	14.04%	13.31%	
62 Tier 1 capital adequacy ratio	15.64%	14.94%	
63 Capital adequacy ratio	19.26%	18.02%	
64 Institution specific buffer requirements	4.0%	4.0%	
65 Including: Capital conservation buffer requirements	2.5%	2.5%	
66 Including: Countercyclical buffer requirements	—	—	
67 Including: G-SIB buffer requirements	1.5%	1.5%	
68 Percentage of common equity tier 1 capital meeting buffers to risk-weighted assets	9.04%	8.31%	
Domestic minima for regulatory capital			
69 Common equity tier 1 capital adequacy ratio	5.0%	5.0%	
70 Tier 1 capital adequacy ratio	6.0%	6.0%	
71 Capital adequacy ratio	8.0%	8.0%	
Amounts below the thresholds for deduction			
72 Undeducted portion of non-significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	176,987	155,815	X05+X07+X08+ X09+X12+X29+ X30
73 Undeducted portion of significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	30,838	28,773	X06+X10+X13
74 Mortgage servicing rights (net of deferred tax liabilities)	N/A	N/A	
75 Deferred tax assets arising from temporary differences (net of deferred tax liabilities)	101,072	74,611	

Item	31 December 2022	31 December 2021	Reference
Valid caps of surplus provision for loan impairment in tier 2 capital			
76 Provision for loan impairment under the weighted approach	31,195	24,545	X01
77 Valid cap of surplus provision for loan impairment in tier 2 capital under the weighted approach	19,820	15,909	X02
78 Surplus provision for loan impairment under the internal ratings-based approach	641,029	579,219	X03
79 Valid cap of surplus provision for loan impairment in tier 2 capital under the internal ratings-based approach	255,944	232,865	X04
Capital instruments subject to phase-out arrangements			
80 Valid cap to common equity tier 1 capital instruments for the current period due to phase-out arrangements	–	–	
81 Excluded from common equity tier 1 capital due to cap	–	–	
82 Valid cap to additional tier 1 capital instruments for the current period due to phase-out arrangements	–	–	
83 Excluded from additional tier 1 capital due to cap	–	–	
84 Valid cap to tier 2 capital instruments for the current period due to phase-out arrangements	–	20,285	
85 Excluded from tier 2 capital for the current period due to cap	38,000	37,740	

(ii) Consolidated financial statements

	31 December 2022 Consolidated balance sheet as in published financial statements*	31 December 2022 Balance sheet under regulatory scope of consolidation*	31 December 2021 Consolidated balance sheet as in published financial statements*	31 December 2021 Balance sheet under regulatory scope of consolidation*
Assets				
Cash and balances with central banks	3,427,892	3,427,892	3,098,438	3,098,438
Due from banks and other financial institutions	365,625	323,131	346,457	301,191
Precious metals	273,289	273,289	265,962	265,962
Placements with banks and other financial institutions	676,879	676,879	480,693	480,693
Derivative financial assets	87,205	87,205	76,140	76,140
Reverse repurchase agreements	864,067	858,304	663,496	662,544
Loans and advances to customers	22,593,648	22,591,551	20,109,200	20,107,266
Financial investments	10,527,292	10,302,218	9,257,760	9,060,427
Financial investments measured at FVTPL	714,879	637,851	623,223	560,683
Financial investments measured at FVTOCI	2,178,018	2,115,023	1,803,604	1,743,097
Financial investments measured at amortised cost	7,634,395	7,549,344	6,830,933	6,756,647
Long-term equity investments	65,878	73,858	61,782	69,762
Fixed assets	274,839	274,771	270,017	269,952
Construction in progress	17,072	17,002	18,182	18,172
Deferred tax assets	101,600	101,072	79,259	79,259
Other assets	334,371	328,887	443,997	430,485
Total assets	39,609,657	39,336,059	35,171,383	34,920,291
Liabilities				
Due to central banks	145,781	145,781	39,723	39,723
Due to banks and other financial institutions	2,664,901	2,664,901	2,431,689	2,431,689
Placements from banks and other financial institutions	520,663	520,663	489,340	489,340
Financial liabilities measured at FVTPL	64,126	64,126	87,180	87,180
Derivative financial liabilities	96,350	96,350	71,337	71,337
Repurchase agreements	574,778	573,279	365,943	351,049
Certificates of deposit	375,452	375,452	290,342	290,342
Due to customers	29,870,491	29,870,491	26,441,774	26,441,774
Employee benefits payable	49,413	49,034	41,083	40,659
Taxes payable	102,074	102,031	108,897	108,871
Debt securities issued	905,953	900,807	791,375	791,375
Deferred tax liabilities	3,800	3,706	5,624	4,648
Other liabilities	722,049	464,748	731,818	508,191
Total liabilities	36,095,831	35,831,369	31,896,125	31,656,178

(*) Prepared in accordance with PRC GAAP.

Unaudited Supplementary Information to the Consolidated Financial Statements
(In RMB millions, unless otherwise stated)

	31 December 2022 Consolidated balance sheet as in published financial statements*	31 December 2022 Balance sheet under regulatory scope of consolidation*	31 December 2021 Consolidated balance sheet as in published financial statements*	31 December 2021 Balance sheet under regulatory scope of consolidation*
Equity				
Share capital	356,407	356,407	356,407	356,407
Other equity instruments	354,331	354,331	354,331	354,331
Preference shares	134,614	134,614	134,614	134,614
Perpetual bonds	219,717	219,717	219,717	219,717
Capital reserve	148,174	148,174	148,597	148,597
Other comprehensive income	(20,484)	(20,839)	(18,343)	(18,658)
Surplus reserve	392,487	392,162	357,169	356,849
General reserve	496,719	496,406	438,952	438,640
Retained profits	1,767,537	1,766,288	1,620,642	1,618,142
Equity attributable to equity holders of the parent company	3,495,171	3,492,929	3,257,755	3,254,308
Minority interests	18,655	11,761	17,503	9,805
Total equity	3,513,826	3,504,690	3,275,258	3,264,113

(*) Prepared in accordance with PRC GAAP.

(iii) Description of related items

Item	31 December 2022 Balance sheet under regulatory scope of consolidation	Reference
Loans and advances to customers	22,591,551	
Total loans and advances to customers	23,263,775	
Less: Provision for loan impairment under the weighted approach	31,195	X01
Including: Valid cap of surplus provision for loan impairment in tier 2 capital under the weighted approach	19,820	X02
Less: Provision for loan impairment under the internal ratings-based approach	641,029	X03
Including: Valid cap of surplus provision for loan impairment in tier 2 capital under the internal ratings-based approach	255,944	X04
Financial investments		
Financial investments measured at FVTPL	637,851	
Including: Non-significant minority investments in common equity tier 1 capital instruments issued by financial institutions that are not subject to consolidation	57	X05
Including: Significant minority investments in common equity tier 1 capital instruments issued by financial institutions that are not subject to consolidation	130	X06
Including: Non-significant minority investments in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation	63	X07
Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	159,641	X08

Unaudited Supplementary Information to the Consolidated Financial Statements
(In RMB millions, unless otherwise stated)

Item	31 December 2022 Balance sheet under regulatory scope of consolidation	Reference
Financial investments measured at FVTOCI	2,115,023	
Including: Non-significant minority investments in common equity tier 1 capital instruments issued by financial institutions that are not subject to consolidation	14,516	X09
Including: Significant minority investments in common equity tier 1 capital instruments issued by financial institutions that are not subject to consolidation	2,625	X10
Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	–	X29
Financial investments measured at amortised cost	7,549,344	
Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	–	X30
Including: Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	–	X31
Long-term equity investments	73,858	
Including: Investments in common equity tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	7,980	X11
Including: Undeducted portion of non-significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	2,710	X12
Including: Undeducted portion of significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	28,083	X13
Other assets	328,887	
Interest receivable	2,941	
Intangible assets	22,320	X14
Including: Land use rights	14,847	X15
Other receivables	154,823	
Goodwill	8,320	X16
Long-term deferred expenses	6,604	
Reposessed assets	3,405	
Other	130,474	
Debt securities issued	900,807	
Including: Valid portion of tier 2 capital instruments and their premiums	528,307	X17
Share capital	356,407	X18
Other equity instruments	354,331	
Including: Preference shares	134,614	X28
Including: Perpetual bonds	219,717	X32
Capital reserve	148,174	X19

Item	31 December 2022	
	Balance sheet under regulatory scope of consolidation	Reference
Other comprehensive income	(20,839)	X24
Reserve for changes in fair value of financial assets	533	
Reserve for cash flow hedging	(2,987)	
Including: Cash flow hedging reserve that relates to the hedging of items that are not fair-valued on the balance sheet	(2,962)	X20
Changes in share of other owners' equity of associates and joint ventures	(582)	
Foreign currency translation reserve	(17,457)	
Other	(346)	
Surplus reserve	392,162	X21
General reserve	496,406	X22
Retained profits	1,766,288	X23
Minority interests	11,761	
Including: Valid portion of common equity tier 1 capital	3,293	X25
Including: Valid portion of additional tier 1 capital	584	X26
Including: Valid portion of tier 2 capital	1,013	X27

(iv) Main features of eligible capital instruments

Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Domestic)	Preference shares (Domestic)
Issuer	The Bank	The Bank	The Bank	The Bank
Unique identifier	601398	1398	360011	360036
Governing law(s) of the instrument	Securities Law of the People's Republic of China/China	Securities and Futures Ordinance of Hong Kong/ Hong Kong SAR, China	Company Law of the People's Republic of China, Securities Law of the People's Republic of China, Guidance of the State Council on Launch of Preference Shares Pilot, Trial Administrative Measures on Preference Shares, Guidance on the Issuance of Preference Shares of Commercial Banks to Replenish Tier 1 Capital/China	Company Law of the People's Republic of China, Securities Law of the People's Republic of China, Guidance of the State Council on Launch of Preference Shares Pilot, Trial Administrative Measures on Preference Shares, Guidance on the Issuance of Preference Shares of Commercial Banks to Replenish Tier 1 Capital/China
Regulatory treatment				
Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Common equity tier 1 capital	Common equity tier 1 capital	Additional tier 1 capital	Additional tier 1 capital
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Common equity tier 1 capital	Common equity tier 1 capital	Additional tier 1 capital	Additional tier 1 capital
Including: Eligible to the parent company/group level	Parent company/Group	Parent company/Group	Parent company/Group	Parent company/Group

Unaudited Supplementary Information to the Consolidated Financial Statements
(In RMB millions, unless otherwise stated)

Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Domestic)	Preference shares (Domestic)
Instrument type	Common equity tier 1 capital instrument	Common equity tier 1 capital instrument	Additional tier 1 capital instrument	Additional tier 1 capital instrument
Amount recognised in regulatory capital (in millions, as at the latest reporting date)	RMB336,554	RMB168,374	RMB44,947	RMB69,981
Par value of instrument (in millions)	RMB269,612	RMB86,795	RMB45,000	RMB70,000
Accounting treatment	Share capital, capital reserve	Share capital, capital reserve	Other equity	Other equity
Original date of issuance	19 October 2006	19 October 2006	18 November 2015	19 September 2019
Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual
Including: Original maturity date	No maturity date	No maturity date	No maturity date	No maturity date
Issuer call (subject to prior supervisory approval)	No	No	Yes	Yes
Including: Optional call date, contingent call dates and redemption amount	N/A	N/A	The First Redemption Date is 18 November 2020, in full or partial amount	The First Redemption Date is 24 September 2024, in full or partial amount
Including: Subsequent call dates, if applicable	N/A	N/A	Commences on the First Redemption Date (18 November 2020) and ends on the completion date of redemption or conversion of all the Domestic Preference Shares	Commences on the First Redemption Date (24 September 2024) and ends on the completion date of redemption or conversion of all the Domestic Preference Shares
Coupons/dividends				
Including: Fixed or floating dividend/coupon	Floating	Floating	Fixed to floating	Fixed to floating
Including: Coupon rate and any related index	N/A	N/A	4.5% (dividend rate) before 23 November 2020, 4.58% (dividend rate) between 23 November 2020 and 22 November 2025	4.2% (dividend rate) before 24 September 2024
Including: Existence of a dividend stopper	N/A	N/A	Yes	Yes
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
Including: Redemption incentive mechanism	No	No	No	No
Including: Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	No	No	Yes	Yes
Including: If convertible, conversion trigger(s)	N/A	N/A	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event
Including: If convertible, fully or partially	N/A	N/A	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; fully convertible when a Tier 2 Capital Trigger Event occurs	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; fully convertible when a Tier 2 Capital Trigger Event occurs
Including: If convertible, conversion rate	N/A	N/A	The initial conversion price is equal to the average trading price of the A shares of the Bank for the 20 trading days preceding 25 July 2014, the date of publication of the Board resolution in respect of the issuance plan	The initial conversion price is equal to the average trading price of the A shares of the Bank for the 20 trading days preceding 30 August 2018, the date of publication of the Board resolution in respect of the issuance plan
Including: If convertible, mandatory or optional conversion	N/A	N/A	Mandatory	Mandatory

Unaudited Supplementary Information to the Consolidated Financial Statements
(In RMB millions, unless otherwise stated)

Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Domestic)	Preference shares (Domestic)
Including: If convertible, specify instrument type convertible into	N/A	N/A	Common equity tier 1 capital	Common equity tier 1 capital
Including: If convertible, specify issuer of instrument it converts into	N/A	N/A	The Bank	The Bank
Write-down feature	No	No	No	No
Including: If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A
Including: If write-down, full or partial	N/A	N/A	N/A	N/A
Including: If write-down, permanent or temporary	N/A	N/A	N/A	N/A
Including: If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to depositor, general creditor, creditor of the subordinated debts and preference shareholders	Subordinated to depositor, general creditor, creditor of the subordinated debts and preference shareholders	Subordinated to deposits, general debts, subordinated debts, tier 2 capital bonds and undated additional tier 1 capital bonds	Subordinated to deposits, general debts, subordinated debts, tier 2 capital bonds and undated additional tier 1 capital bonds
Non-compliant transitioned features	No	No	No	No
Including: If yes, specify non-compliant features	N/A	N/A	N/A	N/A

Main features of regulatory capital instrument	Preference shares (Offshore)	Undated additional tier 1 capital bonds (Domestic)	Undated additional tier 1 capital bonds (Domestic)	Undated additional tier 1 capital bonds (Offshore)
Issuer	The Bank	The Bank	The Bank	The Bank
Unique identifier	4620	1928018	2128021	Regulation S ISIN: XS2383421711
Governing law(s) of the instrument	The creation and issue of the Offshore Preference Shares and the rights and obligations (including non-contractual rights and obligations) attached to them are governed by, and shall be construed in accordance with, PRC law	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents/China	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents/China	The Notes and any other non-contractual obligations arising out of or in connection with them shall be governed by and construed in accordance with English law. However, the provisions in the terms and conditions of the Notes relating to subordination of the Notes shall be governed by and construed in accordance with PRC law and regulations
Regulatory treatment				
Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital
Including: Eligible to the parent company/group level	Parent company/Group	Parent company/Group	Parent company/Group	Parent company/Group
Instrument type	Additional tier 1 capital instrument	Additional tier 1 capital instrument	Additional tier 1 capital instrument	Additional tier 1 capital instrument
Amount recognised in regulatory capital (in millions, as at the latest reporting date)	RMB equivalent 19,687	RMB79,987	RMB69,992	RMB equivalent 39,742
Par value of instrument (in millions)	USD2,900	RMB80,000	RMB70,000	USD6,160
Accounting treatment	Other equity	Other equity	Other equity	Other equity
Original date of issuance	23 September 2020	26 July 2019	4 June 2021	24 September 2021

Unaudited Supplementary Information to the Consolidated Financial Statements
(In RMB millions, unless otherwise stated)

Main features of regulatory capital instrument	Preference shares (Offshore)	Undated additional tier 1 capital bonds (Domestic)	Undated additional tier 1 capital bonds (Domestic)	Undated additional tier 1 capital bonds (Offshore)
Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual
Including: Original maturity date	No maturity date	No maturity date	No maturity date	No maturity date
Issuer call (subject to prior supervisory approval)	Yes	Yes	Yes	Yes
Including: Optional call date, contingent call dates and redemption amount	The First Redemption Date is 23 September 2025, in full or partial amount	The First Redemption Date is 30 July 2024, in full or partial amount	The First Redemption Date is 8 June 2026, in full or partial amount	The First Redemption Date is 24 September 2026, in full or partial amount
Including: Subsequent call dates, if applicable	23 September in each year after the First Redemption Date	Redemption of present bonds in full or in part on each Distribution Payment Date since the First Redemption Date (30 July 2024). The Issuer has the right to redeem the present bonds in full rather than in part if the present bonds are no longer qualified as additional tier 1 capital after they are issued due to unpredictable changes in regulatory rules	Redemption of present bonds in full or in part on each Distribution Payment Date since the First Redemption Date (8 June 2026). The Issuer has the right to redeem the present bonds in full rather than in part if the present bonds are no longer qualified as additional tier 1 capital after they are issued due to unpredictable changes in regulatory rules	Redemption of present bonds in full or in part on each Distribution Payment Date since the First Redemption Date (24 September 2026). The Issuer has the right to redeem the present bonds in full rather than in part if the present bonds are no longer qualified as additional tier 1 capital after they are issued due to unpredictable changes in regulatory rules
Coupons/dividends				
Including: Fixed or floating dividend/coupon	Fixed to floating	Fixed to floating	Fixed to floating	Fixed to floating
Including: Coupon rate and any related index	3.58% (dividend rate) before 23 September 2025	4.45% (interest rate) before 30 July 2024	4.04% (interest rate) before 8 June 2026	3.20% (interest rate) before 24 September 2026
Including: Existence of a dividend stopper	Yes	Yes	Yes	Yes
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
Including: Redemption incentive mechanism	No	No	No	No
Including: Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Yes	No	No	No
Including: If convertible, conversion trigger(s)	Non-viability Trigger Event	N/A	N/A	N/A
Including: If convertible, fully or partially	Fully or partially convertible when a Non-viability Trigger Event occurs	N/A	N/A	N/A
Including: If convertible, conversion rate	The initial conversion price is equal to the average trading price of the H shares of the Bank for the 20 trading days preceding 30 August 2018, the date of publication of the Board resolution in respect of the issuance plan	N/A	N/A	N/A
Including: If convertible, mandatory or optional conversion	Mandatory	N/A	N/A	N/A
Including: If convertible, specify instrument type convertible into	Common equity tier 1 capital	N/A	N/A	N/A
Including: If convertible, specify issuer of instrument it converts into	The Bank	N/A	N/A	N/A

Unaudited Supplementary Information to the Consolidated Financial Statements
(In RMB millions, unless otherwise stated)

Main features of regulatory capital instrument	Preference shares (Offshore)	Undated additional tier 1 capital bonds (Domestic)	Undated additional tier 1 capital bonds (Domestic)	Undated additional tier 1 capital bonds (Offshore)
Write-down feature	No	Yes	Yes	Yes
Including: If write-down, write-down trigger(s)	N/A	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event	Non-viability Trigger Event	Non-viability Trigger Event
Including: If write-down, full or partial	N/A	Full or partial write-down when an Additional Tier 1 Capital Trigger Event occurs; full write-down when a Tier 2 Capital Trigger Event occurs	Full or partial write-down when a Non-viability Trigger Event occurs	Full or partial write-down when a Non-viability Trigger Event occurs
Including: If write-down, permanent or temporary	N/A	Permanent write-down	Permanent write-down	Permanent write-down
Including: If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to deposits, general debts, subordinated debts, tier 2 capital bonds and undated additional tier 1 capital bonds	Subordinated to deposits, general debts, subordinated debts and tier 2 capital bonds	Subordinated to deposits, general debts, subordinated debts and tier 2 capital bonds	Subordinated to deposits, general debts, subordinated debts and tier 2 capital bonds
Non-compliant transitioned features	No	No	No	No
Including: If yes, specify non-compliant features	N/A	N/A	N/A	N/A

Main features of regulatory capital instrument	Undated additional tier 1 capital bonds (Domestic)	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Issuer	The Bank	The Bank	The Bank	The Bank
Unique identifier	2128044	Rule 144A ISIN: US455881AD47 Regulation S ISIN: USY39656AC06	1928006	1928007
Governing law(s) of the instrument	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents/China	The Notes and the Fiscal Agency Agreement shall be governed by, and shall be construed in accordance with New York law, except that the provisions of the Notes relating to subordination shall be governed by, and construed in accordance with PRC law	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents
Regulatory treatment				
Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Additional tier 1 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Additional tier 1 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Eligible to the parent company/group level	Parent company/Group	Parent company/Group	Parent company/Group	Parent company/Group
Instrument type	Additional tier 1 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument

Unaudited Supplementary Information to the Consolidated Financial Statements
(In RMB millions, unless otherwise stated)

Main features of regulatory capital instrument	Undated additional tier 1 capital bonds (Domestic)	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Amount recognised in regulatory capital (in millions, as at the latest reporting date)	RMB29,997	RMB equivalent 8,307	RMB45,000	RMB10,000
Par value of instrument (in millions)	RMB30,000	USD2,000	RMB45,000	RMB10,000
Accounting treatment	Other equity	Debt securities issued	Debt securities issued	Debt securities issued
Original date of issuance	24 November 2021	21 September 2015	21 March 2019	21 March 2019
Perpetual or dated	Perpetual	Dated	Dated	Dated
Including: Original maturity date	No maturity date	21 September 2025	25 March 2029	25 March 2034
Issuer call (subject to prior supervisory approval)	Yes	No	Yes	Yes
Including: Optional call date, contingent call dates and redemption amount	The First Redemption Date is 26 November 2026 in full or partial amount	N/A	25 March 2024, in full amount	25 March 2029, in full amount
Including: Subsequent call dates, if applicable	Redemption of present bonds in full or in part on each Distribution Payment Date since the First Redemption Date (26 November 2026). The Issuer has the right to redeem the present bonds in full rather than in part if the present bonds are no longer qualified as additional tier 1 capital after they are issued due to unpredictable changes in regulatory rules	N/A	N/A	N/A
Coupons/dividends				
Including: Fixed or floating dividend/coupon	Fixed to floating	Fixed	Fixed	Fixed
Including: Coupon rate and any related index	3.65% (interest rate) before 26 November 2026	4.875%	4.26%	4.51%
Including: Existence of a dividend stopper	Yes	No	No	No
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Fully discretionary	Mandatory	Mandatory	Mandatory
Including: Redemption incentive mechanism	No	No	No	No
Including: Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	No	No	No	No
Including: If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A
Including: If convertible, fully or partially	N/A	N/A	N/A	N/A
Including: If convertible, conversion rate	N/A	N/A	N/A	N/A
Including: If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A
Including: If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A
Including: If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A

Unaudited Supplementary Information to the Consolidated Financial Statements
(In RMB millions, unless otherwise stated)

Main features of regulatory capital instrument	Undated additional tier 1 capital bonds (Domestic)	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Write-down feature	Yes	Yes	Yes	Yes
Including: If write-down, write-down trigger(s)	Non-viability Trigger Event	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable
Including: If write-down, full or partial	Full or partial write-down when a Non-viability Trigger Event occurs	Partial or full write-down	Partial or full write-down	Partial or full write-down
Including: If write-down, permanent or temporary	Permanent write-down	Permanent write-down	Permanent write-down	Permanent write-down
Including: If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to deposits, general debts, subordinated debts and tier 2 capital bonds	Subordinated to depositor and general creditor, pari passu with other subordinated debts	Subordinated to depositor and general creditor; but senior to equity capital, additional tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositor and general creditor; but senior to equity capital, additional tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds
Non-compliant transitioned features	No	No	No	No
Including: If yes, specify non-compliant features	N/A	N/A	N/A	N/A

Unaudited Supplementary Information to the Consolidated Financial Statements
(In RMB millions, unless otherwise stated)

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Issuer	The Bank	The Bank	The Bank	The Bank
Unique identifier	1928011	1928012	2028041	2028049
Governing law(s) of the instrument	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents
Regulatory treatment				
Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Eligible to the parent company/group level	Parent company/Group	Parent company/Group	Parent company/Group	Parent company/Group
Instrument type	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
Amount recognised in regulatory capital (in millions, as at the latest reporting date)	RMB45,000	RMB10,000	RMB60,000	RMB30,000
Par value of instrument (in millions)	RMB45,000	RMB10,000	RMB60,000	RMB30,000
Accounting treatment	Debt securities issued	Debt securities issued	Debt securities issued	Debt securities issued
Original date of issuance	24 April 2019	24 April 2019	22 September 2020	12 November 2020
Perpetual or dated	Dated	Dated	Dated	Dated
Including: Original maturity date	26 April 2029	26 April 2034	24 September 2030	16 November 2030
Issuer call (subject to prior supervisory approval)	Yes	Yes	Yes	Yes
Including: Optional call date, contingent call dates and redemption amount	26 April 2024, in full amount	26 April 2029, in full amount	24 September 2025, in full amount	16 November 2025, in full amount
Including: Subsequent call dates, if applicable	N/A	N/A	N/A	N/A
Coupons/dividends				
Including: Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed
Including: Coupon rate and any related index	4.40%	4.69%	4.20%	4.15%
Including: Existence of a dividend stopper	No	No	No	No
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Mandatory	Mandatory	Mandatory	Mandatory
Including: Redemption incentive mechanism	No	No	No	No
Including: Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative

Unaudited Supplementary Information to the Consolidated Financial Statements
(In RMB millions, unless otherwise stated)

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Convertible or non-convertible	No	No	No	No
Including: If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A
Including: If convertible, fully or partially	N/A	N/A	N/A	N/A
Including: If convertible, conversion rate	N/A	N/A	N/A	N/A
Including: If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A
Including: If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A
Including: If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A
Write-down feature	Yes	Yes	Yes	Yes
Including: If write-down, write-down trigger(s)	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable
Including: If write-down, full or partial	Partial or full write-down	Partial or full write-down	Partial or full write-down	Partial or full write-down
Including: If write-down, permanent or temporary	Permanent write-down	Permanent write-down	Permanent write-down	Permanent write-down
Including: If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to depositor and general creditor; but senior to equity capital, additional tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositor and general creditor; but senior to equity capital, additional tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositor and general creditor; but senior to equity capital, additional tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositor and general creditor; but senior to equity capital, additional tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds
Non-compliant transitioned features	No	No	No	No
Including: If yes, specify non-compliant features	N/A	N/A	N/A	N/A

Unaudited Supplementary Information to the Consolidated Financial Statements
(In RMB millions, unless otherwise stated)

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Issuer	The Bank	The Bank	The Bank	The Bank
Unique identifier	2028050	2128002	2128051	2128052
Governing law(s) of the instrument	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents
Regulatory treatment				
Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Eligible to the parent company/group level	Parent company/Group	Parent company/Group	Parent company/Group	Parent company/Group
Instrument type	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
Amount recognised in regulatory capital (in millions, as at the latest reporting date)	RMB10,000	RMB30,000	RMB50,000	RMB10,000
Par value of instrument (in millions)	RMB10,000	RMB30,000	RMB50,000	RMB10,000
Accounting treatment	Debt securities issued	Debt securities issued	Debt securities issued	Debt securities issued
Original date of issuance	12 November 2020	19 January 2021	13 December 2021	13 December 2021
Perpetual or dated	Dated	Dated	Dated	Dated
Including: Original maturity date	16 November 2035	21 January 2031	15 December 2031	15 December 2036
Issuer call (subject to prior supervisory approval)	Yes	Yes	Yes	Yes
Including: Optional call date, contingent call dates and redemption amount	16 November 2030, in full amount	21 January 2026, in full amount	15 December 2026, in full amount	15 December 2031, in full amount
Including: Subsequent call dates, if applicable	N/A	N/A	N/A	N/A
Coupons/dividends				
Including: Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed
Including: Coupon rate and any related index	4.45%	4.15%	3.48%	3.74%
Including: Existence of a dividend stopper	No	No	No	No
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Mandatory	Mandatory	Mandatory	Mandatory
Including: Redemption incentive mechanism	No	No	No	No
Including: Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative

Unaudited Supplementary Information to the Consolidated Financial Statements
(In RMB millions, unless otherwise stated)

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Convertible or non-convertible	No	No	No	No
Including: If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A
Including: If convertible, fully or partially	N/A	N/A	N/A	N/A
Including: If convertible, conversion rate	N/A	N/A	N/A	N/A
Including: If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A
Including: If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A
Including: If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A
Write-down feature	Yes	Yes	Yes	Yes
Including: If write-down, write-down trigger(s)	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable
Including: If write-down, full or partial	Partial or full write-down	Partial or full write-down	Partial or full write-down	Partial or full write-down
Including: If write-down, permanent or temporary	Permanent write-down	Permanent write-down	Permanent write-down	Permanent write-down
Including: If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to depositor and general creditor; but senior to equity capital, additional tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositor and general creditor; but senior to equity capital, additional tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositor and general creditor; but senior to equity capital, additional tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositor and general creditor; but senior to equity capital, additional tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds
Non-compliant transitioned features	No	No	No	No
Including: If yes, specify non-compliant features	N/A	N/A	N/A	N/A

Unaudited Supplementary Information to the Consolidated Financial Statements
(In RMB millions, unless otherwise stated)

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Issuer	The Bank	The Bank	The Bank	The Bank
Unique identifier	2228004	2228005	2228024	2228025
Governing law(s) of the instrument	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents
Regulatory treatment				
Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Eligible to the parent company/group level	Parent company/Group	Parent company/Group	Parent company/Group	Parent company/Group
Instrument type	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
Amount recognised in regulatory capital (in millions, as at the latest reporting date)	RMB35,000	RMB5,000	RMB45,000	RMB5,000
Par value of instrument (in millions)	RMB35,000	RMB5,000	RMB45,000	RMB5,000
Accounting treatment	Debt securities issued	Debt securities issued	Debt securities issued	Debt securities issued
Original date of issuance	18 January 2022	18 January 2022	12 April 2022	12 April 2022
Perpetual or dated	Dated	Dated	Dated	Dated
Including: Original maturity date	20 January 2032	20 January 2037	14 April 2032	14 April 2037
Issuer call (subject to prior supervisory approval)	Yes	Yes	Yes	Yes
Including: Optional call date, contingent call dates and redemption amount	20 January 2027, in full amount	20 January 2032, in full amount	14 April 2027, in full amount	14 April 2032, in full amount
Including: Subsequent call dates, if applicable	N/A	N/A	N/A	N/A
Coupons/dividends				
Including: Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed
Including: Coupon rate and any related index	3.28%	3.60%	3.50%	3.74%
Including: Existence of a dividend stopper	No	No	No	No
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Mandatory	Mandatory	Mandatory	Mandatory
Including: Redemption incentive mechanism	No	No	No	No
Including: Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative

Unaudited Supplementary Information to the Consolidated Financial Statements
(In RMB millions, unless otherwise stated)

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Convertible or non-convertible	No	No	No	No
Including: If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A
Including: If convertible, fully or partially	N/A	N/A	N/A	N/A
Including: If convertible, conversion rate	N/A	N/A	N/A	N/A
Including: If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A
Including: If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A
Including: If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A
Write-down feature	Yes	Yes	Yes	Yes
Including: If write-down, write-down trigger(s)	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable
Including: If write-down, full or partial	Partial or full write-down	Partial or full write-down	Partial or full write-down	Partial or full write-down
Including: If write-down, permanent or temporary	Permanent write-down	Permanent write-down	Permanent write-down	Permanent write-down
Including: If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to depositor and general creditor; but senior to equity capital, additional tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositor and general creditor; but senior to equity capital, additional tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositor and general creditor; but senior to equity capital, additional tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositor and general creditor; but senior to equity capital, additional tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds
Non-compliant transitioned features	No	No	No	No
Including: If yes, specify non-compliant features	N/A	N/A	N/A	N/A

Unaudited Supplementary Information to the Consolidated Financial Statements
(In RMB millions, unless otherwise stated)

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Issuer	The Bank	The Bank	The Bank	The Bank
Unique identifier	092280065	092280066	092280134	092280135
Governing law(s) of the instrument	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents
Regulatory treatment				
Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Eligible to the parent company/group level	Parent company/Group	Parent company/Group	Parent company/Group	Parent company/Group
Instrument type	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
Amount recognised in regulatory capital (in millions, as at the latest reporting date)	RMB30,000	RMB10,000	RMB50,000	RMB10,000
Par value of instrument (in millions)	RMB30,000	RMB10,000	RMB50,000	RMB10,000
Accounting treatment	Debt securities issued	Debt securities issued	Debt securities issued	Debt securities issued
Original date of issuance	18 August 2022	18 August 2022	8 November 2022	8 November 2022
Perpetual or dated	Dated	Dated	Dated	Dated
Including: Original maturity date	22 August 2032	22 August 2037	10 November 2032	10 November 2037
Issuer call (subject to prior supervisory approval)	Yes	Yes	Yes	Yes
Including: Optional call date, contingent call dates and redemption amount	22 August 2027, in full amount	22 August 2032, in full amount	10 November 2027, in full amount	10 November 2032, in full amount
Including: Subsequent call dates, if applicable	N/A	N/A	N/A	N/A
Coupons/dividends				
Including: Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed
Including: Coupon rate and any related index	3.02%	3.32%	3.00%	3.34%
Including: Existence of a dividend stopper	No	No	No	No
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Mandatory	Mandatory	Mandatory	Mandatory
Including: Redemption incentive mechanism	No	No	No	No
Including: Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative

Unaudited Supplementary Information to the Consolidated Financial Statements
(In RMB millions, unless otherwise stated)

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Convertible or non-convertible	No	No	No	No
Including: If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A
Including: If convertible, fully or partially	N/A	N/A	N/A	N/A
Including: If convertible, conversion rate	N/A	N/A	N/A	N/A
Including: If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A
Including: If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A
Including: If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A
Write-down feature	Yes	Yes	Yes	Yes
Including: If write-down, write-down trigger(s)	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable
Including: If write-down, full or partial	Partial or full write-down	Partial or full write-down	Partial or full write-down	Partial or full write-down
Including: If write-down, permanent or temporary	Permanent write-down	Permanent write-down	Permanent write-down	Permanent write-down
Including: If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to depositor and general creditor; but senior to equity capital, additional tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositor and general creditor; but senior to equity capital, additional tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositor and general creditor; but senior to equity capital, additional tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositor and general creditor; but senior to equity capital, additional tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds
Non-compliant transitioned feature	No	No	No	No
Including: If yes, specify non-compliant features	N/A	N/A	N/A	N/A

Unaudited Supplementary Information to the Consolidated Financial Statements
(In RMB millions, unless otherwise stated)

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds
Issuer	The Bank	The Bank
Unique identifier	232280007	232280008
Governing law(s) of the instrument	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents
Regulatory treatment		
Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital
Including: Eligible to the parent company/group level	Parent company/Group	Parent company/Group
Instrument type	Tier 2 capital instrument	Tier 2 capital instrument
Amount recognised in regulatory capital (in millions, as at the latest reporting date)	RMB25,000	RMB5,000
Par value of instrument (in millions)	RMB25,000	RMB5,000
Accounting treatment	Debt securities issued	Debt securities issued
Original date of issuance	20 December 2022	20 December 2022
Perpetual or dated	Dated	Dated
Including: Original maturity date	22 December 2032	22 December 2037
Issuer call (subject to prior supervisory approval)	Yes	Yes
Including: Optional call date, contingent call dates and redemption amount	22 December 2027, in full amount	22 December 2032, in full amount
Including: Subsequent call dates, if applicable	N/A	N/A
Coupons/dividends		
Including: Fixed or floating dividend/coupon	Fixed	Fixed
Including: Coupon rate and any related index	3.70%	3.85%
Including: Existence of a dividend stopper	No	No
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Mandatory	Mandatory
Including: Redemption incentive mechanism	No	No
Including: Non-cumulative or cumulative	Non-cumulative	Non-cumulative

Unaudited Supplementary Information to the Consolidated Financial Statements
(In RMB millions, unless otherwise stated)

Main features of regulatory capital instrument	Tier 2 capital bonds	
Convertible or non-convertible	No	No
Including: If convertible, conversion trigger(s)	N/A	N/A
Including: If convertible, fully or partially	N/A	N/A
Including: If convertible, conversion rate	N/A	N/A
Including: If convertible, mandatory or optional conversion	N/A	N/A
Including: If convertible, specify instrument type convertible into	N/A	N/A
Including: If convertible, specify issuer of instrument it converts into	N/A	N/A
Write-down feature	Yes	Yes
Including: If write-down, write-down trigger(s)	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable
Including: If write-down, full or partial	Partial or full write-down	Partial or full write-down
Including: If write-down, permanent or temporary	Permanent write-down	Permanent write-down
Including: If temporary write-down, description of write-up mechanism	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to depositor and general creditor; but senior to equity capital, additional tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositor and general creditor; but senior to equity capital, additional tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds
Non-compliant transitioned features	No	No
Including: If yes, specify non-compliant features	N/A	N/A

6. Disclosure of Leverage Ratio

The following information is disclosed in accordance with the Administrative Measures for Leverage Ratio of Commercial Banks (Revised) (CBRC No.1, 2015).

(i) Correspondence between Regulatory Leverage Ratio Items and Accounting Items and their differences

S/N	Item	31 December 2022	31 December 2021
1	Total consolidated assets as per published financial statements	39,609,657	35,171,383
2	Consolidated adjustments for accounting purposes but outside the scope of regulatory consolidation	(273,598)	(251,092)
3	Adjustments for fiduciary assets	–	–
4	Adjustments for derivative financial instruments	97,074	104,865
5	Adjustment for securities financing transactions	39,728	40,027
6	Adjustment for off-balance sheet items	2,328,504	2,244,477
7	Other adjustments	(20,811)	(17,138)
8	Balance of adjusted on- and off-balance sheet assets	41,780,554	37,292,522

(ii) Leverage Ratio, Net Tier 1 Capital, Balance of Adjusted On- and Off-balance Sheet Assets and Related Information

S/N	Item	31 December 2022	31 December 2021
1	On-balance sheet items (excluding derivatives and SFTs)	38,689,986	34,436,056
2	Less: Asset amounts deducted in determining Basel III tier 1 capital	(20,811)	(17,138)
3	Balance of adjusted on-balance sheet assets (excluding derivatives and SFTs)	38,669,175	34,418,918
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	94,240	84,898
5	Add-on amounts for PFE associated with all derivatives transactions	84,921	91,940
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	–	–
7	Less: Deductions of receivables assets for cash variation margin provided in derivatives transactions	–	–
8	Less: Exempted CCP leg of client-cleared trade exposures	(58)	(128)
9	Effective notional amount of written credit derivatives	25,369	37,702
10	Less: Adjusted effective notional deductions for written credit derivatives	(20,193)	(33,407)
11	Total derivative exposures	184,279	181,005
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	558,868	408,095
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
14	CCR exposure for SFT assets	39,728	40,027
15	Agent transaction exposures	–	–
16	Total securities financing transaction exposures	598,596	448,122
17	Off-balance sheet exposure at gross notional amount	7,056,225	6,328,760
18	Less: Adjustments for conversion to credit equivalent amounts	(4,727,721)	(4,084,283)
19	Balance of adjusted off-balance sheet assets	2,328,504	2,244,477
20	Net tier 1 capital	3,475,995	3,241,364
21	Balance of adjusted on- and off-balance sheet assets	41,780,554	37,292,522
22	Leverage ratio	8.32%	8.69%

7. Quantitative Information Disclosure of Liquidity Coverage Ratio Using Advanced Capital Management Approach

The Group discloses liquidity coverage ratio using Advanced Capital Management Approach in accordance with Measures for the Disclosure of Information on Liquidity Coverage Ratio by Commercial Banks (Yin Jian Fa [2015] No. 52).

S/N	Item	Fourth-quarter 2022	
		Total unweighted value	Total weighted value
	High-quality liquid assets		
1	Total high-quality liquid assets (HQLA)		6,660,490
	Cash outflows		
2	Retail deposits and deposits from small business customers of which:	15,130,987	1,509,558
3	Stable deposits	55,650	2,024
4	Less stable deposits	15,075,337	1,507,534
5	Unsecured wholesale funding, of which:	16,495,064	5,569,319
6	Operational deposits (excluding those generated from correspondent banking activities)	9,465,040	2,300,066
7	Non-operational deposits (all counterparties)	6,959,050	3,198,279
8	Unsecured debt	70,974	70,974
9	Secured funding		9,077
10	Additional requirements, of which:	3,427,024	1,416,587
11	Outflows related to derivative exposures and other collateral requirements	1,243,785	1,243,785
12	Outflows related to loss of funding on debt products	–	–
13	Credit and liquidity facilities	2,183,239	172,802
14	Other contractual funding obligations	83,877	83,845
15	Other contingent funding obligations	5,775,330	106,549
16	Total cash outflows		8,694,935
	Cash inflows		
17	Secured lending (including reverse repos and securities borrowing)	852,446	591,084
18	Inflows from fully performing exposures	1,889,237	1,241,478
19	Other cash inflows	1,226,288	1,224,325
20	Total cash inflows	3,967,971	3,056,887
			Total Adjusted Value
21	Total HQLA		6,660,490
22	Total net cash outflows		5,638,048
23	Liquidity coverage ratio (%)		118.27%

Data of the above table are the simple arithmetic average of the 92 calendar days' figures of the recent quarter.

8. Quantitative Information Disclosure of Net Stable Funding Ratio (NSFR) Using Advanced Capital Management Approach

The Group discloses net stable funding ratio information in accordance with Measures for the Disclosure of Information on Net Stable Funding Ratio by Commercial Banks (Yin Bao Jian Fa [2019] No. 11).

		31 December 2022				
		Unweighted value				
		6 months				
No.	Item	No maturity	< 6 months	to < 1 year	≥ 1 year	Weighted value
Available stable funding (ASF) item						
1	Capital:	3,770,528	–	–	528,307	4,298,835
2	Regulatory capital	3,770,528	–	–	528,307	4,298,835
3	Other capital instruments	–	–	–	–	–
4	Retail deposits and deposits from small business customers:	7,213,206	8,563,324	20,688	9,841	14,232,269
5	Stable deposits	37,455	45,385	15,778	8,197	101,885
6	Less stable deposits	7,175,751	8,517,939	4,910	1,644	14,130,384
7	Wholesale funding:	9,207,060	7,701,069	501,415	229,331	8,170,565
8	Operational deposits	8,864,675	519,213	23,875	4,079	4,707,961
9	Other wholesale funding	342,385	7,181,856	477,540	225,252	3,462,604
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities:	7,418	852,606	71,649	749,238	723,143
12	NSFR derivative liabilities				69,338	
13	All other liabilities and equities not included in the above categories	7,418	852,606	71,649	679,900	723,143
14	Total ASF					27,424,812
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					1,160,260
16	Deposits held at other financial institutions for operational purposes	175,102	33,176	279	1,024	105,537
17	Loans and securities:	551	4,626,668	3,589,345	18,251,096	18,991,605
18	Loans to financial institutions secured by Level 1 HQLA	–	451,518	–	55	66,803
19	Loans to financial institutions secured by non-Level 1 HQLA and unsecured loans to financial institutions	–	1,199,164	391,059	287,449	662,853
20	Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and PSEs, of which:	–	2,612,458	3,049,467	10,480,034	11,646,149
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	579,290	804,618	324,602	888,892

		31 December 2022				
		Unweighted value				
No.	Item	No maturity	6 months			Weighted value
			< 6 months	to < 1 year	≥ 1 year	
22	Residential mortgages, of which:	–	2,474	3,182	6,453,314	5,485,142
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	445	434	15,788	10,857
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	551	361,054	145,637	1,030,244	1,130,658
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets:	301,113	448,318	30,814	130,711	793,357
27	Physical traded commodities, including gold	12,622				10,729
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				7,199	6,119
29	NSFR derivative assets				62,200	–
30	NSFR derivative liabilities with additional variation margin posted				81,043*	16,209
31	All other assets not included in the above categories	288,491	448,318	30,814	61,312	760,300
32	Off-balance sheet items				8,430,008	238,972
33	Total RSF					21,289,731
34	Net Stable Funding Ratio (%)					128.82%

(*) The amount of derivative liabilities shall be filled in for this item, which is the amount of NSFR derivative liabilities without regard to maturity before deducting variation margin. It is excluded from the item 26 “Other assets”.

Unaudited Supplementary Information to the Consolidated Financial Statements
(In RMB millions, unless otherwise stated)

		30 September 2022				
		Unweighted value				
No.	Item	No maturity	6 months		≥ 1 year	Weighted value
			< 6 months	to < 1 year		
Available stable funding (ASF) item						
1	Capital:	3,680,528	–	–	438,479	4,119,007
2	Regulatory capital	3,680,528	–	–	438,479	4,119,007
3	Other capital instruments	–	–	–	–	–
4	Retail deposits and deposits from small business customers:	6,824,929	8,482,647	44,235	10,282	13,831,774
5	Stable deposits	39,959	40,202	17,085	7,644	100,027
6	Less stable deposits	6,784,970	8,442,445	27,150	2,638	13,731,747
7	Wholesale funding:	9,252,232	8,184,297	394,603	203,822	8,431,710
8	Operational deposits	8,892,911	584,054	25,229	5,031	4,756,128
9	Other wholesale funding	359,321	7,600,243	369,374	198,791	3,675,582
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities:	8,275	1,053,973	32,512	708,929	600,390
12	NSFR derivative liabilities				133,071	
13	All other liabilities and equities not included in the above categories	8,275	1,053,973	32,512	575,858	600,390
14	Total ASF					26,982,881
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					1,084,851
16	Deposits held at other financial institutions for operational purposes	195,577	69,618	274	1,004	133,985
17	Loans and securities:	615	4,911,316	3,632,772	17,944,178	18,771,497
18	Loans to financial institutions secured by Level 1 HQLA	–	690,333	–	47	102,655
19	Loans to financial institutions secured by non-Level 1 HQLA and unsecured loans to financial institutions	–	1,276,200	450,809	247,989	664,823
20	Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and PSEs, of which:	–	2,602,441	3,054,870	10,201,415	11,400,356
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	540,183	763,065	325,428	849,077

Unaudited Supplementary Information to the Consolidated Financial Statements
(In RMB millions, unless otherwise stated)

		30 September 2022				
		Unweighted value				
		6 months				
No.	Item	No maturity	< 6 months	to < 1 year	≥ 1 year	Weighted value
22	Residential mortgages, of which:	–	2,775	3,159	6,485,998	5,512,982
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	477	441	16,242	11,182
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	615	339,567	123,934	1,008,729	1,090,681
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets:	340,899	492,999	31,710	239,967	879,285
27	Physical traded commodities, including gold	47,029				39,975
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				35,600	30,260
29	NSFR derivative assets				131,973	–
30	NSFR derivative liabilities with additional variation margin posted				155,175*	31,035
31	All other assets not included in the above categories	293,870	492,999	31,710	72,394	778,015
32	Off-balance sheet items				8,400,045	244,112
33	Total RSF					21,113,730
34	Net Stable Funding Ratio (%)					127.80%

(*) The amount of derivative liabilities shall be filled in for this item, which is the amount of NSFR derivative liabilities without regard to maturity before deducting variation margin. It is excluded from the item 26 "Other assets".

APPENDIX A — FORM OF IRREVOCABLE STANDBY LETTER OF CREDIT

FM: INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED, JIANGXI PROVINCIAL BRANCH (SWIFT: ICBKCNBJJSI)

NO.888 FENGHEZHONG AVENUE, HONGGUTAN DISTRICT, NANCHANG, JIANGXI, CHINA.

DATE: 12 MAY 2023

TO BENEFICIARY: BANK OF COMMUNICATIONS TRUSTEE LIMITED (THE “**TRUSTEE**” OR “**YOU**”, WHICH EXPRESSION SHALL INCLUDE ANY SUCCESSOR OR CO-TRUSTEE) (PRESENTLY OF 1/F FAR EAST CONSORTIUM BUILDING, 121 DES VOEUX ROAD CENTRAL, HONG KONG) IN ITS CAPACITY AS TRUSTEE FOR ITSELF AND ON BEHALF OF THE HOLDERS (THE “**BONDHOLDERS**”) OF THE RMB464,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF 3.6 PER CENT. CREDIT ENHANCED BONDS DUE 2026 (THE “**BONDS**”), TO BE ISSUED BY NANCHANG LINKONG ECONOMIC ZONE CITY CONSTRUCTION INVESTMENT AND DEVELOPMENT GROUP CO., LTD. (THE “**BOND ISSUER**”) AND TO BE CONSTITUTED BY A TRUST DEED DATED 12 MAY 2023 (THE “**BOND ISSUE DATE**”) BETWEEN THE BOND ISSUER AND THE TRUSTEE (AS AMENDED OR SUPPLEMENTED FROM TIME TO TIME, THE “**TRUST DEED**”).

DEAR SIRS,

RE: OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. [NUMBER]

AT THE REQUEST OF OUR CUSTOMER, THE BOND ISSUER, WE, INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED, JIANGXI PROVINCIAL BRANCH (THE “**ISSUING BANK**,” “**OUR**,” “**US**” OR “**WE**”), HEREBY ISSUE OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. [NUMBER] IN YOUR FAVOUR, AND FOR THE ACCOUNT OF THE BOND ISSUER, IN RESPECT OF AND IN CONNECTION WITH THE TERMS AND CONDITIONS OF THE BONDS SCHEDULED TO THE TRUST DEED (THE “**CONDITIONS**”) AND THE TRUST DEED. THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS MADE AVAILABLE BY US FOR PAYMENT AGAINST OUR RECEIPT OF A DEMAND SUBSTANTIALLY IN THE FORM SET OUT IN APPENDIX A-1 (A “**DEMAND**”) PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT STATING THAT (A) THE BOND ISSUER HAS FAILED TO COMPLY WITH CONDITION 3.3 OF THE BONDS (THE “**PRE-FUNDING CONDITION**”) IN RELATION TO PRE-FUNDING THE AMOUNT THAT IS REQUIRED TO BE PRE-FUNDED UNDER THE CONDITIONS AND/OR FAILED TO PROVIDE THE REQUIRED CONFIRMATIONS (AS DEFINED IN CONDITION 3.3 OF THE BONDS) IN ACCORDANCE WITH THE PRE-FUNDING CONDITION OR (B) AN EVENT OF DEFAULT (AS DEFINED IN CONDITION 10 OF THE BONDS) HAS OCCURRED AND THE BENEFICIARY, AS TRUSTEE FOR THE BONDHOLDERS, HAS GIVEN NOTICE TO THE BOND ISSUER IN ACCORDANCE WITH CONDITION 10 OF THE BONDS THAT THE BONDS ARE IMMEDIATELY DUE AND PAYABLE IN ACCORDANCE WITH THE CONDITIONS.

SUBJECT TO THE TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WE UNCONDITIONALLY AND IRREVOCABLY UNDERTAKE TO YOU THAT, ON OR AFTER THE BOND ISSUE DATE AND FOLLOWING RECEIPT BY US OF A DEMAND BY 11:00 A.M. (BEIJING TIME) PRESENTED BY THE TRUSTEE OR ON THE TRUSTEE’S BEHALF BY BANK OF COMMUNICATIONS CO., LTD. HONG KONG BRANCH (SWIFT: COMMCHKHXXX) WHOSE ADDRESS AT THE BOND ISSUE DATE IS AT 20 PEDDER STREET CENTRAL, HONG KONG, ACTING AS THE DELEGATE OF AND ON BEHALF OF THE TRUSTEE IN RELATION TO THIS IRREVOCABLE STANDBY LETTER OF CREDIT (THE “**DELEGATE**”), IN ACCORDANCE WITH

THIS IRREVOCABLE STANDBY LETTER OF CREDIT ON A BUSINESS DAY ON OR AFTER THE BOND ISSUE DATE AND ON OR BEFORE THE EXPIRY DATE (AS DEFINED BELOW), WE SHALL BY 11:00 A.M. (BEIJING TIME) ON THE FOURTH BUSINESS DAY FOLLOWING THE DAY OF PRESENTATION, (OR, IF SUCH DEMAND IS RECEIVED AFTER 11:00 A.M. (BEIJING TIME) ON A BUSINESS DAY, THE FIFTH BUSINESS DAY FOLLOWING THE DAY OF PRESENTATION) PAY TO OR TO THE ORDER OF THE TRUSTEE THE AMOUNT IN RENMINBI SPECIFIED IN THE DEMAND IN IMMEDIATELY AVAILABLE FUNDS TO THE ACCOUNT SPECIFIED IN THE DEMAND. "BUSINESS DAY" MEANS A DAY (OTHER THAN A SATURDAY OR A SUNDAY OR A PUBLIC HOLIDAY) ON WHICH COMMERCIAL BANKS AND FOREIGN EXCHANGE MARKETS ARE OPEN FOR BUSINESS SIMULTANEOUSLY IN BEIJING, NEW YORK, LONDON AND HONG KONG.

SUBJECT TO THE TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, OUR OBLIGATION TO PAY TO THE TRUSTEE IS UNCONDITIONAL AND ABSOLUTE AND ANY DEMAND BY THE TRUSTEE OR THE DELEGATE IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE HONoured WITHOUT ANY FURTHER ENQUIRY AS TO THE TRUSTEE'S RIGHTS TO MAKE SUCH DEMAND.

OUR AGGREGATE LIABILITY UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE EXPRESSED AND PAYABLE IN RENMINBI AND SHALL NOT IN ANY CIRCUMSTANCES EXCEED RMB479,280,400 (THE "**MAXIMUM LIMIT**"), AN AMOUNT REPRESENTING ONLY (I) THE AGGREGATE PRINCIPAL AMOUNT OF THE BONDS PLUS INTEREST PAYABLE FOR ONE INTEREST PERIOD IN ACCORDANCE WITH THE CONDITIONS AND (II) RMB6,928,400 FOR ANY FEES, COSTS, EXPENSES, INDEMNITY PAYMENTS AND ALL OTHER AMOUNTS PAYABLE BY THE BOND ISSUER UNDER OR IN CONNECTION WITH THE CONDITIONS, THE BONDS, THE TRUST DEED, THE AGENCY AGREEMENT (AS DEFINED IN THE CONDITIONS) AND/OR THIS IRREVOCABLE STANDBY LETTER OF CREDIT.

THIS IRREVOCABLE STANDBY LETTER OF CREDIT TAKES EFFECT FROM THE BOND ISSUE DATE AND SHALL REMAIN VALID AND IN FULL FORCE UNTIL 5:00 P.M. (BEIJING TIME) ON 11 JUNE 2026 (THE "**EXPIRY DATE**") AND SHALL EXPIRE AT THE PLACE OF THE ISSUING BANK.

PAYMENT WILL BE EFFECTED AFTER OUR RECEIPT OF A DEMAND PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WHICH IS PRESENTED DURING THE PERIOD ON OR AFTER THE BOND ISSUE DATE AND ON OR BEFORE THE EXPIRY DATE, WHEN ALL OUR OBLIGATIONS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT WILL CEASE WITH NO FURTHER LIABILITY ON OUR PART EXCEPT FOR ANY DEMAND VALIDLY PRESENTED UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT BEFORE THE EXPIRY DATE THAT REMAINS UNPAID.

ANY DEMAND UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS TO BE PRESENTED BY WAY OF AN AUTHENTICATED SWIFT PRESENTED BY OR ON BEHALF OF THE TRUSTEE BY THE DELEGATE (AS DEFINED ABOVE) TO US (SWIFT: ICBKCNBJJSI, ADDRESS: NO. 888 FENGHEZHONG AVENUE, HONGGUTAN DISTRICT, NANCHANG, JIANGXI, CHINA) WITHOUT THE NEED TO PHYSICALLY PRESENT AN ORIGINAL OF THAT DEMAND AT OUR COUNTER; PROVIDED THAT IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE FOR ANY REASON, THE TRUSTEE OR THE DELEGATE MAY INSTEAD ARRANGE FOR A DEMAND TO BE SENT TO US VIA E-MAIL TRANSMISSION AT YUANYING_NC@JX.ICBC.COM.CN ON OR AFTER THE BOND ISSUE DATE AND ON OR BEFORE THE EXPIRY DATE AND SUCH DEMAND SHALL BE SIGNED BY OR ON BEHALF OF THE TRUSTEE BY THE DELEGATE. NEITHER THE ORIGINAL OF THE DEMAND SO PRESENTED NOR OF ANY OTHER DOCUMENTATION SHALL BE REQUIRED TO BE PHYSICALLY PRESENTED. FOR THE AVOIDANCE OF DOUBT, WE SHALL START PROCESSING THE DEMAND UPON RECEIPT OF THE DEMAND SENT TO US BY WAY OF SWIFT OR E-MAIL TRANSMISSION, AS THE CASE MAY BE.

ONLY ONE DRAWING UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS PERMITTED.

ALL CHARGES UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT ARE FOR THE ACCOUNT OF THE BOND ISSUER AND, FOR THE AVOIDANCE OF DOUBT, ARE NOT FOR THE ACCOUNT OF THE TRUSTEE OR THE DELEGATE.

NOTWITHSTANDING THE MAXIMUM LIMIT, ALL PAYMENTS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE MADE IN RENMINBI IN IMMEDIATELY AVAILABLE FUNDS WITHOUT ANY DEDUCTION OR WITHHOLDING FOR OR ON ACCOUNT OF TAX, SET-OFF, COUNTER-CLAIM OR OTHERWISE. IN THE EVENT THAT ANY DEDUCTION OR WITHHOLDING IS REQUIRED BY LAW, THE ISSUING BANK SHALL PAY SUCH ADDITIONAL AMOUNTS AS WILL RESULT IN RECEIPT BY THE TRUSTEE AND/OR THE DELEGATE OF SUCH AMOUNTS AS WOULD HAVE BEEN RECEIVED BY IT HAD NO SUCH DEDUCTION OR WITHHOLDING BEEN REQUIRED BY LAW.

THE TRUSTEE'S AND THE DELEGATE'S RIGHTS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT MAY BE TRANSFERRED OR RE-TRANSFERRED IN WHOLE TO ANY ADDITIONAL OR REPLACEMENT TRUSTEE APPOINTED AS CONTEMPLATED IN THE TRUST DEED IN RESPECT OF THE BONDS SUBJECT TO AT LEAST 15 DAYS' WRITTEN NOTICE HAVING BEEN GIVEN TO US BY OR ON BEHALF OF THE TRUSTEE BY AUTHENTICATED SWIFT, OR IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE FOR ANY REASON VIA E-MAIL TRANSMISSION TO US AT YUANYING_NC@JX.ICBC.COM.CN. THE NOTIFICATION OF TRANSFER OR RE-TRANSFER SHALL SPECIFY THE TRANSFEREE OR RE-TRANSFEREE, THE AMOUNT OF TRANSFER OR RE-TRANSFER AND THE EFFECTIVE DATE OF SUCH TRANSFER OR RE-TRANSFER.

WE MAY NOT TRANSFER, ASSIGN OR NOVATE ANY OF OUR OBLIGATIONS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT.

NOTWITHSTANDING THE FOREGOING PROVISIONS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT AND ARTICLE 36 OF UCP600 (AS DEFINED BELOW), IN THE EVENT THAT WE ARE CLOSED BECAUSE OF A FORCE MAJEURE OR OTHER UNFORESEEN EVENT WHEN THE TRUSTEE OR THE DELEGATE WISHES TO PRESENT A DEMAND HEREUNDER ON THE DAY AND AT THE TIME A DEMAND IS PERMITTED TO BE PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WE AGREE THAT THE TRUSTEE OR THE DELEGATE CAN PRESENT THE DEMAND IN ACCORDANCE WITH THE TERMS HEREIN FROM THE DATE WE PROVIDE WRITTEN NOTIFICATION TO YOU OF THE RESUMPTION OF OUR BUSINESS; PROVIDED THAT IF WE ARE CLOSED BECAUSE OF SUCH FORCE MAJEURE OR OTHER UNFORESEEN EVENT AT THE EXPIRY DATE, THEN THE EXPIRY DATE OF THIS LETTER OF CREDIT SHALL AUTOMATICALLY EXTEND TO THE DATE THAT IS THREE BUSINESS DAYS AFTER THE DATE WE PROVIDE WRITTEN NOTICE TO YOU OF THE RESUMPTION OF OUR BUSINESS AND UPON SUCH EXTENSION YOU MAY PRESENT YOUR DEMAND HEREUNDER, OR IN THE EVENT THAT THE SWIFT SYSTEM IS NOT THEN AVAILABLE FOR ANY REASON, VIA E-MAIL TRANSMISSION (AT THE E-MAIL ADDRESS SET OUT ABOVE) OF DEMAND.

ANY SETTLEMENT OR DISCHARGE BETWEEN US AS ISSUING BANK AND THE TRUSTEE SHALL BE CONDITIONAL UPON NO PAYMENT UNDER THE BONDS TO THE TRUSTEE BY THE BOND ISSUER OR ANY OTHER PERSON ON THE BOND ISSUER'S BEHALF BEING AVOIDED (BY VIRTUE OF ANY LAWS RELATING TO BANKRUPTCY, INSOLVENCY, RECEIVERSHIP, LIQUIDATION OR SIMILAR LAWS OF GENERAL APPLICATION FOR THE TIME BEING IN FORCE) AND, IN THE EVENT OF ANY SUCH PAYMENT BEING SO AVOIDED, THE TRUSTEE

SHALL BE ENTITLED TO RECOVER FROM US SUBSEQUENTLY THE AMOUNT BY WHICH SUCH PAYMENT IS SO AVOIDED AS IF SUCH SETTLEMENT OR DISCHARGE HAD NOT OCCURRED.

EXCEPT TO THE EXTENT THAT IT IS INCONSISTENT WITH THE EXPRESS TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (2007 REVISION), INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 600 (“**UCP600**”).

THIS IRREVOCABLE STANDBY LETTER OF CREDIT, AND ANY NON-CONTRACTUAL OBLIGATIONS ARISING OUT OF OR IN CONNECTION WITH IT, SHALL BE GOVERNED BY AND SHALL BE CONSTRUED IN ACCORDANCE WITH ENGLISH LAW. NO PERSON OTHER THAN THE TRUSTEE SHALL HAVE ANY RIGHT TO ENFORCE ANY TERM OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT UNDER THE CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999. WE AGREE (1) THAT THE COURTS OF HONG KONG HAVE EXCLUSIVE JURISDICTION TO SETTLE ANY DISPUTE (A “**DISPUTE**”) ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT (INCLUDING ANY NON-CONTRACTUAL OBLIGATIONS ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT), AND (2) THAT THE COURTS OF HONG KONG ARE THE MOST APPROPRIATE AND CONVENIENT COURTS TO SETTLE ANY DISPUTE AND, ACCORDINGLY, THAT WE WILL NOT ARGUE THAT ANY OTHER COURTS ARE MORE APPROPRIATE OR CONVENIENT.

WE HAVE IRREVOCABLY APPOINTED ICBC INTERNATIONAL HOLDINGS LIMITED AT 37/F, ICBC TOWER, 3 GARDEN ROAD, CENTRAL, HONG KONG AS OUR PROCESS AGENT IN HONG KONG TO RECEIVE SERVICE OF PROCESS IN ANY LEGAL ACTION OR PROCEEDINGS ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT IN HONG KONG. IF FOR ANY REASON WE CEASE TO HAVE SUCH A PROCESS AGENT IN HONG KONG, WE WILL PROMPTLY APPOINT A SUBSTITUTE PROCESS AGENT AND NOTIFY THE BENEFICIARY OF SUCH APPOINTMENT WITHIN 30 DAYS OF SUCH CESSATION. NOTHING HEREIN SHALL AFFECT THE RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

BREACHES OF LOCAL AND INTERNATIONAL ANTI-MONEY LAUNDERING OR ECONOMIC SANCTIONS LAWS AND REGULATIONS ADMINISTERED BY, INCLUDING BUT NOT LIMITED TO CHINA, UNITED NATIONS, UNITED STATES, ARE NOT ACCEPTABLE. OUR BANK MAY REJECT ANY TRANSACTION IN VIOLATION OF ANY OF THESE LAWS AND REGULATIONS WITHOUT ANY LIABILITY ON OUR PART.

APPENDIX A-1 — FORM OF DEMAND

TO: INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED, JIANGXI PROVINCIAL
BRANCH (SWIFT: ICBKCNBJJSI)

NO.888 FENGHEZHONG AVENUE, HONGGUTAN DISTRICT, NANCHANG, JIANGXI, CHINA.

[DATE]

DEAR SIRS

RE: DEMAND UNDER THE IRREVOCABLE STANDBY LETTER OF CREDIT NO. [NUMBER] IN
RESPECT OF THE RMB464,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF 3.6 PER CENT.
CREDIT ENHANCED BONDS DUE 2026 (THE “**BONDS**”) ISSUED BY NANCHANG LINKONG
ECONOMIC ZONE CITY CONSTRUCTION INVESTMENT AND DEVELOPMENT GROUP CO.,
LTD. (THE “**BOND ISSUER**”)

THE UNDERSIGNED IS A DULY AUTHORISED REPRESENTATIVE OF [BANK OF
COMMUNICATIONS TRUSTEE LIMITED] AS TRUSTEE FOR THE BONDS (THE
“**BENEFICIARY**”)/[BANK OF COMMUNICATIONS CO., LTD. HONG KONG BRANCH WHICH IS
HEREBY MAKING A DEMAND AS DELEGATE OF AND ON BEHALF OF BANK OF
COMMUNICATIONS TRUSTEE LIMITED] WHICH IS HEREBY MAKING A DEMAND UNDER
YOUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. [NUMBER] (THE “**IRREVOCABLE
STANDBY LETTER OF CREDIT**”). CAPITALISED TERMS USED HEREIN BUT NOT DEFINED
SHALL HAVE THE MEANINGS GIVEN TO THEM IN THE IRREVOCABLE STANDBY LETTER OF
CREDIT.

1 THIS DEMAND IS MADE IN CONNECTION WITH THE FOLLOWING:

- ☐ THE BOND ISSUER HAS FAILED TO COMPLY WITH CONDITION 3.3 OF THE
BONDS (THE “**PRE-FUNDING CONDITION**”) IN RELATION TO PRE-FUNDING THE
AMOUNT THAT IS REQUIRED TO BE PRE-FUNDED UNDER THE CONDITIONS
AND/OR FAILED TO PROVIDE THE REQUIRED CONFIRMATIONS (AS DEFINED IN
CONDITION 3.3 OF THE BONDS) IN ACCORDANCE WITH THE PRE-FUNDING
CONDITION.
- ☐ AN EVENT OF DEFAULT (AS DEFINED IN CONDITION 10 OF THE BONDS) HAS
OCCURRED AND THE BENEFICIARY, AS TRUSTEE FOR THE BONDHOLDERS, HAS
GIVEN NOTICE TO THE BOND ISSUER IN ACCORDANCE WITH CONDITION 10 OF
THE BONDS THAT THE BONDS ARE IMMEDIATELY DUE AND PAYABLE IN
ACCORDANCE WITH THE CONDITIONS.

2 WE HEREBY DEMAND YOU TO PAY: RMB[AMOUNT] REPRESENTING (A)
RMB[AMOUNT] OF PRINCIPAL DUE IN RESPECT OF THE OUTSTANDING BONDS, (B)
RMB[AMOUNT] ACCRUED AND UNPAID INTEREST UP TO [DATE] AS A RESULT OF THE
BONDS (BECOMING DUE AND PAYABLE ON THE MANDATORY REDEMPTION DATE IN
ACCORDANCE WITH THE CONDITIONS) / (HAVING BECOME IMMEDIATELY DUE AND
PAYABLE IN ACCORDANCE WITH THE CONDITIONS DUE TO [A PRE-FUNDING
FAILURE/AN EVENT OF DEFAULT] AND (C) RMB[AMOUNT] OF THE FEES, COSTS,
EXPENSES, INDEMNITY PAYMENTS AND ALL OTHER AMOUNTS PAYABLE BY THE
BOND ISSUER UNDER OR IN CONNECTION WITH THE CONDITIONS, THE BONDS, THE
TRUST DEED, THE AGENCY AGREEMENT(AS DEFINED IN THE CONDITIONS) AND/OR
THE IRREVOCABLE STANDBY LETTER OF CREDIT WHICH IS DUE AND HAS NOT BEEN
PAID FOR A PERIOD OF SEVEN DAYS FROM THE DATE OF THE TRUSTEE DELIVERING
ITS DEMAND THEREFOR TO THE BOND ISSUER.

3 WE HEREBY REQUEST YOU TO PAY THE ABOVE AMOUNT AFTER YOU RECEIVE THIS DEMAND IN ACCORDANCE WITH THE IRREVOCABLE STANDBY LETTER OF CREDIT.

4 THE PROCEEDS OF THE DRAWING UNDER THIS DEMAND ARE TO BE CREDITED TO THE FOLLOWING ACCOUNT: *[INSERT ACCOUNT DETAILS]*

[BANK OF COMMUNICATIONS TRUSTEE LIMITED AS TRUSTEE FOR THE BONDS] /

[BANK OF COMMUNICATIONS CO., LTD. HONG KONG BRANCH AS DELEGATE FOR AND ACTING ON BEHALF OF BANK OF COMMUNICATIONS TRUSTEE LIMITED AS TRUSTEE FOR THE BONDS]

[BY: _____]

NAME:

TITLE:]

ISSUER

**Nanchang Linkong Economic Zone City
Construction Investment and Development Group Co., Ltd.**
(南昌臨空經濟區城市建設投資開發集團有限公司)
3rd floor, No. 360 Xianghe 4th Road
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Nanchang City, Jiangxi Province
China

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121 Des Voeux Road Central
Hong Kong

PRE-FUNDING ACCOUNT BANK AND LC PROCEEDS ACCOUNT BANK

**Bank of Communications
(Hong Kong) Limited**
20 Pedder Street
Central
Hong Kong

PRINCIPAL PAYING AGENT, REGISTRAR AND TRANSFER AGENT

**Bank of Communications Co., Ltd.
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China