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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker, a licensed securities dealer or other registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in FY Financial (Shenzhen) Co., Ltd., you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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FY FINANCIAL (SHENZHEN) CO., LTD.

富銀融資租賃(深圳)股份有限公司

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

(Stock Code: 8452)

**MAJOR TRANSACTION
FURTHER SUBSCRIPTION OF SHARES IN
SHANGHAI KYMS CLOUD TECHNOLOGY CO., LTD.
AND
NOTICE OF EGM**

PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

To safeguard the health and safety of Shareholders and to prevent the spreading of coronavirus disease (COVID-19) pandemic, the following measures will be implemented at the EGM:

- mandatory body temperature check;
- compliance with the latest epidemic prevention policy requirement of the PRC government and presentation of the corresponding health certificate;
- mandatory wearing of surgical face masks; and
- no refreshments for attendees.

The Company reserves the right to deny entry into or require any person to leave the EGM venue if such person: (i) refuses to comply with any of the above precautionary measures; (ii) is having a body temperature of over 37.4 degree Celsius; and/or (iii) has any flu-like symptoms.

For the health and safety of Shareholders, the Company would like to encourage the Shareholders to appoint the chairman of the EGM as their proxy to vote on the resolution at the EGM, instead of attending the EGM in person.

Terms used in the cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 6 to 24 of this circular. A notice convening the EGM to be held at Room 1603, Cheung Kei Building, No. 128 Xinzhou 11th Street, Futian District, Shenzhen, the PRC on Friday, 21 January 2022 at 10:30 a.m. is set out on pages 574 to 576 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the GEM website (www.hkgem.com) and the Company's website (www.fyleasing.com).

Shareholders who intend to appoint a proxy to attend the EGM shall complete the form of proxy in accordance with the instructions printed thereon and return it to the H Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (for holders of H Shares), or the Company's head office in the PRC at Room 1603, Cheung Kei Building, No. 128 Xinzhou 11th Street, Futian District, Shenzhen, the PRC (for holders of Domestic Shares and/or Unlisted Foreign Shares) as soon as possible but in any event not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof (as the case may be) if you so wish, and in such event, the form of proxy shall be deemed to be revoked.

22 December 2021

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“BSE”	Beijing Stock Exchange (北京證券交易所)
“CASBE”	the China Accounting Standards for Business Enterprises
“Company”	FY Financial (Shenzhen) Co., Ltd. (富銀融資租賃(深圳)股份有限公司), a joint stock company incorporated in the PRC with limited liability and the H Shares of which are listed on the GEM
“Completion”	completion of the Second Subscription in accordance with the terms and conditions of the Second Subscription Agreement
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Directors”	the directors of the Company
“Domestic Share(s)”	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi by PRC natural persons or entities established under the laws of the PRC and are unlisted shares of the Company which are currently not listed or traded on any stock exchange
“EGM”	the extraordinary general meeting of the Company to be held at Room 1603, Cheung Kei Building, No. 128 Xinzhou 11th Street, Futian District, Shenzhen, the PRC on Friday, 21 January 2022 at 10:30 a.m. for the purpose of considering and, if thought fit, approving the Second Subscription Agreement and the transactions contemplated thereunder
“First Subscription”	the subscription of the First Subscription Shares by the Subscriber pursuant to the terms of the First Subscription Agreement
“First Subscription Agreement”	the subscription agreement dated 10 May 2021, entered into between the Subscriber and Shanghai KYMS in relation to the First Subscription

DEFINITIONS

“First Subscription Announcements”	the announcement of the Company dated 10 May 2021 and the supplemental announcement of the Company dated 31 May 2021 both in relation to the First Subscription
“First Subscription Price”	RMB15,534,858.24, representing a subscription price of RMB3.96 per First Subscription Share
“First Subscription Shares”	3,922,944 new shares of Shanghai KYMS allotted and issued to the Subscriber pursuant to the First Subscription Agreement, and the expression “First Subscription Share” shall be construed accordingly
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange as amended, supplemented or otherwise modified from time to time
“Group”	the Company and its subsidiaries
“H Share(s)”	the overseas-listed foreign share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are traded in Hong Kong dollars and are listed on the GEM
“HKFRS”	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of and not connected with (within the meaning of the GEM Listing Rules) any directors, supervisors, chief executive or substantial shareholders of the Company, its subsidiaries and their respective associates
“Latest Practicable Date”	17 December 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“NEEQ”	National Equities Exchange and Quotations (全國中小企業股份轉讓系統)

DEFINITIONS

“PRC”	the People’s Republic of China, and for the purpose of this circular only, excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Second Subscription”	the subscription of the Second Subscription Shares by the Subscriber pursuant to the terms of the Second Subscription Agreement
“Second Subscription Agreement”	the subscription agreement dated 30 September 2021, entered into between the Subscriber and Shanghai KYMS in relation to the Second Subscription
“Second Subscription Announcement”	the announcement of the Company dated 30 September 2021
“Second Subscription Price”	RMB34,465,139.28, representing a subscription price of RMB3.96 per Second Subscription Share
“Second Subscription Shares”	8,703,318 new shares of Shanghai KYMS to be allotted and issued to the Subscriber pursuant to the Second Subscription Agreement, and the expression “Second Subscription Share” shall be construed accordingly
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai KYMS”	Shanghai KYMS Cloud Technology Co., Ltd. (上海快易名商雲科技股份有限公司) (formerly known as Shanghai Kuaiyi Mingshang Enterprise Development Co., Ltd. (上海快易名商企業發展股份有限公司), the shares of which are listed on the NEEQ (stock code: 831423)
“Shanghai KYMS 2021 Interim Report”	the unaudited financial statements of Shanghai KYMS for the six months ended 30 June 2021
“Shareholders”	shareholders of the Company
“sq.m.”	square metre(s)

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Zhuhai Fuyin Yunlian Investment Management Co., Ltd.* (珠海富銀雲聯投資管理有限公司), a company established in the PRC with limited liability and is a wholly-owned subsidiary of the Company
“substantial shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“Supervisors”	the supervisors of the Company
“Unlisted Foreign Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in a currency other than Renminbi by persons other than PRC natural persons or entities established under the laws of the PRC and are shares of the Company which are currently not listed or traded on any stock exchange
“%”	per cent.

If there is any inconsistency between the Chinese names of the entities, companies or legal entities incorporated in the PRC mentioned in this circular and their English translations, the Chinese name shall prevail. The English translation of the Chinese names of such entities, companies or legal entities are provided for illustration purposes only.

PRECAUTIONARY MEASURES FOR THE EGM

In view of the outbreak of coronavirus disease (COVID-19) pandemic (the “**COVID-19 Pandemic**”), to safeguard the health and safety of Shareholders who might be attending the EGM in person, the Company will implement the following precautionary measures at the EGM:

- Each attendee will be required to undergo a mandatory body temperature check and sign a health declaration form before entering the EGM venue. Any person with a body temperature above 37.4 degree Celsius, or is exhibiting flu-like symptoms, may be denied entry into the EGM venue and be required to leave the EGM venue.
- Shareholders, proxies and other attendees are required to comply with the latest epidemic prevention policy requirements of the PRC government and present the corresponding health certificate. Any person who does not comply with this requirement will be required to leave the EGM venue.
- Shareholders, proxies and other attendees are required to wear surgical face masks inside the EGM venue at all times. Any person who does not comply with this requirement will be required to leave the EGM venue.
- No refreshments will be served at the EGM.

Shareholders who are feeling unwell are advised not to attend the EGM in person.

For the health and safety of Shareholders, the Company would like to encourage the Shareholders to appoint the chairman of the EGM as their proxy to vote on the resolution at the EGM, instead of attending the EGM in person.

As the COVID-19 Pandemic continues to evolve, the Company will closely monitor the situation and reserves the right to take further measures as appropriate in order to minimise any risk to the Shareholders and others attending the EGM and to comply with any requirements or recommendations of any government agencies from time to time. Shareholders are advised to check the Company’s website at www.fyleasing.com for further announcements and updates on the EGM arrangements that may be issued.

The Company seeks the understanding and cooperation of all Shareholders to minimise the risk of community spread of the COVID-19 Pandemic.

LETTER FROM THE BOARD

FY FINANCIAL (SHENZHEN) CO., LTD.

富銀融資租賃(深圳)股份有限公司

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

(Stock Code: 8452)

Executive Directors:

Mr. Li Peng (李鵬)
Mr. Weng Jianxing (翁建興)
Ms. Gong Xiaoting (貢曉婷)

Non-executive Directors:

Ms. Liu Jing (劉敬)
Mr. Peng Qilei (彭期磊)
Ms. Tong Fangyan (仝芳妍)

Independent Non-executive Directors:

Mr. Fung Che Wai Anthony (馮志偉)
Mr. Hon Leung (韓亮)
Mr. Liu Shengwen (劉升文)

Head office in the PRC:

Room 1603, Cheung Kei Building
No. 128 Xinzhou 11th Street
Futian District
Shenzhen
PRC

Principal place of business in Hong Kong:

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai
Hong Kong

22 December 2021

To the Shareholders

Dear Sir/Madam,

**MAJOR TRANSACTION
FURTHER SUBSCRIPTION OF SHARES IN
SHANGHAI KYMS CLOUD TECHNOLOGY CO., LTD.
AND
NOTICE OF EGM**

INTRODUCTION

Reference is made to the First Subscription Announcements and the Second Subscription Announcement.

The purpose of this circular is to give notice of the EGM and to provide the Shareholders with, among other things, further details of the Second Subscription Agreement to enable Shareholders to make an informed decision on whether to vote for or against the resolution to be proposed at the EGM.

LETTER FROM THE BOARD

THE SECOND SUBSCRIPTION AGREEMENT

On 30 September 2021, the Subscriber (a wholly-owned subsidiary of the Company) entered into the Second Subscription Agreement with Shanghai KYMS, pursuant to which the Subscriber has conditionally agreed to subscribe for, and Shanghai KYMS has conditionally agreed to allot and issue the Second Subscription Shares, representing approximately 14.35% of the issued share capital of Shanghai KYMS as enlarged by the allotment and issue of the Second Subscription Shares, at the Second Subscription Price of RMB34,465,139.28.

The principal terms and conditions of the Second Subscription Agreement are summarised as follows:

Date

30 September 2021

Parties

- (i) Zhuhai Fuyin Yunlian Investment Management Co., Ltd.* (as the Subscriber)
- (ii) Shanghai KYMS Cloud Technology Co., Ltd. (as the issuer)

As at the Latest Practicable Date, Shanghai KYMS is owned as to 7.55% by the Subscriber as a result of the First Subscription. To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, each of Shanghai KYMS and the ultimate beneficial owners of Shanghai KYMS is an Independent Third Party.

Second Subscription

Pursuant to the Second Subscription Agreement, the Subscriber has agreed to subscribe for, and Shanghai KYMS has agreed to allot and issue the Second Subscription Shares, being 8,703,318 new shares of Shanghai KYMS, representing approximately 14.35% of the issued share capital of Shanghai KYMS as enlarged by the allotment and issue of the Second Subscription Shares.

* For identification purpose only

LETTER FROM THE BOARD

The Second Subscription Shares, when allotted, issued and fully paid, shall rank pari passu in all respects among themselves and with all the shares of Shanghai KYMS in issue on the date of allotment and issue of the Second Subscription Shares. According to the Administrative Measures for the Acquisition of Non-listed Public Companies (《非上市公眾公司收購管理辦法》), if an investor together with the persons acting in concert with it holds 10% or more of the issued shares of a public company which are listed on the NEEQ, then the investor and the persons acting in concert with it (i) are required to submit a filing to the NEEQ whenever their shareholding in the public company increase or decrease by 5% within two days of the change in shareholding and (ii) are restricted from dealing in the shares of the public company from the date the change in shareholding takes place to two days after the said filing is made. As Shanghai KYMS shares are listed on the NEEQ, the Subscriber is subject to the aforementioned dealing restriction in respect of the First Subscription Shares and the Second Subscription Shares after Completion.

Second Subscription Price

The Second Subscription Price is RMB34,465,139.28, representing RMB3.96 per Second Subscription Share, which shall be paid in cash within seven (7) days after the fulfillment of the conditions as set out under the section headed “Conditions Precedent” below and the publication of an announcement regarding the Second Subscription by Shanghai KYMS.

The Second Subscription Price shall be financed by internal resources of the Group.

Basis of determining the Second Subscription Price

The Second Subscription Price represents:

- (i) a premium of approximately 36.6% over the market value of the 14.35% equity interest in Shanghai KYMS of RMB25.2 million, as calculated based on Shanghai KYMS’s market capitalisation of RMB175.8 million as at the date of the Second Subscription Agreement;
- (ii) a premium of approximately 43.48% over the five days average trading price of Shanghai KYMS of RMB2.76 prior to the entering of the Second Subscription Agreement;

LETTER FROM THE BOARD

- (iii) a premium of approximately 4.21% over the closing price of Shanghai KYMS of RMB3.8 as at the Latest Practicable Date; and
- (iv) a price-to-earnings ratio of 16.2, as calculated based on the Second Subscription Price over the audited net profit after taxation of Shanghai KYMS of approximately RMB14.83 million according to the audited financial statements of Shanghai KYMS for the year ended 31 December 2020.

The Second Subscription Price per Second Subscription Share, being RMB3.96, also represents a premium of approximately 150.63% to the net asset value of RMB1.58 per Shanghai KYMS share as at 30 June 2021, which is calculated based on the net asset value of Shanghai KYMS as at 30 June 2021 of RMB76,033,904.90 and the 48,036,583 Shanghai KYMS shares then in issue as at 30 June 2021, as reported in the Shanghai KYMS 2021 Interim Report.

As at 31 December 2020, the net asset value of Shanghai KYMS was RMB117,756,203.22. The net asset value of Shanghai KYMS as at 30 June 2021 decreased to RMB76,033,904.90 as compared to the net asset value of Shanghai KYMS as at 31 December 2020, which was mainly attributable to the adjustments made to the net asset value of Shanghai KYMS as at 1 January 2021 regarding the undistributed profits over previous years for all leases (other than short-term leases and leases of low-value assets) projects retrospectively to the date of lease inception as a result of the adoption of the *Accounting Standards for Business Enterprises No. 21 – Leases* amended by the Ministry of Finance in 2018, with effect from 1 January 2021. As a result of the aforementioned adoption of the accounting standards, a downward adjustment of RMB53.30 million had been made to the net asset value of Shanghai KYMS as at 1 January 2021. The Board is of the view that the changes in such accounting standards will only have an impact on the financial statements of Shanghai KYMS, but have no impact on the cash flows or operation of Shanghai KYMS.

The Second Subscription Price was determined between the Subscriber and Shanghai KYMS after arm's length negotiations and taking into account various factors including but limited to: (i) the overall economic environment; (ii) the prospect and the growth potential of Shanghai KYMS and the industry outlook; (iii) financial conditions of Shanghai KYMS such as its net asset value per share, price-to-earnings ratio and price-to-book ratio; and (iv) the subscription price per First Subscription Share. The number of Shanghai KYMS shares to be issued under the Second Subscription was determined with reference to the funding requirement of Shanghai KYMS and the Second Subscription Price.

LETTER FROM THE BOARD

The Board believes that the Second Subscription Price, which represents a subscription price of RMB3.96 per Second Subscription Share and is the same as the subscription price per First Subscription Share, is fair and reasonable to the Company after having considered the following:

- (1) Not more than three months have elapsed since the completion of the First Subscription which took place in early July 2021. As the overall economic environment, prospect and the growth potential of Shanghai KYMS and the industry outlook and financial conditions of Shanghai KYMS have not significantly changed since then, the Board is of the view that the bases upon which the First Subscription Price were determined (as disclosed in the First Subscription Announcements) are still applicable in determining the Second Subscription Price and they are repeated and discussed below.
- (2) Shanghai KYMS conducted a placing of issuing 3,475,610 new shares in 2020 at a subscription price of RMB3.87 (ex-right) to 4 parties (including 3 independent third parties to Shanghai KYMS and Wang Jianfeng, a connected person of Shanghai KYMS). All these subscribers were Independent Third Party. Whilst the subscription price per Second Subscription Share of RMB3.96 represents a slight increase of approximately 2% as compared with that of the placing conducted by Shanghai KYMS in 2020, the Board considers that the Second Subscription Price is fair and reasonable due to the reasons described in items (3) to (6) below.
- (3) The financial performance of Shanghai KYMS has been strong in the past few years. In particular, there was a strong growth in net profit after taxation of Shanghai KYMS for the year ended 31 December 2020, representing an increase of 728.49%, as compared with the previous year. With the geographic position of Shanghai KYMS's projects mainly located in Shanghai, Beijing and other convenient downtown areas with a few in the sub-central core areas, Shanghai KYMS has experienced strong growth in revenue as well as in its net asset value in the past years. Shanghai KYMS's revenue increased from RMB27 million for the year ended 31 December 2015 to RMB124.35 million for the year ended 31 December 2020, representing a 3.6 times increase, and its net assets increased by more than 10 times from RMB10.56 million as at 31 December 2015 to RMB117.76 million as at 31 December 2020. Its gross profit margin was 24.48% with the average monthly occupancy

LETTER FROM THE BOARD

rate of at least 90% for the year ended 31 December 2020. For the two years ended 31 December 2020, Shanghai KYMS generated net cash inflow from operating activities totaling of more than RMB123 million. The Board noted that Shanghai KYMS's monthly occupancy rate had gradually returned to the pre-coronavirus ("COVID-19") pandemic level during the second half of 2020. Based on the leasing information including but not limited to the business plan, leasing contracts, occupancy rates, account settlements by tenants, tender documents and budget for new projects, financial forecast, construction work schedule and capital expenditure schedule, provided by Shanghai KYMS during the due diligence process for the First Subscription and the Second Subscription, the Board expects Shanghai KYMS will have further growth in revenue and net profit in 2021.

- (4) The business model of the office leasing industry is mainly to have long-term contracts signed with the landlords at a pre-determined contract price and then to sublease to customers after renovation and decoration. This industry, like other industries, would be affected by economic upturns and downturns. Shanghai KYMS has been adopting a prudent approach in terms of progressing with a steady expansion and with stringent cost control, so that it could achieve a reasonable margin in its business, in particular during an economic downturn.

2020 is one the toughest years for the office leasing industry due to COVID-19, many competitors in this industry had encountered financial difficulties and even gone bankrupt. Against this backdrop, Shanghai KYMS's operation had gradually returned to pre-COVID-19 pandemic level during second half of 2020 as explained in (3) under the section headed "Basis of determining the Second Subscription price".

LETTER FROM THE BOARD

- (5) The prospect and the growth potential of Shanghai KYMS, the industry outlook and economic environment which are further elaborated as below.

Shanghai KYMS focuses on the provision of high-quality business centres in urban core areas, with a full range of services at competitive prices and targets small and micro enterprises with huge market and robust demand. According to the research report “Investigation and analysis of tenant behavior and cognition in co-working industry in China from 2019 to 2020” issued in February 2020 by iiMedia Research Group, the primary considerations for co-working office tenants in selecting brands in 2019 in China were location, rent, and convenient transportation, accounting for 40.0%, 36.7%, and 35.4% of the decisive factors, respectively. As Shanghai KYMS’s target customers are small and micro enterprises, most of them are in a period of rapid growth with great vitality, they are pursuing quality service and are sensitive to location and price. Given that the projects of Shanghai KYMS are mainly located in convenient downtown areas, and the prices it offered are competitive, the Board believes that Shanghai KYMS will have future growth prospects by having the competitive advantages in these areas.

Shanghai KYMS builds boutique business centers in the core urban area of the city through site selection, building renovation and product positioning by a professional and experienced team. Shanghai KYMS has a management team with strong professional background, which enables it to select quality properties as part of its properties portfolio for leasing out. Based on the information available to the Board, Shanghai KYMS management team has five members, four of them have more than 20 years of experience in real estate, office leasing, marketing commercial buildings or architectural design; one of them has more than 11 years of experience in securities and investment industry involving merger and reorganization.

Moreover, Shanghai KYMS focuses on refined management and adopts a business model, which is renting the entire building from state-owned enterprises and sub-leasing the property to individual small and micro enterprises. This business model would enable Shanghai KYMS to secure a stable supplies of the serviced offices, reduce costs and increase profitability. The Directors believe that the business model of Shanghai KYMS has strong core competitiveness and can adapt to the fierce market competition.

LETTER FROM THE BOARD

According to Huaon.com (華經情報網), the co-working office market has maintained a steady growth in China. Although it has been hit by the COVID-19 pandemic, the market size is still expected to continue to expand, reaching RMB227.35 billion in 2022. As the social recognition of the co-working office industry continually increases, new demands for corporate office services will be further released, and the potential customer base of the co-working offices industry will also be further expanded. With the improvement in the quality of products and services, market acceptance tends to rise and the industry market scale is expected to continue to grow in the future.

Going forward, Shanghai KYMS will focus on the research and development of “intelligent operation and service management”, using the self-designed and developed KYMS APP as a tool to provide customers with services such as intelligent access control management, multi-party remote meeting sharing, paperless office and one-click synchronisation of cloud servers. Currently, a self-developed intelligent management system is being sold by Shanghai KYMS, which will also increase the company’s revenue in the future through related businesses.

According to the Statistical bulletin of the People’s Republic of China on the 2020 National Economic and Social Development released on the website of the National Bureau of Statistics on 28 February 2021, the urbanization rate of permanent residents in China exceeded 60% by the end of 2020, which was far below the average level of developed countries. Therefore, with the sustainable and rapid development of China’s national economy, China’s urbanization process will continue for a considerable period of time, and hence can provide the industry with buildings available for renovation for quite a long time.

- (6) The price-to-earnings of 16.2 (based on the Second Subscription Price over the net profit after taxation of Shanghai KYMS for the year ended 31 December 2020) is lower than other listed companies within the same industry. The Board notes that the price-to-earnings ratios for Shanghai Golden Union Commercial Management Company Ltd. (stock code: 603682) and Shanghai DOBE Cultural and Creative Industry Development (Group) Co., Ltd. (stock code: 300947), both listed on the Shanghai Stock Exchange, based on their stock price as at the date preceding the date of the Second Subscription Agreement over their net profit after taxation for the year ended 31 December 2020, are 20.31 and 23.65 respectively. The serviced offices leasing industry is currently at an early stage of development and highly fragmented.

LETTER FROM THE BOARD

The above comparable companies represented an exhaustive list based on the following criteria:

- (i) listed companies;
- (ii) engaging in property leasing business in China; and
- (iii) main revenue derived from property leasing and other value-added services.

Among the competitors of Shanghai KYMS, only Shanghai Golden Union Commercial Management Company Ltd. and Shanghai DOBE Cultural and Creative Industry Development (Group) Co., Ltd. are listed companies where public information is available for comparison analysis. Although the aforementioned competitors have different listing venues and are of different scale of operations from Shanghai KYMS, the Board considers that these companies could still serve as a general reference of the value of a company engaging in similar business and thus these comparable companies are fair and representative for this purpose. As such, the Board considers it fair and reasonable to make such comparable analysis.

Shanghai KYMS, being a company with shares listed on the NEEQ, could only have its shares traded by way of a private agreement or through closing auction trading session, so with the size of the Second Subscription Shares, the only way for the Group to acquire such shares is to go through a subscription of new shares with Shanghai KYMS. The Second Subscription Price is/will not be displayed or recorded on the trading system of the NEEQ, but only disclosed in the announcement being published by Shanghai KYMS regarding the Second Subscription.

- (7) The Board noted that the Second Subscription Price represented a premium of approximately 150.63% to the net assets value of Shanghai KYMS per share as at 30 June 2021. However, as Shanghai KYMS is an asset-light company, while the Board has considered its net assets in assessing the financial position of Shanghai KYMS, the Board had focused more on its earnings and growth potential in forming the basis of the consideration such as its price-to-earnings ratios, projects on hand as well as its business plan, which had been elaborated in (3)-(5) above.

LETTER FROM THE BOARD

Conditions precedent

Completion is conditional upon the fulfillment of each of the following conditions:

- (i) the consents and approvals required to be obtained from the board of directors and shareholders on the part of Shanghai KYMS in respect of the Second Subscription Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Second Subscription Shares) having been obtained and remain in full force and effect;
- (ii) the no comment letter in respect of the Second Subscription Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Second Subscription Shares) having been obtained from the National Equities Exchange and Quotations Corporation Limited and not being revoked;
- (iii) a candidate having been nominated by the Subscriber as director of Shanghai KYMS;
- (iv) the relevant requirements under the articles of association of the Subscriber and the GEM Listing Rules and all applicable laws and regulations in relation to the Second Subscription Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Second Subscription Shares) having been complied with by the Group; and
- (v) the Second Subscription Agreement having been duly executed by the parties thereto and the Shareholders' approval for the Second Subscription Agreement having been obtained at the EGM.

All of the above conditions are not waivable. As at the Latest Practicable Date, (i) and (ii) have been fulfilled.

Completion

Completion shall take place on the date of the registration of the Second Subscription Shares with China Securities Depository and Clearing Corporation Limited, Beijing Branch.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Group, through the Subscriber, already owns 7.55% of the issued share capital of Shanghai KYMS. Upon Completion, the Group will own 20.81% of the issued share capital of Shanghai KYMS, and Shanghai KYMS will be accounted for as an associate (as defined under relevant accounting standards) of the Group.

On 10 May 2021, the Subscriber entered into the First Subscription Agreement with Shanghai KYMS pursuant to which the Subscriber agreed to subscribe for the First Subscription Shares at a total consideration of RMB15,534,858.24, representing a subscription price of RMB3.96 per First Subscription Share.

Upon completion of the First Subscription in July 2021 the Subscriber held 7.55% of Shanghai KYMS. Details of the First Subscription are set out in the First Subscription Announcement.

INFORMATION OF THE GROUP AND THE SUBSCRIBER

The Group is principally engaged in the provision of finance leasing, factoring, advisory services and customer referral services and the supply of medical equipment in the PRC.

The Subscriber is a wholly-owned subsidiary of the Company and is an investment holding company.

INFORMATION OF SHANGHAI KYMS

Shanghai KYMS is a limited liability company established on 25 February 2005 in the PRC and is principally engaged in leasing of serviced offices and provision of supporting value-added services. The shares of Shanghai KYMS have been listed on the NEEQ since 8 December 2014 (stock code: 831423).

Based on the public information available to the Board and the information provided by Shanghai KYMS, as at the Latest Practicable Date, Shanghai KYMS is owned as to :

- (i) 7.55% by the Subscriber;
- (ii) 13.51%, 13.11% and 11.03% by Wang Fuhun (王輔哈), Wang Jianfeng (王建鋒) and Shi Yan (施豔)^(Note), respectively;
- (iii) 6.99% by Shanghai Guanjun Bio-Technology Limited (上海冠菌生物科技有限公司) which was wholly-owned by Wang Fuhun; and

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- (iv) 5% by Shanghai Qiangao Investment Management Partnership, L.P (上海謙高投資管理合夥企業(有限合夥)) where Wang Fuhua held 40% equity interest in and is an executive partner of such partnership.

Note :

On 18 July 2017, Wang Jianfeng, Wang Fushan, Shi Yan entered into a shareholders' agreement (the "Concert Parties Agreement") to regulate their decision making in dealing with Shanghai KYMS's affairs and their shareholders' rights in respect of their equity interests in Shanghai KYMS. They had been concert parties under the Concert Parties Agreement until 5 November 2021 when they entered into an agreement to terminate the Concert Parties Agreement.

On 5 November 2021, Wang Jianfeng and Shi Yan entered into an agreement with Wang Fuhua pursuant to which Wang Jianfeng and Shi Yan agreed to grant all the rights attached to the Shanghai KYMS shares held by them to Wang Fushan (the "Arrangement")

As Wang Fuhua through the above equity interests, the Arrangement and having the role of an executive partner in Shanghai Qiangao Investment Management Partnership, L.P, controls 49.65% voting right of Shanghai KYMS, he is the controlling shareholder of Shanghai KYMS.

The summary of the audited financial information of Shanghai KYMS for the two years ended 31 December 2019 and 2020 and the unaudited financial information of Shanghai KYMS for the six months ended 30 June 2021 are set out below:

	For the year ended 31 December 2019 RMB million (audited)	For the year ended 31 December 2020 RMB million (audited)	For the six months ended 30 June 2021 RMB million (unaudited)
Net profits before taxation	2.21	19.41	10.99
Net profits after taxation	1.79	14.83	10.34

Based on the audited financial information, the net asset value of Shanghai KYMS was RMB117,756,203.22 as at 31 December 2020. Based on the Shanghai KYMS 2021 Interim Report, the unaudited net asset value of Shanghai KYMS was RMB76,033,904.90 as at 30 June 2021.

The financial information and the management discussion and analysis of Shanghai KYMS are set out in Appendix II and III of this circular respectively.

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REASONS FOR AND BENEFITS OF THE SECOND SUBSCRIPTION

Despite that the Company's principal business is not property leasing, as disclosed in the First Subscription Announcements, the Directors believe serviced offices leasing business will likely become a trend in China in the near future, the subscriptions for equity interests in Shanghai KYMS will provide an opportunity for the Group to participate in the serviced offices leasing industry and enable the Group to explore potential business cooperation opportunities on the basis of the main business of the Group to achieve sustainable development. One of the Company's principal activities is factoring business, of which 22.22% of the revenues from this segment were contributed by property leasing industry. As a shareholder of Shanghai KYMS, the Company has an opportunity to participate in industry exchange conference, has access to periodic industry reports, has a right to nominate directors to the board of directors of Shanghai KYMS and if such director candidate is elected, participate in significant management decision-making of Shanghai KYMS in accordance with the articles of association of Shanghai KYMS, so to get a better understanding of the property leasing industry for further development of its factoring business. As such, the Board believes that the Second Subscription would allow the Company to have an in-depth and more enhanced understanding of the property leasing industry in the context of its factoring business segment, so that it can fully access the customer resources in this industry in the future.

As disclosed in the First Subscription Announcements, Shanghai KYMS recorded a net profit after taxation for the year ended 31 December 2020 of approximately RMB14.83 million, representing an increase of approximately 728.49% from approximately RMB1.79 million for the same period of year 2019, and thus the Directors considered that Shanghai KYMS has potential for further growth.

During the due diligence process for the Second Subscription, the Directors noted from the Shanghai KYMS 2021 Interim Report that Shanghai KYMS recorded a net profit after taxation for the six months ended 30 June 2021 of approximately RMB10.34 million, representing a decrease of approximately 31.52% from RMB15.10 million of the same period of last year, which was mainly due to (i) the charging of finance expenses of RMB11.79 million in relation to the lease liability adjustment to the net asset value of Shanghai KYMS as at 1 January 2021 as a result of the adoption of the Accounting Standards for Business Enterprises No. 21 – Leases amended by the Ministry of Finance in 2018, with effect from 1 January 2021 was included in the finance expense for the six months ended 30 June 2021; and (ii) an increase in the operating costs, as the COVID-19 related rent concessions obtained by Shanghai KYMS in the first half of 2020 were no longer available during the first half of 2021. The Board is of the view that the changes in such accounting standards and the impact of the rent concession as a result of COVID-19 will only have a temporary impact on the financial statements of Shanghai KYMS, and excluding the aforementioned effects, the development of Shanghai KYMS is still on an upward trend.

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The Board was particularly impressed with the performance of the two newly opened business centres of Shanghai KYMS. Both projects have reached a stable operation phase despite commencing business only in 2020 and 2021 respectively and provide a new source of stable profits for Shanghai KYMS. Details of the two centres are as follows:

- (i) On 1 October 2020, Shanghai KYMS commenced business of its KYMS Technology Centre* (KYMS科技中心) which occupies an area of 12,727.23 sq.m. at No.525 North Xizang Road, Shanghai, the PRC. The business centre reached full occupancy in March 2021, and is expected to generate an income of RMB30 million and a net profit of RMB7 million for the year ending 31 December 2021.
- (ii) In March 2021, Shanghai KYMS commenced business of its KYMS Lujiazui Office Centre* (KYMS陸家嘴辦公中心) which occupies an area of 7,462.77 sq.m. at No.101 Eshan Road, Shanghai, the PRC. As at the date of the Second Subscription Agreement, the occupancy rate of the business centre exceeds 95%. It is expected that KYMS Lujiazui Office Centre will generate an income of RMB15 million and a net profit of RMB3 million for the year ending 31 December 2021.

The Board also took into consideration that Shanghai KYMS had been actively expanding and developing new projects. Details of the two new projects of Shanghai KYMS are as follows:

- (i) The first project concerns Shanghai KYMS renovating an office building with a total area of approximately 12,000 sq.m. on Henan Middle Road, Shanghai, the PRC. Shanghai KYMS has already conducted preliminary inspections and negotiations and signed a letter of intent to lease the building. It is expected that the formal agreement in respect of this project will be entered into in December 2021 and construction will begin in early 2022. On the assumption that the building will achieve an occupancy rate of 98%, the project is expected to generate a net cash inflow of RMB15 million per year for Shanghai KYMS.
- (ii) The second project involves a property located on Dongfang Road in Pudong, Shanghai, the PRC with a total area of approximately 15,000 sq.m.. Shanghai KYMS has also completed preliminary inspection and entered the stage of substantive negotiation in respect of this project. It is expected that the formal agreement in respect of this project will be entered into by the end of 2021 and construction will begin in early 2022. On the assumption that the building will achieve an occupancy rate of 98%, the project is estimated to generate a net cash inflow of approximately RMB20 million per year for Shanghai KYMS.

* For identification purpose only

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The most recent financial and operational information of Shanghai KYMS is promising and strengthens the Directors' belief that Shanghai KYMS is in a growth trend and has potential for further growth.

In addition, the Second Subscription provides additional working capital for Shanghai KYMS to develop its serviced offices leasing business, and the Group would benefit from the future growth and development of Shanghai KYMS.

Having considered the historical financial performance of Shanghai KYMS, the current leasing information provided by Shanghai KYMS during the due diligence process for both the First Subscription and Second Subscription and the information regarding Shanghai KYMS and the industry outlook, the Board expects that the growth trend of Shanghai KYMS will continue in the coming years. As such, the Second Subscription presents a further investment opportunity to the Company, which offers the potential for greater profit in future.

The Company noted that Shanghai KYMS recorded net current liabilities as at the three years ended 31 December 2020 and 30 June 2021. However, having considered that Shanghai KYMS: (i) had net assets as at the three years ended 31 December 2020 and 30 June 2021; (ii) had been generating net cash inflow from operation for the three years ended 31 December 2020 and for the six months ended 30 June 2021; and (iii) nothing has suggested that Shanghai KYMS does not have resources to pay its liabilities as they fall due, the Board does not consider Shanghai KYMS's net current liabilities would have an impact on its assessment of the merits of the Second Subscription.

On 2 September 2021, the CSRC announced that a new BSE would be established to provide better services to innovative small and medium-sized enterprises for their high-quality development. It was also announced that the CSRC would further promote the reform of NEEQ and establish the BSE based on the existing select tier of the NEEQ, so as to further enhance the ability to serve small and medium-sized enterprises and formulate a major platform that services innovative small and medium-sized enterprises.

The Directors believe that, the establishment of the BSE will (i) open up channels for direct financing for small and medium-sized enterprises; (ii) stimulate the overall trading on NEEQ and (iii) be beneficial to Shanghai KYMS, being a company with shares listed on the base tier of the NEEQ. The manner of setting up the BSE is quite clear. Enterprises listed on the select tier of the NEEQ are qualified to be directly listed on the BSE, while enterprises listed on the innovative tier of the NEEQ also have the opportunity to be listed on the BSE by completing certain registration procedures. The establishment of the BSE also provides a path for base tier companies to be listed on the BSE by transferring from the base tier to the innovative tier of the NEEQ and then ultimately to the BSE. As at the Latest Practicable Date, Shanghai KYMS has not announced any plan for listing its shares on BSE. Having considered the above factors, the Directors consider that there is an opportunity for Shanghai KYMS to be listed on the BSE in the future.

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The existing two non-executive directors of the Company, Mr. Peng Qilei and Ms. Liu Jing, who have more than 15 years of experience in the property leasing industry. As such, they will be able to provide valuable input in monitoring the performance of Shanghai KYMS.

Based on the above, the Directors are of the view that the terms and conditions of the Second Subscription Agreement are fair and reasonable and on normal commercial terms, and the entering into of the Second Subscription is in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, the Company has no intention to make further subscription of Shanghai KYMS shares or otherwise increase its equity interest in Shanghai KYMS and has no plan to dispose of any Shanghai KYMS shares.

As at the Latest Practicable Date, the Company is not in negotiation or has any agreement with Shanghai KYMS in relation to business cooperation or other matters except for the Second Subscription Agreement.

IMPLICATIONS UNDER THE GEM LISTING RULES

As one or more of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Second Subscription, on a standalone basis or in aggregate with the First Subscription, is more than 25% but all of the applicable ratios are less than 100%, the entering into of the Second Subscription Agreement constitutes a major transaction of the Company and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

WAIVER FROM STRICT COMPLIANCE WITH RULE 19.67(6)(a)(i) OF THE GEM LISTING RULES

Pursuant to Rule 19.67(6)(a)(i) of the GEM Listing Rules, the Company is required to include in this circular an accountant's report on Shanghai KYMS, which is prepared in accordance with Chapter 7 of the GEM Listing Rules. The accounts in which the accountant's report is based must relate to a financial period ended six months or less before this circular is issued, and the financial information on Shanghai KYMS must be prepared using accounting policies which should be materially consistent with that of the Company. In this regard, the Company is required under Chapter 7 of the GEM Listing Rules to include an accountant's report on Shanghai KYMS with the financial information of Shanghai KYMS for the three years ended 31 December 2020 plus a stub period which is ended not more than six months from the date of this circular prepared under the HKFRS.

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As the Company considers that the strict compliance with Rule 19.67(6)(a)(i) of the GEM Listing Rules would be unduly burdensome, the Company has applied for, and the Stock Exchange has granted the Company, a waiver from strict compliance with Rule 19.67(6)(a)(i) of the GEM Listing Rules on the following grounds:

- (a) Upon completion of the Second Subscription, Shanghai KYMS would not become a subsidiary of the Company, and the results of Shanghai KYMS are not consolidated into the financial statements of the Company. The investment in Shanghai KYMS would be accounted for as an associate of the Company in the Company's consolidated financial statements.
- (b) The Group, being a minority investor, has not been granted access to the books and records of Shanghai KYMS for the purpose of complying with Rule 19.67(6)(a)(i) of the GEM Listing Rules.
- (c) The shares of Shanghai KYMS are listed on the NEEQ. Even though NEEQ is not an open stock exchange and the shares listed thereon could only be traded by way of private agreement or through closing auction trading session, Shanghai KYMS is already subject to the disclosure requirements under the listing rules of the NEEQ, including without limitation the publication of annual report (which contains audited financial statements), interim report and quarterly reports.
- (d) None of the audited consolidated financial statements of Shanghai KYMS for the three years ended 31 December 2020 has been issued with any audit qualifications.
- (e) The Company considers that it has taken reasonable steps to request for information for compliance with the requirements under Rule 19.67(6)(a)(i) of the GEM Listing Rules, and a relaxation of such requirement which are unduly burdensome and impractical to the Company in the circumstances, would unlikely result in undue risks to the Shareholders and potential investors of the Company.

Alternative disclosures

The Company has included the following information in this circular as alternative disclosures to an accountant's report of Shanghai KYMS under Chapter 7 of the GEM Listing Rules:

- (a) full text of the audited consolidated financial statements of Shanghai KYMS for the three years ended 31 December 2020 prepared under CASBE and audited by Baker Tilly China Certified Public Accountants (Special General Partnership) for the two years ended 31 December 2019, and Shanghai Certified Public Accountants (Special General Partnership) for the year ended 31 December 2020;

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- (b) full text of the unaudited consolidation statements of Shanghai KYMS for the six months ended 30 June 2021 prepared under CASBE; and
- (c) an analysis on the accounting policies adopted by Shanghai KYMS and its consolidated subsidiaries and those adopted by the Company as to whether material differences exist between them, which is reviewed by CL Partners CPA Limited in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other than Audits or Reviews of Historical Information” issued by the Hong Kong Institute of Certified Public Accountants. Such analysis is set out on pages 508 to 524 in Appendix II to this circular.

The Company considers that the alternative disclosures described above would provide relevant, meaningful and reliable information on the financial position of Shanghai KYMS for the three years ended 31 December 2020 and six months ended 30 June 2021.

EGM

Set out on pages 574 to 576 of this circular is the notice of EGM during which ordinary resolution will be proposed to the Shareholders to consider and, if thought fit, to approve the Second Subscription Agreement and the transactions contemplated thereunder. Pursuant to Rule 17.47(4) of the GEM Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Therefore, the resolution set out in the notice of the EGM shall be voted by poll. Votes may be given either personally or by proxy. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, none of the Shareholders is required to abstain from voting on the resolution to be proposed at the EGM.

A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the GEM website (www.hkgem.com) and the Company's website (www.fyleasing.com). If you intend to appoint a proxy to attend the EGM, you are required to complete the form of proxy in accordance with the instructions printed thereon and return it to the H Share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (for holders of H Shares), or the Company's head office in the PRC at Room 1603, Cheung Kei Building, No. 128 Xinzhou 11th Street, Futian District, Shenzhen, the PRC (for holders of Domestic Shares and/or Unlisted Foreign Shares) as soon as possible but in any event not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof (as the case may be) if you so wish, and in such event, the form of proxy shall be deemed to be revoked.

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CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement of the Shareholders to attend and vote at the EGM, the transfer books and register of members of the Company will be closed from Saturday, 1 January 2022 to Friday, 21 January 2022, both days inclusive, during which period no Share transfers will be registered. In order to be eligible to attend and vote at the EGM, all transfer documents of Shares accompanied by the relevant share certificates must be lodged with the H Share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (for holders of H Shares), or the Company's head office in the PRC at Room 1603, Cheung Kei Building, No. 128 Xinzhou 11th Street, Futian District, Shenzhen, the PRC (for holders of Domestic Shares and/or Unlisted Foreign Shares) for registration not later than 4:30 p.m. on Friday, 31 December 2021.

Shareholders whose names appear on the register of members of the Company after the close of business on Friday, 31 December 2021 are entitled to attend and vote at the EGM.

RECOMMENDATION

The Directors consider that the terms and conditions of the Second Subscription Agreement are fair and reasonable and the entering into of the Second Subscription Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Second Subscription Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully
By order of the Board
FY Financial (Shenzhen) Co., Ltd.
Li Peng
Chairman

1. SUMMARY FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2018, 2019 and 2020, for the six months ended 30 June 2021 and for the nine months ended 30 September 2021 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (www.fyleasing.com) respectively:

- annual report of the Company for the year ended 31 December 2018 (pages 78 to 156):
(<https://www1.hkexnews.hk/listedco/listconews/gem/2019/0306/gln20190306097.pdf>)
- annual report of the Company for the year ended 31 December 2019 (pages 78 to 160):
(<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0330/2020033000836.pdf>)
- annual report of the Company for the year ended 31 December 2020 (pages 90 to 176):
(<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0326/2021032600792.pdf>)
- interim report of the Company for the six months ended 30 June 2021 (pages 39 to 88)
(<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0812/2021081200666.pdf>)
- third quarterly report of the Company for the nine months ended 30 September 2021 (pages 2-13)
(<https://www1.hkexnews.hk/listedco/listconews/gem/2021/1109/2021110900312.pdf>)

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 November 2021, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group did not have any debt securities issued and outstanding or agreed to be issued, term loans, loan capital, bank overdrafts, loans, borrowings or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, assets pledged, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other contingent liabilities.

3. FINANCIAL IMPACT OF THE SECOND SUBSCRIPTION

Upon completion of the Second Subscription, Shanghai KYMS will become an associated company of the Company and its financial results will be accounted for using the equity method in the consolidated financial statements of the Company.

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to the Circular, the unaudited pro forma consolidated net assets of the Enlarged Group as at 30 June 2021 would decrease from approximately RMB470 million to approximately RMB467 million as a result of the Second Subscription.

4. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The outbreak of the COVID-19 pandemic at the beginning of 2020 caused unprecedented impact on the economic and social development in many countries and regions around the world, including China, which had significant impact on the development of small and medium-sized enterprises. The risk of the Group's finance leasing business therefore has increased as small and medium-sized enterprises are the Group's major customers. In the long run, the Group will continue to focus on providing quality financial services for high-quality enterprises customers. It will continue to maintain a steady pace of development and progress in a prudent manner and strengthen risk control and post-lease supervision. With the finance leasing business as its core, the Group will actively explore profit model innovation and potential investment opportunities around the Group's main business, continue to improve profitability, and move forward steadily.

5. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the existing financial resources and the effect of the proposed transaction, the Group has sufficient working capital for its present requirements and to satisfy its requirements for at least the next 12 months from the date of publication of this circular.

6. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date up to which the latest published audited accounts of the Company were made up.

EXTRACTS OF THE CONSOLIDATED FINANCIAL STATEMENTS OF SHANGHAI KYMS

The following is an extract of the audited consolidated financial statements of Shanghai KYMS for the years ended 31 December 2018, 2019 and 2020 and the unaudited consolidated financial statements of Shanghai KYMS for the six months ended 30 June 2021, which were prepared in accordance with China Accounting Standards, as extracted from the respective annual reports/interim report and financial statements of Shanghai KYMS for the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021. These financial statements were issued in Chinese and the English translation is provided for information purposes only. In case of any discrepancy between the two versions, the Chinese version shall prevail.

The annual reports/interim report and consolidated financial statements of Shanghai KYMS for the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021 are available on the website of NEEQ (<http://www.neeq.com.cn/>).

The Directors wish to emphasise that the extracts reproduced below are not prepared for incorporation into this circular and the Group has not participated in their preparation. As such, the Directors do not express any view as to their truth, accuracy or completeness, and the Shareholders and investors should exercise caution and should not place undue reliance on such information.

1. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF SHANGHAI KYMS FOR THE YEAR ENDED 31 DECEMBER 2018

Audit opinion	Unqualified opinion
Reference number of auditor's report	TZ Ye Zi [2019] No. 1086 (天職業字[2019]1086號)
Name of auditor	Baker Tilly China Certified Public Accountants
Address of auditor	13/F, Jin Mao Tower, No. 88 Century Boulevard, Pudong New Area, Shanghai
Date of auditor's report	19 April 2019
Name of certified public accountant	Zeng Li (曾莉), Wu Jinzhong (吳金忠)

Text of Auditor's Report:

Auditor's Report

TZ Ye Zi [2019] No. 1086 (天職業字[2019]1086號)

The shareholders of Shanghai Kuaiyi Mingshang Enterprise Development Co., Ltd. (上海快易名商企業發展股份有限公司):

I. OPINION

We have audited the accompanying financial statements of Shanghai Kuaiyi Mingshang Enterprise Development Co., Ltd. (上海快易名商企業發展股份有限公司) (hereinafter referred to as the "**Company**"), which comprise the consolidated and the parent company's balance sheet as at 31 December 2018, and the consolidated and the parent company's income statement, the consolidated and the parent company's statement of cash flows and the consolidated and the parent company's statement of changes in equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements have been prepared in compliance with the Accounting Standards for Business Enterprises in all material respects and give a true and fair view of the consolidated and the parent company's financial position of the Company as at 31 December 2018 and of its consolidated and the parent's operating results and cash flows for the year then ended.

II. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants (“CSAs”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Certified Public Accountants of China (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.

III. OTHER INFORMATION

The management of the Company (hereinafter referred to as the “Management”) is responsible for the other information. The other information comprises all of the information included in the 2018 annual report other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

IV. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the Accounting Standards for Business Enterprises, and for designing, implementing and maintaining such internal control as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

V. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs 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 CSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

- (4) Conclude on the appropriateness of the Management' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

1. FINANCIAL STATEMENTS

(I) Consolidated Balance Sheet

Unit: RMB

Item	Note	Closing balance	Opening balance
Current assets:			
Cash and bank balances	VI.(I)	14,491,375.68	11,204,942.25
Settlement deposit			
Loans to other banks and financial institutions			
Held-for-trading financial assets			
Derivative financial assets			
Bills receivable and accounts receivable	VI.(II)	116,873.77	244,989.53
Including: Bills receivable			
Accounts receivable		116,873.77	244,989.53
Prepayments	VI.(III)	3,357,237.79	682,212.06
Premium receivables			
Reinsurance accounts receivable			
Reinsurance contract reserves			
receivable			
Other receivables	VI.(IV)	19,904,335.48	2,826,111.05
Including: Interest receivable			
Dividend receivable			
Financial assets purchased under agreements to resell			
Inventory		–	
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets	VI.(V)	<u>2,086,333.33</u>	<u>103,487.07</u>
Total current assets		<u>39,956,156.05</u>	<u>15,061,741.96</u>

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	<i>Note</i>	Closing balance	Opening balance
Non-current assets:			
Loans and advances to customers			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments		–	–
Other equity instrument investments			
Other non-current financial assets			
Investment properties			
Fixed assets	VI.(VI)	1,422,279.11	1,376,565.79
Construction in progress	VI.(VII)	44,395,845.97	–
Productive biological assets			
Oil & gas assets			
Intangible assets	VI.(VIII)	11,775.43	13,738.53
Development expenses			
Goodwill			
Long-term deferred expenses	VI.(IX)	29,320,834.47	33,856,065.37
Deferred income tax assets	VI.(X)	489,530.30	1,325,842.79
Other non-current assets	VI.(XI)	<u>4,863,774.44</u>	<u> </u>
Total non-current assets		<u>80,504,039.72</u>	<u>36,572,212.48</u>
Total assets		<u><u>120,460,195.77</u></u>	<u><u>51,633,954.44</u></u>

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	<i>Note</i>	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings	VI.(XII)	7,160,000.00	17,000,000.00
Borrowings from central bank			
Deposits from customers and other banks and financial institutions			
Borrowings from other banks and financial institutions			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Bills payable and accounts payable	VI.(XIII)	9,478,425.58	7,832,079.17
Including: Bills payable			
Accounts payable		9,478,425.58	7,832,079.17
Receipts in advance	VI.(XIV)	1,601,277.27	1,886,694.91
Contract liabilities			
Financial assets sold under agreements to repurchase			
Fees and commission payable			
Employee benefits payable	VI.(XV)		
Tax payables	VI.(XVI)	532,558.74	26,873.05
Other payables	VI.(XVII)	67,118,367.65	17,054,999.60
Including: Interest payable		44,935.33	87,269.13
Dividend payable			
Reinsurance accounts payable			
Insurance contract reserves			
Accounts payable to brokerage clients			
Proceeds from underwriting securities received on behalf of clients			
Liabilities held for sale			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		85,890,629.24	43,800,646.73

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	Note	Closing balance	Opening balance
Non-current liabilities:			
Long-term borrowings		–	–
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Long-term payables			
Long-term employee benefits payable			
Estimated liabilities			
Deferred income			
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities			
Total liabilities		85,890,629.24	43,800,646.73
Owners' equity (or shareholders' equity):			
Share capital	VI.(XVIII)	10,000,000.00	10,000,000.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve			
Less: Treasury stock			
Other comprehensive income			
Special reserve			
Surplus reserve	VI.(XIX)	169,608.07	169,608.07
General risk reserve			
Retained profits	VI.(XX)	–2,738,805.20	–3,482,516.30
Total equity attributable to owners of the parent company		7,430,802.87	6,687,091.77
Minority interests		27,138,763.66	1,146,215.94
Total owners' equity		34,569,566.53	7,833,307.71
Total liabilities and owners' equity		120,460,195.77	51,633,954.44
Legal representative: Shi Yan (施豔)	Accounting principal: Wang Fuhan (王輔晗)	Accounting firm's principal: Xu Hong (徐竑)	

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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(II) Balance Sheet of the Parent Company

Unit: RMB

Item	Note	Closing balance	Opening balance
Current assets:			
Cash and bank balances		11,224,147.61	10,286,356.91
Held-for-trading financial assets			
Derivative financial assets			
Bills receivable and accounts receivable	XIV.(I)	116,873.77	244,964.83
Including: Bills receivable			
Accounts receivable		116,873.77	244,964.83
Prepayments		2,688,779.12	682,212.06
Other receivables	XIV.(II)	25,228,811.76	2,993,444.30
Including: Interest receivable		40,021.03	
Dividend receivable			
Inventory			
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets			
Total current assets		39,258,612.26	14,206,978.10
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	XIV.(III)	30,150,000.00	2,620,000.00
Other equity instrument investments			
Other non-current financial assets			
Investment properties			
Fixed assets		1,073,758.66	1,264,977.98
Construction in progress		454,803.95	
Productive biological assets			
Oil & gas assets			
Intangible assets			
Development expenses			
Goodwill			
Long-term deferred expenses		23,195,123.96	29,093,905.01
Deferred income tax assets		450,232.44	1,019,425.68
Other non-current assets			
Total non-current assets		55,323,919.01	33,998,308.67
Total assets		94,582,531.27	48,205,286.77

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	<i>Note</i>	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings		5,200,000.00	17,000,000.00
Held-for-trading financial liabilities			
Derivative financial liabilities			
Bills payable and accounts payable		5,508,988.41	5,948,370.29
Including: Bills payable			
Accounts payable		5,508,988.41	5,948,370.29
Receipts in advance		1,134,302.74	1,682,401.93
Contract liabilities			
Employee benefits payable			
Tax payables		515,494.40	-59,892.61
Other payables		72,959,246.38	15,663,615.75
Including: Interest payable		41,741.67	87,269.13
Dividend payable			
Liabilities held for sale			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		85,318,031.93	40,234,495.36
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Long-term payables			
Long-term employee benefits payable			
Estimated liabilities			
Deferred income			
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities			
Total liabilities		85,318,031.93	40,234,495.36

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	<i>Note</i>	Closing balance	Opening balance
Owners' equity:			
Share capital		10,000,000.00	10,000,000.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve		34,157.35	34,157.35
Less: Treasury stock			
Other comprehensive income			
Special reserve			
Surplus reserve		169,608.07	169,608.07
General risk reserve			
Retained profits		<u>-939,266.08</u>	<u>-2,232,974.01</u>
Total owners' equity		<u>9,264,499.34</u>	<u>7,970,791.41</u>
Total liabilities and owners' equity		<u><u>94,582,531.27</u></u>	<u><u>48,205,286.77</u></u>

(III) Consolidated Income statement

Unit: RMB

Item	Note	Current period	Prior period
I. Total operating income		54,942,826.77	51,683,630.62
Including: Operating income	VI.(XXI)	54,942,826.77	51,683,630.62
Interest income			
Earned premium			
Fee and commission income			
II. Total operating cost		53,383,574.93	50,978,740.77
Including: Operating cost	VI.(XXI)	43,637,162.95	42,112,403.52
Interest expenses			
Fee and commission expenses			
Surrenders			
Net claims paid			
Net change in insurance contract reserve			
Policyholder dividend expenses			
Premiums paid for reinsurance contracts			
Taxes and surcharges	VI.(XXII)	293,854.57	242,564.58
Marketing expenses	VI.(XXIII)	26,487.61	26,916.00
Administrative expenses	VI.(XXIV)	7,303,618.26	7,448,657.55
Research and development expenses		0	0
Financial expenses	VI.(XXV)	1,229,284.57	1,149,994.52
Including: Interest expenses	VI.(XXV)	1,279,187.14	869,490.60
Interest income	VI.(XXV)	84,624.57	13,421.69
Asset impairment loss	VI.(XXVI)	893,166.97	-1,795.40
Credit impairment loss			

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	Note	Current period	Prior period
Add: Other income	VI.(XXVII)	341,973.10	455,000.00
Investment income			
("-" denotes loss)			
Including: Income from investments			
in associates and joint ventures			
Net gain on hedging exposure			
("-" denotes loss)			
Gain on change in fair value			
("-" denotes loss)			
Gain on disposal of assets			
("-" denotes loss)			
Foreign exchange gain			
("-" denotes loss)			
III. Operating profit ("-" denotes loss)		1,901,224.94	1,159,889.85
Add: Non-operating income	VI.(XXVIII)	32,619.77	147,756.58
Less: Non-operating expenses	VI.(XXIX)	331,273.40	1,870.18
IV. Profit before tax			
("-" denotes loss before tax)		1,602,571.31	1,305,776.25
Less: Income tax expenses	VI.(XXX)	836,312.49	58,044.05
V. Net profit ("-" denotes net loss)		766,258.82	1,247,732.20
Including: Net profit realised by the acquiree			
prior to consolidation			
(I) Classified by continuity of operations:		-	-
1. Net profit from continuing operations			
("-" denotes net loss)		766,258.82	1,247,732.20
2. Net profit from discontinued operations			
("-" denotes net loss)			
(II) Classified by ownership of equity:		-	-
1. Profit or loss attributable to minority			
interest		22,547.72	208,047.03
2. Net profit attributable to owners of the			
parent company		743,711.10	1,039,685.17
VI. Other comprehensive income,			
net of tax			
Other comprehensive income attributable to			
owners of the parent company, net of tax			

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	Note	Current period	Prior period
(I) Other comprehensive income that will not be reclassified to profit or loss			
1. Change from re-measurement of defined benefit schemes			
2. Other comprehensive income that will not be transferred to profit or loss under the equity method			
3. Change in fair value of other equity instrument investments			
4. Change in fair value of own credit risk			
(II) Other comprehensive income that may be reclassified to profit or loss			
1. Other comprehensive income that may be transferred to profit or loss under the equity method			
2. Change in fair value of other debt investments			
3. Reclassification of financial assets to other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Cash flow hedge reserve			
6. Exchange differences on translation of financial statements in foreign currency			
7. Others			
Other comprehensive income attributable to minority interest, net of tax			
VII. Total comprehensive income		766,258.82	1,247,732.20
Total comprehensive income attributable to owners of the parent company		743,711.10	1,039,685.17
Total comprehensive income attributable to minority interest		22,547.72	208,047.03
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)	XV.(II)	0.07	0.10
(II) Diluted earnings per share (RMB/share)	XV.(II)	0.07	0.10
Legal representative: Shi Yan (施豔)	Accounting principal: Wang Fuhan (王輔晗)	Accounting firm's principal: Xu Hong (徐竑)	

(IV) Income Statement of the Parent Company

Unit: RMB

Item	Note	Current period	Prior period
I. Operating income	XIV.(IV)	58,411,389.74	47,663,757.76
Less: Operating cost	XIV.(IV)	48,246,934.18	39,097,822.34
Taxes and surcharges		251,410.26	208,469.45
Marketing expenses			13,256.00
Administrative expenses		6,473,108.16	6,642,627.57
Research and development expenses			
Financial expenses		1,172,132.38	1,143,503.75
Including: Interest expenses		1,043,516.78	869,490.60
Interest income		75,944.47	10,646.43
Asset impairment loss		388,827.06	-1,796.70
Credit impairment loss			
Add: Other income		303,000.00	455,000.00
Investment income			
("-" denotes loss)			
Including: Income from			
investments in			
associates and			
joint ventures			
Net gain on hedging exposure			
("-" denotes loss)			
Gain on change in fair value			
("-" denotes loss)			
Gain on disposal of assets			
("-" denotes loss)			
Foreign exchange gain			
("-" denotes loss)			
II. Operating profit ("-" denotes loss)		2,181,977.70	1,014,875.35
Add: Non-operating income		12,196.87	147,453.73
Less: Non-operating expenses		331,273.40	
III. Profit before tax			
("-" denotes loss before tax)		1,862,901.17	1,162,329.08
Less: Income tax expenses		569,193.24	340,473.63
IV. Net profit ("-" denotes net loss)		1,293,707.93	821,855.45
(I) Net profit from continuing operations		1,293,707.93	821,855.45
(II) Net profit from discontinued operations			

Item	<i>Note</i>	Current period	Prior period
V. Other comprehensive income, net of tax			
(I) Other comprehensive income that will not be reclassified to profit or loss			
1. Change from re-measurement of defined benefit schemes			
2. Other comprehensive income that will not be transferred to profit or loss under the equity method			
3. Change in fair value of other equity instrument investments			
4. Change in fair value of own credit risk			
(II) Other comprehensive income that may be reclassified to profit or loss			
1. Other comprehensive income that may be transferred to profit or loss under the equity method			
2. Change in fair value of other debt investments			
3. Reclassification of financial assets to other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Cash flow hedge reserve			
6. Exchange differences on translation of financial statements in foreign currency			
7. Others			
VI. Total comprehensive income		1,293,707.93	821,855.45
VII. Earnings per share:			
(I) Basic earnings per share (RMB/share)			
(II) Diluted earnings per share (RMB/share)			

(V) Consolidated Statement of Cash Flows

Unit: RMB

Item	Note	Current period	Prior period
I. Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		70,175,687.75	56,019,391.58
Net increase in deposits from customers and other banks and financial institutions			
Net increase in borrowings from central bank			
Net increase in loans from other financial institutions			
Cash received from premiums under original insurance contracts			
Net cash received from reinsurance business			
Net increase in policyholders' deposits and investment contract liabilities			
Net increase from disposal of financial assets at fair value through or loss			
Cash received from interests, fee and commission			
Net increase in loans from other banks and financial institutions			
Net increase in repo transactions			
Tax rebates received			
Cash received relating to other operating activities	VI.(XXXI)	40,174,013.10	3,760,940.66
Subtotal of cash inflow from operating activities		110,349,700.85	59,780,332.24
Cash paid for goods purchased and services received		49,829,095.63	34,765,315.03
Net increase in loans and advances to customers			
Net increase in deposits with central bank and other banks and financial institutions			
Cash paid for claims of original insurance contract			
Cash paid for interest, fee and commission			

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	Note	Current period	Prior period
Cash paid for policyholder dividend			
Cash paid to and for employees		7,117,238.06	7,623,823.53
Cash paid for taxes and surcharges		2,499,653.42	2,517,138.79
Cash paid relating to other operating activities	VI.(XXXI)	21,403,669.13	3,473,153.36
Subtotal of cash outflow from operating activities		80,849,656.24	48,379,430.71
Net cash flow from operating activities	VI.(XXXII)	29,500,044.61	11,400,901.53
II. Cash flows from investing activities:			
Cash received from disposal of investments			
Cash received from investment income			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		25,340.00	100.00
Net cash received from disposal of subsidiaries and other business units			
Cash received relating to other investing activities			
Subtotal of cash inflow from investing activities		25,340.00	100.00
Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets		41,027,247.32	9,422,415.40
Cash paid for investments			
Net increase in pledged loans			
Net cash paid for acquisition of subsidiaries and other business units			
Cash paid relating to other investing activities			
Subtotal of cash outflow from investing activities		41,027,247.32	9,422,415.40
Net cash flow from investing activities		-41,001,907.32	-9,422,315.40

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	Note	Current period	Prior period
III. Cash flows from financing activities:			
Cash received from capital contributions		25,970,000.00	
Including: Cash received from capital contributions to subsidiaries by minority shareholders		25,970,000.00	
Cash received from borrowings		19,160,000.00	22,000,000.00
Cash received from bond issuance			
Cash received relating to other financing activities			
Subtotal of cash inflow from financing activities		45,130,000.00	22,000,000.00
Cash paid for repayment of debt		29,000,000.00	16,300,000.00
Cash paid for distribution of dividend and profit or interest payment		1,341,703.86	933,989.47
Including: Distribution of dividend and profit by subsidiaries to minority shareholders			
Cash paid relating to other financing activities			
Subtotal of cash outflow from financing activities		30,341,703.86	17,233,989.47
Net cash flow from financing activities		14,788,296.14	4,766,010.53
IV. Effect of foreign exchange rate fluctuation on cash and cash equivalents			
V. Net increase in cash and cash equivalents			
	VI.(XXXII)	3,286,433.43	6,744,596.66
Add: Cash and cash equivalents at the beginning of the period	VI.(XXXII)	11,204,942.25	4,460,345.59
VI. Cash and cash equivalents at the end of the period	VI.(XXXII)	14,491,375.68	11,204,942.25
Legal representative: Shi Yan (施豔)	Accounting principal: Wang Fuhan (王輔晗)	Accounting firm's principal: Xu Hong (徐竑)	

(VI) Statement of Cash Flows of the Parent Company

Unit: RMB

Item	Note	Current period	Prior period
I. Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		61,223,534.28	50,469,009.44
Tax rebates received			
Cash received relating to other operating activities		57,686,182.60	2,342,088.55
Subtotal of cash inflow from operating activities		118,909,716.88	52,811,097.99
Cash paid for goods purchased and services received		42,635,361.09	31,020,314.53
Cash paid to and for employees		4,924,685.37	6,723,397.48
Cash paid for taxes and surcharges		2,402,912.04	2,285,853.63
Cash paid relating to other operating activities		26,066,756.70	3,224,109.86
Subtotal of cash outflow from operating activities		76,029,715.20	43,253,675.50
Net cash flow from operating activities		42,880,001.68	9,557,422.49
II. Cash flows from investing activities:			
Cash received from disposal of investments			
Cash received from investment income			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		25,340.00	
Net cash received from disposal of subsidiaries and other business units			
Cash received relating to other investing activities			
Subtotal of cash inflow from investing activities		25,340.00	

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	Note	Current period	Prior period
Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets		1,308,302.79	7,976,485.80
Cash paid for investment		27,530,000.00	
Net cash paid for acquisition of subsidiaries and other business units			
Cash paid relating to other investing activities			
Subtotal of cash outflow from investing activities		28,838,302.79	7,976,485.80
Net cash flow from investing activities		-28,812,962.79	-7,976,485.80
III. Cash flows from financing activities:			
Cash received from capital contributions			
Cash received from borrowings		17,200,000.00	22,000,000.00
Cash received from bond issuance			
Cash received relating to other financing activities			
Subtotal of cash inflow from financing activities		17,200,000.00	22,000,000.00
Cash paid for repayment of debt		29,000,000.00	16,300,000.00
Cash paid for distribution of dividend and profit or interest payment		1,329,248.19	933,989.47
Cash paid relating to other financing activities			
Subtotal of cash outflow from financing activities		30,329,248.19	17,233,989.47
Net cash flow from financing activities		-13,129,248.19	4,766,010.53
IV. Effect of foreign exchange rate fluctuation on cash and cash equivalents			
V. Net increase in cash and cash equivalents		937,790.70	6,346,947.22
Add: Cash and cash equivalents at the beginning of the period		10,286,356.91	3,939,409.69
VI. Cash and cash equivalents at the end of the period		11,224,147.61	10,286,356.91

FINANCIAL INFORMATION OF SHANGHAI KYMS

(VII) Consolidated Statement of Changes in Shareholders' Equity

Unit: RMB									
Item	Equity attributable to owners of the parent company					Current period			
	Share capital	Other equity instruments	Other			Preference shares	Perpetual bonds	Others	Less: Treasury stock
			Preference shares	Perpetual bonds	Others	Capital reserve	Treasury stock	comprehensive income	Special reserve
						Surplus reserve	General risk reserve	Retained profits	Minority interests
									Owners' equity
I. Balance at the end of last year	10,000,000.00					169,608.07	-3,482,516.30	7,833,307.71	7,833,307.71
Add: Effect of changes in accounting policies									
Effect of correction of prior period errors									
Business combination under common control									
Others									
II. Balance at the beginning of the year	10,000,000.00					169,608.07	-3,482,516.30	7,833,307.71	7,833,307.71
III. Changes in the period ("—" denotes decrease)									
(I) Total comprehensive income									
(II) Owners' contribution and decrease in capital									
1. Common stock capital contribution from shareholders									
2. Capital contribution from holders of other equity instruments									
3. Share-based payments recognised in owners' equity									
4. Others									
(III) Profit appropriation									
1. Appropriation to surplus reserve									
2. Appropriation to general risk reserve									
3. Appropriation to owners (or shareholders)									
Others									

Item	Other equity instruments			Equity attributable to owners of the parent company					Current period					
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less; Treasury stock	comprehensive income	Other	Special reserve	Surplus reserve	General risk reserve	Retained profits	Minority interests	Owners' equity
(IV) Transfer within owners' equity														
1. Transfer from capital reserve to capital (or share capital)														
2. Transfer from surplus reserve to capital (or share capital)														
3. Making up losses with surplus reserve														
4. Transfer from changes in defined benefit schemes to retained earnings														
5. Transfer from other comprehensive income to retained earnings														
6. Others														
(V) Special reserve														
1. Appropriation in the period														
2. Utilisation in the period														
(VI) Others														
IV. Balance at the end of the year	10,000,000.00									169,608.07		-2,738,805.20	27,138,763.66	34,569,566.53

Item	Prior period												
	Equity attributable to owners of the parent company												
	Other equity instruments				Other								
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury stock	comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained profits	Minority interests	Owners' equity
I. Balance at the end of last year	10,000,000.00								169,608.07		-4,522,201.47	938,168.91	6,585,575.51
Add: Effect of changes in accounting policies													
Effect of correction of prior period errors													
Business combination under common control													
Others													
II. Balance at the beginning of the year	10,000,000.00								169,608.07		-4,522,201.47	938,168.91	6,585,575.51
III. Changes in the period ("—" denotes decrease)													
(I) Total comprehensive income													
(II) Owners' contribution and decrease in capital													
1. Common stock capital contribution from shareholders													
2. Capital contribution from holders of other equity instruments													
3. Share-based payments recognised in owners' equity													
4. Others													
(III) Profit appropriation													
1. Appropriation to surplus reserve													
2. Appropriation to general risk reserve													
3. Appropriation to owners (or shareholders)													
4. Others													

Item	Prior period													
	Equity attributable to owners of the parent company					Other								
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury stock	comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained profits	Minority interests	Owners' equity	
(IV) Transfer within owners' equity														
1. Transfer from capital reserve to capital (or share capital)														
2. Transfer from surplus reserve to capital (or share capital)														
3. Making up losses with surplus reserve														
4. Transfer from changes in defined benefit schemes to retained earnings														
5. Transfer from other comprehensive income to retained earnings														
6. Others														
(V) Special reserve														
1. Appropriation in the period														
2. Utilisation in the period														
(VI) Others														
IV. Balance at the end of the year	10,000,000.00								169,608.07		-3,482,516.30	1,146,215.94	7,833,307.71	
Legal representative: Shi Yan (施豔)													Accounting principal: Wang Fuhua (王輔哈)	Accounting firm's principal: Xu Hong (徐宏)

(VIII) Statement of Changes in Equity of the Parent Company

Unit: RMB

Item	Share capital	Other equity instruments			Capital reserve	Current period		Special reserve	Surplus reserve	General risk reserve	Retained profits	Total owners' equity
		Preference shares	Perpetual bonds	Others		Less: Treasury stock	Other comprehensive income					
I. Balance at the end of last year	10,000,000.00				34,157.35				169,608.07		-2,232,974.01	7,970,791.41
Add: Effect of changes in accounting policies												
Effect of correction of prior period errors												
Others												
II. Balance at the beginning of the year	10,000,000.00				34,157.35				169,608.07		-2,232,974.01	7,970,791.41
III. Changes in the period												
(I) Total comprehensive income											1,293,707.93	1,293,707.93
(II) Owners' contribution and decrease in capital											1,293,707.93	1,293,707.93
1. Common stock capital contribution from shareholders												
2. Capital contribution from holders of other equity instruments												
3. Share-based payments recognised in owners' equity												
4. Others												
(III) Profit appropriation												
1. Appropriation to surplus reserve												
2. Appropriation to general risk reserve												
3. Appropriation to owners (or shareholders)												
4. Others												

Item	Share capital	Other equity instruments			Current period			Total owners' equity
		Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury stock	Other comprehensive income	
(IV) Transfers within owners' equity								
1. Transfer from capital reserve to capital (or share capital)								
2. Transfer from surplus reserve to capital (or share capital)								
3. Making up losses with surplus reserve								
4. Transfer from changes in defined benefit schemes to retained earnings								
5. Transfer from other comprehensive income to retained earnings								
6. Others								
(V) Special reserve								
1. Appropriation in the period								
2. Utilisation in the period								
(VI) Others								
IV. Balance at the end of the year	10,000,000.00				34,157.35	169,608.07	-939,266.08	9,264,499.34
Item	Share capital	Other equity instruments			Prior period			Total owners' equity
		Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury stock	Other comprehensive income	
I. Balance at the end of last year	10,000,000.00				34,157.35	169,608.07	-3,054,829.46	7,148,935.96
Add: Effect of changes in accounting policies								
Effect of correction of prior period errors								
Others								
II. Balance at the beginning of the year	10,000,000.00				34,157.35	169,608.07	-3,054,829.46	7,148,935.96
III. Changes in the period								
(I) Total comprehensive income								821,855.45
(II) Owners' contribution and decrease in capital								821,855.45

Item	Share capital	Other equity instruments			Prior period		Surplus reserve	General risk reserve	Retained profits	Total owners' equity
		Preference shares	Perpetual bonds	Others	Less: Treasury stock	Other comprehensive income				
1. Common stock capital contribution from shareholders										
2. Capital contribution from holders of other equity instruments										
3. Share-based payments recognised in owners' equity										
4. Others										
(III) Profit appropriation										
1. Appropriation to surplus reserve										
2. Appropriation to general risk reserve										
3. Appropriation to owners (or shareholders)										
4. Others										
(IV) Transfers within owners' equity										
1. Transfer from capital reserve to capital (or share capital)										
2. Transfer from surplus reserve to capital (or share capital)										
3. Making up losses with surplus reserve										
4. Transfer from changes in defined benefit schemes to retained earnings										
5. Transfer from other comprehensive income to retained earnings										
6. Others										
(V) Special reserve										
1. Appropriation in the period										
2. Utilisation in the period										
(VI) Others										
IV. Balance at the end of the year	10,000,000.00				34,157.35		169,608.07		-2,232,974.01	7,970,791.41

NOTES TO 2018 ANNUAL FINANCIAL STATEMENTS

(All amounts expressed in Renminbi Yuan unless otherwise stated)

I. BASIC INFORMATION OF THE COMPANY

1. Domicile, organization and head office address of the Company

Company name:	上海快易名商企業發展股份有限公司 (Shanghai Kuaiyi Mingshang Enterprise Development Co.,Ltd.) (“ Company ”)
Registered address:	Room 2299, Block 5, No. 1630, Yecheng Road, Jiading Industrial Zone, Shanghai.
Registered capital:	RMB10.00 million
Unified social credit code:	913100007721258903
Legal representative:	Shi Yan (施豔)
Type of company:	Joint stock company (Not listed, invested or controlled by natural persons)

2. History

(1) Establishment on 25 February 2005

The Company was invested and founded by Wang Fuhan (王輔晗) and Zhou Hai (周海) on 25 February 2005. Its name when first established was 上海泰和嘉投資管理有限公司 (Shanghai Taihejia Investment Management Co., Ltd.). The registered capital was RMB10.00 million, which was entirely contributed with cash. Such contribution was verified by Shanghai Jiarui Certified Public Accountants Co., Ltd. (上海佳瑞會計師事務所有限公司) and a capital verification report (Jiarui Yan Zi (2005) No. 21260) was issued.

The Company was registered in Shanghai Administration of Industry and Commerce Jiading Branch in February 2005 and received a corporate legal person business licence with a registration number 3101142098281.

Shareholders’ contribution amounts and percentages when the Company was established:

Shareholders’ names	Contribution amounts	Forms of contribution	Contribution percentages (%)
Wang Fuhan (王輔晗)	9,500,000.00	Cash	95.00
Zhou Hai (周海)	500,000.00	Cash	5.00
Total	10,000,000.00		100

(2) *Equity transfer in November 2005*

An equity transfer agreement was signed on 8 November 2005, pursuant to which, Wang Fuhan (王輔晗) transferred 95.00% shareholding to Ying Wen (應文) at a consideration of RMB9.50 million. The shareholding structure after such equity transfer was:

Shareholders' names	Contribution amounts	Forms of contribution	Contribution percentages (%)
Ying Wen (應文)	9,500,000.00	Cash	95.00
Zhou Hai (周海)	500,000.00	Cash	5.00
Total	<u>10,000,000.00</u>		<u>100</u>

(3) *Equity transfer in September 2006*

An equity transfer agreement was signed on 18 September 2006, pursuant to which, Zhou Hai (周海) transferred 5.00% shareholding to Ying Wen (應文) at a consideration of RMB0.50 million. The shareholding structure after such equity transfer was:

Shareholder' s name	Contribution amount	Form of contribution	Contribution percentage (%)
Ying Wen (應文)	10,000,000.00	Cash	100.00
Total	<u>10,000,000.00</u>		<u>100</u>

(4) *Change of company name in July 2007*

In July 2007, as approved by Shanghai Administration of Industry and Commerce Jiading Branch, the Company's name changed from 上海泰和嘉投資管理有限公司(Shanghai Taihejia Investment Management Co., Ltd.) to 上海達潤投資管理有限公司(Shanghai Darun Investment Management Co., Ltd.).

(5) *Equity transfer in June 2009*

An equity transfer agreement was signed on 29 June 2009, pursuant to which, Ying Wen (應文) transferred 40% shareholding to Shen Hai (沈海) at a consideration of RMB4.00 million and transferred 30% shareholding to Wang Jianfeng (王建鋒) at a consideration of RMB3.00 million. The shareholding structure after such equity transfers was:

Shareholders' names	Contribution amounts	Forms of contribution	Contribution percentages (%)
Ying Wen (應文)	3,000,000.00	Cash	30.00
Shen Hai (沈海)	4,000,000.00	Cash	40.00
Wang Jianfeng (王建鋒)	3,000,000.00	Cash	30.00
Total	<u>10,000,000.00</u>		<u>100</u>

APPENDIX II FINANCIAL INFORMATION OF SHANGHAI KYMS

(6) Equity transfer in December 2010

On 7 December 2010, according to a property division agreement, Shen Hai (沈海) transferred his 30.00% shareholding to his wife Shi Yan (施豔) and 10.00% to his son Shen Yang (沈洋) from his total 40.00% shareholding after his death. The shareholding structure after such equity transfers was:

Shareholders' names	Contribution amounts	Forms of contribution	Contribution percentages (%)
Ying Wen (應文)	3,000,000.00	Cash	30.00
Wang Jianfeng (王建鋒)	3,000,000.00	Cash	30.00
Shi Yan (施豔)	3,000,000.00	Cash	30.00
Shen Yang (沈洋)	1,000,000.00	Cash	10.00
Total	10,000,000.00		100

(7) Equity transfer in April 2014

In April 2014, according to an equity transfer agreement, Ying Wen (應文) transferred 27.00% shareholding to Wang Fuhua (王輔哈), and Ying Wen (應文) transferred 3.00% shareholding, Shi Yan (施豔) transferred 3.00% shareholding, Wang Jianfeng (王建鋒) transferred 3.00% shareholding and Shen Yang (沈洋) transferred 1.00% shareholding to Shanghai Qiangao Investment Management Partnership, L.P (上海謙高投資管理合夥企業(有限合夥)). The shareholding structure after such equity transfers was:

Shareholders' names	Contribution amounts	Forms of contribution	Contribution percentages (%)
Wang Fuhua (王輔哈)	2,700,000.00	Cash	27.00
Wang Jianfeng (王建鋒)	2,700,000.00	Cash	27.00
Shi Yan (施豔)	2,700,000.00	Cash	27.00
Shen Yang (沈洋)	900,000.00	Cash	9.00
Shanghai Qiangao Investment Management Partnership, L.P (上海謙高投資管理合夥企業(有限合夥))	1,000,000.00	Cash	10.00
Total	10,000,000.00		100

(8) Capital increase on 22 April 2014

On 22 April 2014, the Company's shareholders additionally contributed RMB7.80 million based on their respective existing shareholding. Such contribution was credited into capital reserve and would not increase paid-up capital.

(9) Change of company name in June 2014

In June 2014, as approved by Shanghai Administration of Industry and Commerce, the Company's name changed from 上海達潤投資管理有限公司 (Shanghai Darun Investment Management Co., Ltd.) to 上海快易名商企業發展股份有限公司 (Shanghai Kuaiyi Mingshang Enterprise Development Co., Ltd.).

APPENDIX II FINANCIAL INFORMATION OF SHANGHAI KYMS

(10) Equity transfer in June 2018

In June 2018, Shi Yan (施豔) transferred her 4.96% shareholding. The shareholding structure after such equity transfer was:

Shareholders' names	Contribution amounts	Forms of contribution	Contribution percentages (%)
Wang Fuhan (王輔哈)	2,700,000.00	Cash	27.00
Wang Jianfeng (王劍峰)	2,700,000.00	Cash	27.00
Shi Yan (施豔)	2,204,000.00	Cash	22.04
Shen Yang (沈洋)	900,000.00	Cash	9.00
Shanghai Qiangao Investment Management Partnership, L.P. (上海謙高投資管理合夥企業 (有限合夥))	1,000,000.00	Cash	10.00
Shanghai Dangxian Business Information Consulting Co., Ltd. (上海當現商務信息諮詢有限公司)	496,000.00	Cash	4.96
Total	<u>10,000,000.00</u>		<u>100</u>

3. Scope of business: Investment management, property management, enterprise management, self-owned equipment lease (financial lease not permitted), conference service, exhibition service, hotel management (excluding food and catering operations). *[Activities legally required approvals are not permitted to be undertaken until acquiring relevant authorities' approvals]*
4. The Company's financial report has been approved to be published on 19 April 2019.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(I) Basis of preparation

Financial statements of the company have been prepared on going concern basis, according to the actual transaction, in accordance with the relevant requirements of Accounting Standards for Enterprises, and prepared under following material accounting policies and accounting estimates.

(II) Going concern

The Company has conducted evaluation on the ability of continuing operation for the 12 months from the end of the reporting period and does not identify any event or circumstance that arises material concerns about the ability of continuing operation. Therefore, these financial statements have been prepared on a going concern basis.

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(I) Statement on compliance with the Accounting Standards for Enterprises

The financial statements of the Company which are prepared on the base of above-mentioned basis are in compliance with requirements of latest Financial Accounting Standards as well as relevant application guidance, interpretation and other regulations (jointly referred to as the “**Accounting Standards for Enterprises**”) issued by the Ministry of Finance, truly and completely reflect the financial position, operating results, cash flow positions and other relevant information of the Company.

In addition, these financial statements are prepared in accordance with the presentation and disclosure requirements of “No. 15 Reporting Regulation on the Information Disclosure for Public Share Offering Companies – Ordinary Reporting Regulation”(revised in 2014) and “Notice on Matters Related to the Implementation of New Accounting Standards for Enterprises by Listed Companies (Letter from Accounting Department No. [2018] 453)”.

(II) Accounting period and business cycle

Accounting year of the Company is the calendar year from 1 January to 31 December.

The Company is a professional institution committed to investing in the development of service-oriented office buildings in mainland China, and provides small and medium-sized enterprises and foreign offices with comprehensive solutions for office rental and related needs. The business cycle of the Company is relatively short, and thus the operating cycle of relevant business is used as the standard of liquidity division of assets and liabilities.

(III) Measurement currency

The Company uses RMB as the currency for recording transactions.

(IV) Report items whose measurement attributes changed in the current period and their current measurement attributes

The measurement attributes of the Company include historical cost, replacement cost, net realizable value, present value and fair value.

(V) Business combination

1. *Accounting treatments for business combination under common control*

Where the Company involved in business combination under common control, either through one transaction or several multiple transactions, assets and liabilities acquired by the Company shall be measured at carrying amount on acquisition date in the consolidated financial statements of the ultimate controlling party. Where difference arises between the carrying amount of net assets acquired by the Company and the acquisition consideration (or the total nominal value of the shares issued) paid, capital reserves shall be adjusted; where capital reserves are not enough for offset, retained earnings shall be adjusted instead.

2. *Accounting treatments for business combination not under common control*

On acquisition date, when the cost of consideration offered by the acquirer is more than the fair value of proportionate share of the acquiree’s net identifiable assets, the difference shall be recognised as goodwill; when the cost of consideration offered by the acquirer is less than the fair value of proportionate share of the acquiree’s net identifiable assets, the fair value of the acquiree’s net identifiable assets, liabilities, contingent liabilities and cost of consolidation shall be reviewed first. If cost of consolidation is still less than the fair value of proportionate share of the acquiree’s net identifiable assets after the review, the difference shall be accounted into current profit or loss.

When acquisition is achieved through several multiple transactions, accounting treatments should be made in the following order:

- (1) Adjust the initial investment costs of the long-term equity investment. The equity of acquiree held before acquisition date shall be remeasured at the fair value of such equity on the acquisition date and the difference between fair value and carrying amount shall be recognised as investment income in current period; if the acquiree's equity held before the acquiring date contains other comprehensive income and the other changes of owner's equity under the equity method, the related other comprehensive income and changes in other owner's equity shall be transferred to investment income on the date of acquisition in current period, excluding the other comprehensive income derived from changes of net liabilities or net assets due to re-measurement on defined benefit scheme by the investee.
- (2) Recognise goodwill (or the amount accounted into current profit or loss). Compare the initial investment costs of the long-term equity investment as adjusted in step (1) with the share of fair value of net identifiable assets of the subsidiary. If the former is greater than the latter, the difference is recognised as goodwill; if the former is less than the latter, the difference is recognised as current profit and loss.

Circumstance where the Company can no longer exercise control over subsidiary due to disposal of equity through several multiple transactions:

- (1) Decide whether the multiple transactions that contributed loss of control should be accounted for as a package deal

When the terms, conditions and economic effects of several multiple transactions meet one or several of the following conditions, normally they will be regarded as a package deal:

- (1) They are signed at the same time or under the consideration of the influence of each other;
 - (2) They form a single transaction designed to achieve an overall commercial effect;
 - (3) The occurrence of one transaction is dependent on the occurrence of at least one other transaction;
 - (4) One transaction considered on its own is not economically justified, but it is economically justified when considered together with other arrangements.
- (2) The accounting treatments for various transaction in relation to disposal of equity in a subsidiary step by step until it loses the control right shall be treated as a package deal

For various transaction in relation to disposal of equity investment in a subsidiary until it loses the control right are treated as a package deal, all transactions should be treated as one transaction of disposal of subsidiary and lose control over it. However, prior to loss of control, all differences between disposal proceeds and the investee's proportionate share of identifiable net assets within each single transaction should be recognised as other comprehensive income in the consolidated financial statements, and transferred to current profit or loss when control is lost.

Residual equity in the consolidated financial statements should be re-measured at fair value at the date when control is lost. Consideration received at disposal of subsidiary, added by the fair value of residual equity, net of original proportionate share of net assets of the subsidiary which is continuously calculated since the date of acquisition, shall be recorded as investment income during the accounting period when control is lost. All other comprehensive income related to the original investment should be accounted into current profit or loss when control is lost.

- (3) The accounting treatments for various transaction in relation to disposal of equity in a subsidiary step by step until it loses the control right shall not be treated as a package deal

For transactions that do not result in loss of control, the difference between consideration received and proportionate share of subsidiary's net asset shall be recognised as capital reserve (capital premium or share premium) in the consolidated financial statements, when capital reserve is insufficient to offset, retained earnings shall be adjusted instead.

For transactions that result in loss of control, residual equity shall be re-measured at fair value in the consolidated financial statements. Consideration received at disposal of subsidiary, added by the fair value of residual equity, net of original proportionate share of net assets of the subsidiary which is continuously calculated since the date of acquisition, shall be recorded as investment income during the accounting period when control is lost. All other comprehensive income related to the original investment should be accounted into current profit or loss when control is lost.

(VI) Preparation of consolidated financial statements

The consolidated financial statements were prepared based on the financial statement of the parent company and its subsidiaries by the Company in accordance with other relevant information and Accounting Standard for Business Enterprises No. 33 – Consolidated Financial Statements.

All subsidiaries within the scope of consolidation of the consolidated financial statements shall adopt accounting policies and financial period consistent with the Company. When there is any inconsistency on the accounting policies or financial period adopted by the subsidiaries and the Company, the financial statements of subsidiaries are adjusted according to the accounting policies or financial period adopted by the Company as necessary. Where as for For subsidiaries due to business combination involving entities not under common control, using the fair value on the acquisition as basis to adjust their own financial statements. Based on the financial statements of the Company and its subsidiaries, the consolidated financial statements are prepared by the Company according to other relevant information and after the long-term equity investments in the subsidiaries are adjusted in accordance with the equity method.

When consolidating the financial statements, the effects of intra-transactions between the Company and its subsidiaries, and among subsidiaries on the consolidated balance sheet, the consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in equity shall be offset.

Equity and profit or loss attributable to minority shareholders of subsidiaries are stated separately under owners' equity in the consolidated balance sheet and net profit in the consolidated income statement respectively. Loss of the current period assumed by minority shareholders of a subsidiary in excess of minority shareholders' share of owners' equity in that subsidiary at the beginning of the period is offset against minority interests.

For acquisition of subsidiaries due to business combination involving entities under common control during the reporting period, the opening balance of the consolidated balance sheet shall be adjusted; the revenue, expense and profit of such subsidiaries from the beginning to the end of the reporting period when the merger occurs are included in the consolidated income statement; the cash flows of such subsidiaries from the beginning to the end of the reporting period when the merger occurs are included in the consolidated cash flow statement, and the comparative figures of the financial statements should be adjusted simultaneously as if the consolidated reporting entity had been in existence since prior periods.

For acquisition of subsidiaries due to business combination involving entities not under common control, the opening balance of consolidated balance sheet needs not adjustment; the revenue, expense and profit of such subsidiaries from the date of acquisition to the end of the reporting period are included in the consolidated income statement; the cash flows of such subsidiaries from the date of acquisition to the end of the reporting period are included in the consolidated cash flow statement. In a business combination involving entities not under common control achieved in stages, the Company remeasures its previously held equity interest in the acquiree on the acquisition date in light of the fair value of such equity interest on the date of acquisition. The difference between the fair value and the carrying value is recognised as investment income for the period. If income was recognised regarding the equity interest previously held in the acquiree before the acquisition date, the relevant other comprehensive income is transferred to investment income in the period in which the acquisition occurs.

During the reporting period, for disposal of subsidiaries and businesses by the Company, the income, expenses and profits of the subsidiaries from the beginning of the period to the date of disposal are included in the consolidated income statements, and the cash flows of the subsidiaries and businesses from the beginning of the period to the date of disposal are included in the consolidated cash flow statements. When the Company loses control on its former subsidiary due to partial disposal of equity investment or otherwise, the remaining invested equity after disposal is remeasured based on the fair value at the date when control was lost. The difference between the sum of consideration received from disposal of equity and the fair value of the remaining equity, and the share of net assets calculated on an continual basis starting from the date of acquisition based on the former holding ratio, shall be recognised as the investment gain for the period when control was lost. Other comprehensive income associated with equity investment in the former subsidiary shall be transferred to investment gain for the period upon the loss of control.

Where the Company acquired a minority interest, the difference between the newly acquired long-term equity investments and the newly acquired share of the subsidiary's identifiable net assets is adjusted to the capital reserve within the capital premium in the consolidated balance sheet. Where the Company partially disposed an investment of a subsidiary that do not result in a loss of control, the difference between the proceeds and the corresponding share of the net assets of the subsidiary is adjusted to the capital reserve within the capital premium in the consolidated balance sheet. If the capital premium of the capital reserve is insufficient, any excess is adjusted to retained profits.

(VII) Classification of joint arrangements and accounting treatment method for joint operations

1. Identification and classification of a joint arrangement

A joint arrangement refers to an arrangement under the joint control of two or more participants. The joint arrangement of the Group has the following characteristics: (1) Each participant is bound by the arrangement; (2) Two or more participants have joint control over the arrangement. No participant can control the arrangement independently, and any participant with joint control over the arrangement can prevent other participant or a combination of participants from controlling the arrangement independently.

Joint control refers to the sharing of control over an arrangement according to relevant agreements, and the related activities of the arrangement can only be decided after the unanimous consent of the participants sharing the control.

Joint arrangement is classified into joint operation and joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

2. *The accounting treatment of joint arrangement*

The party participating in joint operations shall recognise the following items relating to its interests in the joint operations and account for them in accordance with related requirements of Accounting Standards for Business Enterprises: (1) Its solely-held assets and solely-assumed liabilities, and its share of any assets and liabilities held jointly; (2) Its solely-assumed liabilities, and its share of any liabilities held jointly; (3) Its revenue from the sale of its share of the output arising from the joint operation; (4) Its share of the revenue from the sale of the output by the joint operation; (5) Its own expenses; and its share of any expenses incurred jointly.

The parties of a joint venture should perform accounting for investments by the joint venture in accordance with the Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investments.

(VIII) Determination criteria for cash and cash equivalents

Cash and cash equivalents of the Group include cash on hand, deposits readily available for payment purpose. Cash equivalents as defined by the Company represent short-term (usually with maturity within three months from the date of purchase), highly liquid investments which are easily converted into cash of the known amount with low valuation risk.

(IX) Foreign currency businesses and translation of foreign currency statements

1. *Translation of foreign currency businesses*

Foreign currency business transaction are recognised at the beginning and translated into Renminbi using the spot exchange rate prevailing on the date when transaction occurred. At the balance sheet date, monetary items denominated in foreign currency are translated using the spot exchange rate at the balance sheet date. Exchange differences arising from difference in exchange rates, except exchange differences in relation to the principle of and interest on specific-purpose borrowings denominated in foreign currency for the acquisition and construction of assets that qualify for capitalisation, are recognised in profit or loss for the current period. Non-monetary items in foreign currency measured at historical cost are translated using the spot exchange rate prevailing on the date when transaction occurred and its functional currency shall remain unchanged. Non-monetary items in foreign currency carried at fair value are translated using the spot exchange rate prevailing on the date when such fair value was determined, and any exchange difference arising therefrom is recognised in profit or loss for the period or other comprehensive income.

2. *Translation of foreign currency statements*

Items of assets and liabilities in the balance sheet are translated using the spot exchange rate prevailing at the balance sheet date. Items in the owners' equity, except for "undistributed profits", are translated using the spot exchange rate prevailing at the time of occurrence. Items of income and expenses in the income statement are translated using the spot exchange rate prevailing at the date of transaction (or: using at rates with reasonable approximation of the rates prevailing on the transaction dates). The foreign currency translation difference arisen as a result of the above currency translation is included in the other comprehensive income.

(X) Financial Instruments*1. Classification of financial assets and financial liabilities*

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

Financial liabilities are classified into the following two categories at initial recognition: financial liabilities at FVTPL for the current period (including financial liabilities held for trading and financial liabilities designated as at FVTPL for the current period) and other financial liabilities.

2. Basis of recognition, measurement and conditions of derecognition of financial assets and financial liabilities

The Company recognises a financial asset or a financial liability when it becomes a party to a financial instrument contract. Financial assets or financial liabilities are measured at fair value upon initial recognition. For financial assets or financial liabilities at FVTPL for the current period, the relevant transaction costs are directly included in profit or loss for the current period; for other categories of financial assets or financial liabilities, the relevant transaction costs are included in their initial recognition amount.

Financial assets are subsequently measured at fair value without deducting the transaction costs that may incur by the disposal thereof in the future, except the following circumstances: (1) held-to-maturity investments and loans and receivables are measured at amortized cost using the effective interest method; and (2) equity instrument investments that are not quoted in an active market and for which fair value cannot be measured reliably and derivative financial assets linked to and settled by delivery of such equity instruments are measured at cost.

Financial liabilities are subsequently measured at amortized cost using the effective interest method, except the following circumstances: (1) financial liabilities at FVTPL for the current period are measured at fair value, without deducting the transaction costs that may incur by the settlement thereof in the future; (2) derivative financial liabilities linked to and settled by delivery of equity instruments that are not quoted in an active market and the fair value of which cannot be measured reliably are measured at cost; and (3) a financial guarantee contract that is not a financial liability designated as at FVTPL for the current period or a loan commitment for loans to be extended at a below market interest rate which is not designated as at FVTPL for the current period, after initial recognition, are subsequently measured at the higher of: (1) the amount determined under ASBE No. 13 — Contingencies; and (2) the balance of initial recognised amount less accumulated amortization determined according to the principals under ASBE No. 14 — Revenue.

Any gains or losses arising from the change in fair value on financial assets or financial liabilities, except for those falling under cash flow hedging, are accounted for as follows: (1) gains or losses arising from the change in fair value on financial assets or financial liabilities at FVTPL are recorded as gain or loss from changes in fair value. Interests or cash dividends received during the period in which such assets are held, are recognised as investment income. On disposal, the differences between the consideration received and initial recognised amount are recognised as investment income and adjust the gain or loss from changes in fair value accordingly; and (2) changes in fair value of available-for-sale financial assets are recorded in other comprehensive income. Interests calculated using the effective interest method for the period in which the assets are held, are recognised as investment income. Cash dividends from available-for-sale equity investments are recognised as investment income when the dividends are declared by the investee. On disposal, the differences between the consideration received and the carrying amount of assets after deducting the accumulated fair value adjustments previously recorded in other comprehensive income are recorded as investment income.

A financial asset is derecognised when the contractual rights to receive cash flows from the financial asset have been terminated, or substantially all the risks and rewards associated with the ownership of the financial asset have been transferred. A financial liability is derecognised in whole or in part accordingly when the present obligations of such financial liability are discharged in whole or in part.

3. *Recognition and measurement of transfer of financial assets*

If the Company has transferred substantially all the risks and rewards associated with the ownership of a financial asset to the transferee, the asset should be derecognised. If the Company retains substantially all the risks and rewards of ownership of a financial asset, the transferred asset should continue to be recognised, with the received consideration recognised as a financial liability. When the Company has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, it may (1) When control of the financial asset has been given up, the financial asset should be derecognised; (2) When control of the financial asset has been retained, recognition of the financial asset shall continue within the extent of its continuous involvement in the transferred financial asset and recognise the relevant liability.

When the transfer of a financial asset in its entirety meets the criteria of derecognition, the difference between the following two items is accounted into the current profit or loss: (1) the carrying amount of the financial asset transferred; (2) the sum of the consideration received from the transfer and the accumulated changes in fair value that has been previously recorded in other comprehensive income directly. When financial asset has been partially transferred and the transferred part meets the criteria of derecognition, the carrying amount of the financial asset transferred in its entirety shall be divided into two parts: the derecognised part and the under-recognised part, according to their fair value respectively, difference between the following two items is accounted into the current profit or loss: (1) the carrying amount of the derecognised part; (2) the sum of the consideration of the derecognised part and the corresponding derecognised part of accumulated changes in fair value that has been previously recorded in other comprehensive income directly.

4. *Determination of fair value of key financial assets and financial liabilities*

When there is an active market for financial assets and financial liabilities, fair value is determined by their quoted prices; when there is no active market for financial assets and financial liabilities, valuation techniques (including referring to the price of latest voluntary transaction carried out by informed traders; referring to the current fair value of other financial instruments that are essentially the same, using discounted cash flow method and option pricing models etc.) are used to determine their fair value. For financial assets obtained initially or originally and financial liabilities assumed, market transaction prices are used to determine their fair value.

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

At balance sheet date, carrying amount of all financial assets, except financial assets at fair value through profit or loss should be tested for impairment. When there is objective evidence showing that the financial assets have impaired, provision for impairment should be recognised.

Separate test should be carried out for financial assets that are individually significant; for financial assets that are not individually significant, impairment test can be carried out either separately or collectively within a portfolio of financial assets with similar credit risk characteristics. Financial assets (including individually significant and insignificant financial assets) that have not been impaired at separate impairment test should be included in the portfolio of financial assets with similar credit risk characteristics and tested again.

For financial assets that are measured at amortised cost, when there is objective evidence of impairment at period end, impairment loss should be recognised according to the difference between the carrying amount and the present value of the estimated future cash flow. For equity investment where no active market exist therefore impracticable to be measured at fair value or derivative financial assets that are attached to and settled through delivering this equity investment impair, impairment loss is recognised according to the difference between the carrying amount of the equity investment or derivative financial asset and present value of the estimated future cash flow determined through market yield for similar financial assets.

When fair value of financial asset available for sale decreases dramatically, and the trend of decrease is deemed to be non-temporary after considering various relevant factors, impairment loss should be recognised, and accumulated fair value losses that has been previously recorded in other comprehensive income directly shall be transferred to impairment loss.

Impairment loss on equity instruments classified as available for sale is not reversed through profit or loss.

(XI) Receivables

The carrying amounts of receivables should be examined regularly or at least on half-year and annual balance sheet date to see if there is any objective evidence showing that the receivables are impaired. Receivables include: accounts receivable, other receivables, prepayments, bills receivable, long-term receivables, etc.

1. *Recognition standards and methods of provision for bad debts in individually significant receivables*

Individually significant receivables represent the amount where the closing balance accounts for more than 10% (inclusive) of the closing balance of the receivables or the amount of a single amount of receivables is more than RMB500,000 (inclusive), whichever is higher.

At balance sheet date, the Company carries out separate impairment test for the individually significant receivables. For receivables impaired after the test, impairment loss is recognised and provision for bad debts is made based on the difference from the present value of future cash flows lower than its carrying amount. If there is no indication of impairment, receivables together with the insignificant amounts shall be divided into several portfolios based on similar credit risk characteristics, and certain proportion of the receivable balances shall be accounted as impairment loss at balance sheet date based on these portfolios and provision for bad debts is made.

2. *Receivables individually insignificant but of greater credit risk after aggregation by credit risk characteristics, recognition standards and methods of provision for bad debts in receivables with higher risk within the portfolio*

The Company carries out separate impairment test for receivables that are not significant but have specific characteristics. If there is any objective evidence of impairment, impairment loss is recognised and provision for bad debts is made based on the difference from the present value of future cash flows lower than its carrying amount.

3. *Basis for determination and method for making bad debt provision for receivables provided for bad debt by credit risk portfolio*

- (1) Basis for determination of receivables provided for bad debt by credit risk portfolio

Receivables that are of significant individual amount and for which no bad debt provision had been made after an individual test together with receivables that are of insignificant individual amount after deducting individual bad debt provision are grouped based on similar credit risk characteristics of the ageing of receivables.

- (2) Recognition criteria and provision method of bad debt provision based on various credit risk portfolio (ageing group)

Ageing of receivables	Provision ratio (%)
Within 1 year (including 1 year)	5.00
1 – 2 years (including 2 years)	10.00
2 – 3 years (including 3 years)	50.00
More than 3 years	100.00

- (3) In addition to the ageing group, the Company has also established an internal related party group, and no bad debt provision is provided for receivables included in the internal related party group for the time being.

(XII) Assets held for sale

The Company classifies corporate components (or non-current assets) which meet the following conditions at the same time as held for sale: (1) Based on the practice of selling such assets or disposal groups in similar transactions, they can be sold immediately under current conditions; (2) the sale is very likely to happen, that is, the company has already made a resolution on a sales plan and obtained a confirmed purchase commitment. The confirmed purchase commitment refers to the legally binding purchase agreement signed by the company and other parties. The agreement contains important terms such as transaction price, time and strict penalty for breach of contract, which makes the possibility of major adjustment or cancellation of the agreement extremely small. It is expected that the sale will be completed within one year. The necessary approval as required by the relevant regulations has been obtained from the relevant authority or regulatory authority.

The Company adjusts the estimated net residual value of the assets held for sale to the net amount that reflects its fair value less the costs of disposal, but the amount shall not exceed the original book value of the assets held for sale. The difference between the original book value over the estimated net residual value after adjustment is included in the current profit or loss as impairment loss of the assets, and provision for impairment of assets held for sale was also made. For the impairment loss amount of assets recognised in the disposal groups held for sale, it shall first write down the book value of the goodwill in the disposal groups, then write down its book value in proportion of the book value of each non-current asset, to which the measurement requirements of this standard apply, in the disposal groups.

If the net amount of the fair value deducting the disposal expense of the non-current assets held for sale increased on the subsequent balance sheet date, the previously written down amount shall be recovered, and reversed in the asset impairment loss amount recognised after being classified as held for sale, with the reversal amount recorded into the current profit and loss, while the asset impairment loss recognised before being classified as held for sale will not be reversed. If the net amount of the fair value deducting the disposal expense of the disposal group held for sale increased on the subsequent balance sheet date, the previously written down amount shall be recovered, and reversed in the asset impairment loss amount recognised on the non-current assets, to which the measurement requirements of this standard apply, after being classified as held for sale, with the reversal amount recorded into the current profit and loss. The written down book value of goodwill as well as the asset impairment loss recognised on non-current assets, to which the measurement requirements of this standard apply, before being classified as held for sale, will not be reversed. The subsequent reversed amount in respect of the impairment loss on assets recognised in the disposal groups held for sale shall increase its book value in proportion of the book value of each non-current assets (other than goodwill), to which the measurement requirements of this standard apply, in the disposal groups.

Where a company lost control of a subsidiary due to reasons such as disposal of investment in the subsidiary, regardless of whether the company retains any part of equity investment after disposal, upon the investment in the subsidiary intended to be disposed satisfying the criterion for classification as held for sale, the investment in the subsidiary will be entirely classified as held for sale in the separate financial statements of the parent company, and all assets and liabilities of the subsidiary are classified as held for sale in the consolidated financial statements.

(XIII) Long-term equity investment

1. Determination of investment cost

- (1) For the business combination under the same control, the initial investment cost shall be recognised at the share of the book value of owners' equity attributable to the combined party in the consolidated financial statements of the ultimate controlling party at the date of combination, if the consideration from the combining party is settled in cash, by way of transfer of non-cash assets, assumption of liabilities or issuance of equity securities. The difference between the initial investment cost of the long-term equity investment and the book value of the consideration paid for the combination or the aggregate nominal values of the shares issued is adjusted against the capital reserve (capital premium or share capital premium). If the capital reserve is insufficient to offset the difference, any excess is adjusted against the retained earnings.

For the business combination under the same control in stages, the initial investment cost of the investment shall be recognised based on the proportionate share of the owners' equity in the book of the combined party at the date of combination. The difference between the initial investment cost and the sum of the book value of the original long-term equity investment and the book value of the further consideration paid for the shares at the date of combination is adjusted against the capital reserve (capital premium or share capital premium). If the capital reserve is insufficient to offset the difference, any excess is adjusted against the retained earnings.

- (2) For the business combination not under the same control, the initial investment cost shall be recognised at the acquisition-date fair value of combination considerations paid.
- (3) Other than the business combination: the initial investment cost obtained by making payment in cash is the purchase cost which is actually paid; that obtained on the basis of issuing equity securities is the fair value of the equity securities issued; when consideration is paid by investors, the initial cost of investment shall be determined by the value stipulated in the investment contract or agreement, except for the value stipulated in the contract or agreement is not fair.

2. *Subsequent measurements and recognition of profit or loss*

The long-term equity investments where the Company can exercise control over the investee are stated in accordance with cost method in the Company's individual financial statements; For a long-term equity investment where the Company has joint control or significant influence over the investee, the investment is stated in accordance with equity method.

Under the cost method, a long-term equity investment is measured at its initial investment cost. Except receiving the actual consideration paid for the investment or the declared but not yet distributed cash dividends or profits which is included in the consideration, the cash dividends or profits declared by the investee are recognised as investment gains for the period, and impairment is tested for long-term investments in accordance with the relevant asset impairment policies.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the share of the fair value of the investee's identifiable net assets at the acquisition date, no adjustment shall be made to the initial investment cost. Where the initial investment cost is less than the share of the fair value of the investee's identifiable net assets at the acquisition date, the difference shall be charged to profit or loss for the current period, and the cost of the long-term equity investment shall be adjusted accordingly.

Under the equity method, after a long-term equity investment is acquired, the Group recognises its share of the net profits or losses made by the investee as investment income or losses, and adjusts the carrying amount of the investment accordingly. The share of the investee's net profit or loss is recognised on the basis of the fair value of various identifiable assets in the investee at the time of acquisition and in accordance with the accounting policies and accounting period of the Company, based on the share attributable to the investor as calculated according to shareholdings, after elimination of the profit or loss for internal transactions with associates and joint ventures (except for those transactions relating to impairment loss of assets which shall be recognised in full) and after adjustment to the net profits of the investee. The carrying amount of the long-term equity investment is reduced based on the Group's share of any profit or cash dividends declared by the investee. The Company's share of net losses of the investee is recognised to the extent the carrying amount of the long-term equity investment together with other long-term interests in substance form part of its net investment in the investee is reduced to zero, except that the Company has the obligations to assume additional losses. The Group adjusts the carrying amount of the long-term equity investment for any changes in owner's equity of the investee (other than net profits or losses) and includes the corresponding adjustments in the owner's equity.

3. *Determination of control or significant influence over the investee*

Control refers to when an investor has power over the investee; and has exposure, or rights, to variable returns from its involvements with the investee, and the ability to use its power over the investee to affect the amount of the investor's returns. Significant influence refers to investors have power to take part in the determination of finance and operating decision of the investee, but can not control or joint-control the making of these policy with others.

4. *Disposal of long-term equity investment*

- (1) Partial disposal of long-term equity investment in subsidiaries without loss of control

When the long-term equity investment in subsidiaries is been partially disposed without loss of control, the difference between disposal proceeds and carrying amount of the proportion being disposed is recognised as investment gains for the period.

- (2) Lose control over subsidiaries due to partial disposal of equity investment or other reasons

When losing control over subsidiaries due to partial disposal of equity investment or other reasons, the carrying value of the long-term equity investment on the stock right, the difference between disposal proceeds and carrying amount of the part being disposed should be recognised as investment gains (loss). The residual part should be treated as long-term equity investment or other relevant financial assets according to their carrying amount. If the remaining equity after disposal can exercise joint control or have a significant influence over subsidiaries, it shall be accounted for in accordance with the relevant provisions of the transfer of the cost method to the equity method.

5. *Impairment tests methods and provision for impairment methods*

For investments in subsidiaries, associates and joint ventures, when there is objective evidence that impairment has occurred on each balance sheet date, provisions for impairment should be provided according to the difference between carrying amount and recoverable amount.

(XIV) Fixed assets

1. *The recognition, valuation and depreciation of fixed assets*

Fixed assets refer to tangible assets that are used for the manufacturing of goods, provision of services, lease, or management purposes for a period of more than one accounting year.

Fixed assets are accounted at actual cost at acquisition date, and depreciated using the straight-line method starting from the following month when the asset is ready for intended use.

2. *Depreciation methods for each category of fixed assets*

Category	Depreciation methods	Depreciation period (years)	Net Residual value rate (%)	Annual depreciation rate (%)
Office equipment	Straight-line-method	5	5	19.00
Electronic equipment	Straight-line-method	3	5	31.67

3. *Impairment testing methods and provision for impairment methods on fixed assets*

The impairment is provided for based on the different between the carrying amount and the recoverable amount when there is indication that the fixed asset is impaired at the balance sheet date.

4. *The judgment basis, pricing method and depreciation method for the fixed assets obtained through financial lease*

Where a lease satisfies one or more of the following criteria, it shall be recognised as finance lease: (1) the ownership of the leased asset is transferred to the lessee when the term of lease expires ; (2) the lessee has the option to buy the leased asset at a price which is expected to be far lower than the fair value of the leased asset at the date when the option is exercised. Thus, on the lease beginning date, it can be reasonably determined that the option will be exercised by the lessee; (3) even if the ownership of the asset is not transferred, the lease term covers the major part of the use life of the leased asset (generally refers to 75% or above (inclusive) of the use life of the leased asset); (4) in the case of the lessee, the present value of the minimum lease payments on the lease beginning date amounts to substantially all of the fair value (more than 90% (inclusive)) of the leased asset on the lease beginning date; in the case of the lessor, the present value of the minimum lease receipts on the lease beginning date amounts to substantially all of the fair value (more than 90% (inclusive)) of the leased asset on the lease beginning date; (5) the leased assets are of a specialized nature that only the lessee can use them without making major modifications.

Fixed assets rented-in under finance lease are recorded at the lower of fair value of the leased asset and the present value of the minimum lease payment at the lease beginning date, and are depreciated following the depreciation policy for self-owned fixed assets.

(XV) Construction in Progress

1. *Categories of construction in progress*

Construction in progress is categorized by projects.

2. *Standards and timings for converting construction in progress to fixed assets*

The carrying value of a fixed asset under construction in progress is accounted at all the expenses occurred before such asset is ready for its intended use. If the construction in progress of fixed assets constructed are ready for their intended use but the final account of completed project has not been issued, it should be transferred to fixed assets at an estimated cost according to the construction budget, construction price or actual cost, and depreciation should be provided according to deprecation policy for fixed assets of the Company from the date when the assets are ready for their intended use. When the final account of completed project is issued, the estimated cost will be adjusted according to the actual cost, while the original depreciation charge will not be adjusted.

3. *Impairment testing methods and provision for impairment methods on construction in progress*

At the end of each period, the company judges whether there is any indication that the construction in progress may be impaired.

Where there is any indicator that construction in progress may be impaired, its recoverable amount will be assessed. Where there is any indicator that a construction in progress may be impaired, the recoverable amount of the construction in progress will be assessed by an enterprise on an individual basis. If assessment of the recoverable amount for individual constructions in progress is difficult, the recoverable amount of a construction in progress will be determined based on the asset group to which the construction in progress belongs.

The recoverable amount of a construction in progress is the higher of the net amount of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the construction in progress.

If the recoverable amount of a construction in progress is less than its carrying amount, the carrying value of the construction in progress will be reduced to its recoverable amount. The written-down amount is recognised as the impairment loss of the construction in progress and included in profit and loss for the current period, and the corresponding impairment loss of the construction in progress will be provided for.

Once an impairment loss is made for a construction in progress, it shall not be reversed in subsequent accounting periods.

(XVI) Borrowing costs

1. *Criteria for recognition of capitalised borrowing costs*

For borrowing costs incurred by the Company that are directly attributable to the acquisition, construction or production of assets qualified for capitalisation, the costs will be capitalised and included in the costs of the related assets. Other borrowing costs shall be recognised as expense in the period in which they are incurred and included in profit or loss for the current period.

2. *Capitalisation period of borrowing costs*

- (1) Borrowing costs shall be capitalised when: (1) capital expenditures have been incurred; (2) borrowing costs have been incurred; (3) activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced.
- (2) Capitalisation of borrowing costs should be suspended during a period in which abnormal interruption has lasted for more than 3 months during the process of acquisition, construction or production of assets eligible for capitalisation. The borrowing cost incurred during interruption is recognised as current expenses until the acquisition, construction or production activities resume.
- (3) The capitalisation of borrowing costs ceases when the assets acquired, constructed or produced and qualified for capitalisation are ready for their intended use or sale.

3. *Capitalisation amount of borrowing costs*

1. Recognition principles on capitalisation of borrowing costs

Borrowing costs include interest, amortization of discounts or premiums related to borrowings, ancillary costs and exchange differences arising from foreign currency borrowings.

For borrowing costs incurred by the company that are directly attributable to the acquisition, construction or production of assets qualified for capitalisation, the costs will be capitalised and included in the costs of the related assets. Other borrowing costs shall be recognised as expense at the amount when incurred and included in profit or loss for the current period.

Qualifying assets are assets (fixed assets, investment properties, inventories, etc.) that necessarily take a substantial period of time of acquisition, construction or production to get ready for their intended use or sale.

Capitalisation of borrowing costs begins when the following conditions are fully satisfied:

- (1) expenditures for the assets (including cash paid, non-currency assets transferred or interest-bearing liabilities assumed for the acquisition, construction or production of qualifying assets) have been incurred;
- (2) borrowing costs have been incurred;
- (3) acquisition, construction or production that are necessary to enable the asset reach its intended usable or saleable condition have commenced.

2. Capitalisation period of borrowing costs

The capitalisation period shall refer to the period between the commencement and the cessation of capitalisation of borrowing costs, excluding the period in which capitalisation of borrowing costs is temporarily suspended.

Capitalisation of borrowing costs shall cease when the qualifying asset under acquisition, construction or production gets ready for intended use or sale.

If part of the qualifying asset being acquired, constructed or produced has been completed respectively and put into use individually, capitalisation of borrowing costs for this part of the asset should cease.

If different parts of the asset acquired, constructed or produced are completed separately, but such asset will not be ready for the intended use or sale until all parts have been completed, then the borrowing costs will be capitalised until the completion of all parts of the said asset.

3. Suspension of capitalisation period

Capitalisation of borrowing costs shall be suspended during periods in which the acquisition, construction or production of the qualifying asset is interrupted abnormally, when the interruption is for a continuous period of more than 3 months; if the interruption is a necessary step for making the qualifying asset under acquisition, construction or production ready for the intended use or sale, the capitalisation of the borrowing costs shall continue. The borrowing costs incurred during such period of interruption shall be recognised in profit or loss for the current period. When the acquisition, construction or production of the asset resumes, the capitalisation of borrowing costs commences.

4. Calculation of capitalisation amount of borrowing costs

Specific borrowings for the acquisition, construction or production of qualifying assets, borrowing costs of the specific borrowings actually incurred in the current period minus the interest income earned on the unused borrowing loans as a deposit in the bank or as investment income earned from temporary investment will be used to determine the amount of borrowing costs for capitalisation.

General borrowings for the acquisition, construction or production of qualifying assets, the to-be-capitalised amount of interests on the general borrowing shall be calculated and determined by multiplying the weighted average asset disbursement (based on the average for each month end) of the part of the accumulative asset disbursements minus the specifically borrowed loans by the capitalisation rate of the general borrowings used. The capitalisation rate shall be calculated and determined according to the weighted average interest rate of general borrowings.

Where there is any discount or premium for the borrowings, the amount of discounts or premiums that shall be amortised during each accounting period shall be determined based on the effective interest method and an adjustment shall be made to the amount of interests in each period.

(XVII) Intangible assets

1. Intangible assets, including land use rights, patents and non-patent technology, etc., are initially measured at cost.
2. Intangible assets with definite useful lives are systematically and reasonably amortized over their useful lives based on the pattern of expected realization of the economic benefits relating to the intangible assets, or otherwise are amortized on a straight-line basis over the following specific amortization period if the pattern of the expected realization cannot be reliably determined:

Item	Amortization period (years)
Software	10

3. For intangible assets with definite useful lives, provision for impairment is made according to the difference between its carrying amount and recoverable amount when there is evidence indicating that the intangible assets are impaired at the balance sheet date. For intangible assets with indefinite useful lives and those not ready for use, an impairment test is performed each year, irrespective of whether there is any indication of impairment.
4. Expenditure incurred during the research stage of internal research and development projects is included in profit or loss for the current period as incurred. Expenditure incurred during the development stage of internal research and development projects that simultaneously satisfy the following conditions are recognised as intangible assets: (1) it is technically feasible to complete the intangible asset so that it will be available for use or sale; (2) there is an intention to complete the intangible asset for use or sales; (3) how the intangible asset will generate economic benefits, including the evidence indicating that market exist for the products using the intangible asset to produce or the intangible asset itself has a market; if the intangible asset is for internal use, the evidence indicating its usability; (4) the availability of adequate technical, financial and other resources to support the completion of the development and the ability to use or sell the intangible assets; and (5) the expenditure attributable to the development stage of the intangible asset can be reliably measured.

(XVIII) Impairment of long-term assets

An enterprise shall determine at each balance sheet date whether there is any indication that assets may be impaired.

Goodwill arising from a business combination and an intangible asset with an indefinite useful life shall be subject to impairment test each year, irrespective of whether there is any indication of impairment.

There may be an impairment of assets when one of the following indications occurs:

(1) The current market price of the asset has declined significantly, which is apparently more than expected decline as a result of the passage of time or normal use; (2) the economic, technical, or legal environment, in which an enterprise operates, and the market where the assets are located changes or will change significantly in current period or near future, causing any adverse influences to the enterprise; (3) the market interest rates or other market rate of return on investment in the current period have been increased so that the enterprise's calculation of the discount rate of the present value of the estimated future cash flows is affected, leading to significant reduction in the recoverable amounts of the assets; (4) there is evidence showing that the assets have been obsolete or actually damaged; (5) the asset has been or will be left unused, or terminated for use, or disposed ahead of schedule; (6) any evidence in internal reports shows that the economic performance of the assets has been or will be lower than expected, and the net cash flows or realized operating profits (or losses) from the assets are far lower (or higher) than the estimated amounts; and (7) other indications that assets may have been impaired.

Where there is any indication that an asset is impaired, its recoverable amount should be estimated.

The recoverable amount shall be determined based on the higher of the net amount of fair value of the asset less cost of disposal and the present value of the estimated future cash flows of the asset.

Costs of disposal are expenses attributable to disposal of the asset, including legal fee, relevant tax and surcharges, transportation fee and direct expenses incurred to prepare the asset for its intended sale.

The present value of the expected future cash flows of an asset is determined by discounting the expected future cash flows derived from continuing use of the asset and from its ultimate disposal using appropriate discount rate. Present value of the future cash flows shall take into account factors such as the estimated future cash flows, useful life and discount rate of the asset.

Where the measurement results show the recoverable amount of an asset is lower than its book value, the book value of the assets shall be written down to the recoverable amount, and the amount written down shall be recognised as impairment loss of the assets included in profit or loss for that period and provision for assets impairment shall be made accordingly.

(XIX) Long-term deferred expenses

Long-term deferred expenses are measured at actual amount and amortized evenly over the beneficial or required period. If the long-term deferred expenses are no longer beneficial to the subsequent accounting periods, the full unamortized balance is then transferred to profit or loss for the current period.

(XX) Employee Benefits

Employee benefits refer to all kinds of remunerations or reimbursements given by the Company in exchange for service rendered by employees or the termination of employment, including short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. The benefits that the Company provides to the spouses, children and dependents of employees, the late employees' family and other beneficiaries also shall be deemed as employee benefits.

1. Short-term employee benefits

The short-term employee benefits actually occurred are recognised as a liability in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets. Non-monetary benefits are measured at fair value.

2. Termination benefits

Termination benefits refer to the Company's termination of labor relations with employees before their labor contracts expire, or compensation given to employees in order to encourage employees to voluntarily accept the layoff. When the Company cannot unilaterally withdraw the plan for termination of labor relations or the layoff proposal, or when the Company recognises the earlier of the two, the liability arising from compensation given for termination of labor relations with employees is recognised and included in the current profit or loss.

3. Defined contribution plan

Employees of the Company participate in the defined contribution pension plan set up and administered by local labour and social security departments. Based on salaries of the employees, basic pensions are provided for monthly according to stipulated proportions, which is paid to local labour and social security institutions. After the employees are retired, the local labour and social security departments have the responsibility to pay basic pension benefits to them. Basic pension benefits are recognised as payables in the accounting period in which an employee has rendered service, as costs of assets or expenses to whichever the employee service is attributable.

4. *Defined benefit scheme*

The welfare responsibilities generated from defined benefit scheme based on the formula determined by projected unit credit method would be vested to the service period of the staff and charged into current profit or loss or costs of relevant assets.

The deficit or surplus generated from the present value of obligations of the defined benefit scheme minus the fair value of the assets of defined benefit scheme is recognised as net liabilities or net assets. When the defined benefit scheme has surplus, the Company will measure the net assets of the defined benefit scheme at the lower of the surplus of defined benefit scheme and the upper limit of the assets.

All defined benefit schemes obligations, including the expected duty of payment within twelve months after the end of annual reporting period during which the staff provided service, are discounted based on the market yield of government bonds matching the term and currency of defined benefit scheme obligations or corporate bonds of high quality in the active market on the balance sheet date.

The service cost incurred by the defined benefit scheme and the net interest of the net liabilities and net assets of the defined benefit scheme would be charged to current profit or loss or relevant costs of assets. The changes arising from the remeasurement of the net liabilities or net assets of the defined benefit scheme would be included in other comprehensive income and are not reversed to profit or loss in a subsequent accounting period; when the previously defined benefits plan is terminated, such amount included in other comprehensive income shall be transferred to undistributed profit.

When the defined benefit scheme is settled, the gain or loss is recognised based on the difference between the present value of obligations under the defined benefit scheme and the settlement price at the balance sheet date.

(XXI) Provision for liabilities

1. Provisions for liabilities are recognised when the Company has a present obligation as a result of contingencies such as provision of external guarantee, litigation, product quality warranty, and loss making contract, and it is very likely that an outflow of economic benefits will be resulted from settlement of the obligation, and a reliable estimate of the amount of the obligation can be made.
2. Provisions are initially stated at the best estimate of the expenditure expected to be required for settling the present obligation. Carrying amounts of all provisions for liabilities are reviewed at balance sheet date.

(XXII) Revenue

1. *Specific criteria for determining the timing of revenue recognition from the sale of goods*

Revenue from the sale of goods is recognised when the company has transferred to the purchaser the significant risks and rewards of ownership of the goods; the company retains neither continuing management rights associated with ownership nor exercises effective control over the goods sold; the amount of revenue can be measured reliably; it is probable that the related economic benefits will flow to the business; and the related costs incurred or to be incurred can be measured reliably.

2. *Basis for recognising revenue from transfer rights to use assets*

When it is probable that the economic benefits associated with the transaction will flow to the business and the amount of revenue can be measured reliably. The amount of revenue from transfer rights to use assets is determined as follows:

- (1) Interest income, which is determined on the basis of the period of use of the Company's monetary funds by others and the effective interest rate.
- (2) Usage fee income, which is determined on the basis of the timing and method of charging fees as agreed in the relevant contract or agreement.

3. *Basis and method for recognising revenue from the provision of labour and construction contracts under the percentage of completion method*

Revenue from the provision of labour is recognised using the percentage of completion method if the outcome of the labour provision transaction can be reliably estimated at the balance sheet date. The progress of completion of the labour provision transaction is determined based on the measurement of work performed.

The total amount of revenue from the provision of labour is determined on the basis of the contractual or agreed price received or receivable, except where the contractual or agreed price received or receivable is not fair. Revenue from the provision of labour is recognised at the balance sheet date by multiplying the total revenue from the provision of labour by the progress of completion less the cumulative recognised revenue from the provision of labour in previous accounting periods; at the same time, the cost of labour is carried forward by multiplying the estimated total cost of the provision of labour by the progress of completion less the cumulative recognised cost of labour in previous accounting periods.

When the outcome of the provision of labour transactions cannot be reliably estimated at the balance sheet date, the following situations are treated separately:

- (1) If the labour costs already incurred are expected to be compensated, revenue from the provision of labour is recognised on the basis of the amount of labour costs already incurred, and labour costs are carried forward by the same amount.
- (2) If the costs of labour already incurred are not expected to be compensated, the costs of labour already incurred are included in the profit or loss for the period and no revenue from the provision of labour is recognised.

4. *Revenue from the Company's principal activities consists of rental income and value-added services income, which are recognised in accordance with the following principles:*

- (1) Rental income recognition and cost carry forward: Revenue is recognised on a monthly basis and costs are carried forward at the same time, in accordance with the rental rates and lease terms stipulated in the contracts entered into between the Company and its customers.
- (2) Value-added services income recognition and cost carry forward: Value-added services income mainly include overtime charges for meeting rooms, printer services and café services, etc. Such income is recognised on an accrual basis in the month in which the services are provided and costs are carried forward at the same time.

(XXIII) Government grants

1. Government grants comprise those relating to assets and those relating to revenue.
2. Government grants are measured at the amount received or receivable when they are monetary assets; government grants are measured at fair value when they are non-monetary assets, or at nominal amounts when the fair value cannot be reliably obtained.
3. Government grants are accounted for using the gross method:
 - (1) Government grants relating to assets are recognised as deferred income and are included in profit or loss over the useful life of the related assets in accordance with a reasonable and systematic method. If the related assets are sold, transferred, scrapped or destroyed before the end of their useful lives, the unallocated balance of the related deferred revenue is transferred to profit or loss in the period in which the assets are disposed of.
 - (2) Government grants related to revenue that are used to compensate for related expenses or losses in subsequent periods are recognised as deferred revenue and credited to profit or loss in the period in which the related expenses are recognised; those used to compensate for related expenses or losses already incurred are included in profit or loss directly in the period in which they are incurred.
4. For government grants that comprise both asset-related and revenue-related components, separate accounting treatment is applied to the different components; where it is difficult to distinguish between them, the whole is classified as revenue-related government grants.
5. Government grants related to the Company's ordinary activities are included in other income or offset against related costs and expenses in accordance with the substance of the economic activity; those not related to the Company's ordinary activities should be included in non-operating income and expenses.
6. The policy-based concessionary loan subsidies received by the Company are treated in accordance with either the appropriation of the interest subsidies by the Ministry of Finance to the lending banks or the appropriation of the interest subsidies by the Ministry of Finance directly to the Company:
 - (1) For interest subsidies appropriated by Ministry of Finance to a loan bank which will provide loans to the Company at a policy-related preferential rate, the Company has elected to account for it in accordance with the following method:

the actual amount of the borrowings received is recorded as the book value and the relevant borrowing costs are calculated according to the principal amount borrowed and the concessionary interest rate under this policy.
 - (2) For interest subsidies directly appropriated by Ministry of Finance to the Company, the interest subsidies shall be used to offset against relevant borrowing costs.

(XXIV) Deferred income tax assets and deferred income tax liabilities

1. Deferred income tax assets or deferred income tax liabilities are recognised on the basis of the difference between the carrying amounts of the assets or liabilities and their tax bases (for an item not recognised as asset or liability but for which tax base can be determined under tax laws, the difference between its tax base and its carrying amount), and are calculated by applying the tax rates applicable to the period in which the assets are expected to be recovered or the liabilities are expected to be settled.
2. Deferred income tax assets are recognised for deductible temporary differences, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. At the balance sheet date, deferred income tax assets unrecognised in prior accounting periods are recognised to the extent that there is obvious evidence that it has become probable that sufficient taxable profit will be available in subsequent periods against which the deductible temporary differences can be utilized.
3. The carrying amount of deferred income tax assets is reviewed at the balance sheet date and written down to the extent that it is no longer probable that sufficient taxable profit will be available against which the deferred income tax asset can be utilized. Such amount is written back to the extent that it has become probable that sufficient taxable profit will be available.
4. The Company's current and deferred income taxes are recognised in profit or loss for the current period as tax expense or profit, excluding income tax arising from: (1) business combination; and (2) transactions or issues directly recognised in owners' equity.

(XXV) Leases

1. *Operating leases*
 - (1) Leasing charges paid by the Company for the assets leased out shall be amortized in a straight-line basis over the lease term without deducting the rent-free periods, and included in the current expenses. The initial direct fee related to the leasing transactions paid by the Company shall be charged to current expenses.

When the asset lessor bears the lease-related expenses which should be undertaken by the Company, the Company shall deduct this part of expense from the total rent and amortize the net amount over the lease term and include it in the current expenses.

- (2) Leasing charges received by the Company for the assets leased out shall be amortized in a straight-line basis over the lease term without deducting the rent-free periods, and recognised as leasing income. The initial direct fee related to the leasing transactions paid by the Company shall be charged to current expenses; if the amount is significant, it shall be capitalised and charged to current income evenly on the same basis as the leasing income is recognised over the lease term.

When the Company bears the lease-related expenses which should be undertaken by the lessee, the Company shall deduct this part of expense from the total rent and distribute the net amount over the lease term.

2. *Finance lease*

When the Company acts as lessee, at the inception of lease, the lower of fair value of leased assets at the inception of lease and the present value of minimum lease payment is recognised as the value of leased assets. The minimum lease payment is recognised as the value of long-term payable. Their difference is recorded as unrecognised finance costs with any initial direct expense incurred charged to the value of leased assets. For each period of the lease term, current finance cost is calculated using effective interest method.

When the Company acts as lessor, at the inception of lease, the sum of minimum lease income at the inception of lease and the initial direct expense is recognised as the value of finance lease payment receivable, with unsecured balance also recorded. The difference between the sum of minimum lease income, initial direct expense and unsecured balance and the sum of their present values is recognised as unrealised finance income. For each period of the lease term, current finance income is calculated using effective interest method.

IV. TAXATION

Principal tax types and tax rates

Tax types	Tax basis	Tax rate
Value-added Tax ("VAT")	Sales of goods or rendering of taxable services	5%, 6%, 11%, 16%, 17%
Urban maintenance and construction tax	Amount of payable turnover tax	5%, 7%
Education surcharge	Amount of payable turnover tax	3%
Local education surcharge	Amount of payable turnover tax	2%
Corporate income tax	Amount of taxable income	25%
River way management fee	Amount of payable turnover tax	1%
Stamp duty	Contractual amount	0.1%

V. ILLUSTRATION OF CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE, ERROR CORRECTION OF PRIOR PERIOD

1. Changes of accounting policies

The Company adopted the relevant regulations of the Circular on the Format of Financial Statements of General Enterprises for 2018 (Cai Hui [2018] No. 15) (《關於修訂印發2018年度一般企業財務報表格式的通知》(財會〔2018〕15號)) from 1 January 2018. The impacts of changes in accounting policies are as follows:

Content and reason of changes in accounting policies	Affected report items and amounts
Accounts receivable and bills receivable are consolidated and presented in "Bills and accounts receivables"	<p>Impact of the changes on the consolidated financial statement: bills and accounts receivables amount to RMB116,873.77 for the Year, as compared to RMB244,989.53 for the last year.</p> <p>Impact of the changes on the financial statements of parent company: bills and accounts receivables amount to RMB116,873.77 for the Year, as compared to RMB244,964.83 for the last year.</p>

Content and reason of changes in accounting policies	Affected report items and amounts
Interest receivable, dividends receivable and other receivables are consolidated and presented in "Other receivables"	<p>Impact of the changes on the consolidated financial statement: interest receivable, dividends receivable and other receivables amount to RMB19,904,335.48 for the Year, as compared to RMB2,826,111.05 for the last year.</p> <p>Impact of the changes on the financial statements of parent company: interest receivable, dividends receivable and other receivables amount to RMB25,228,811.76 for the Year, as compared to RMB2,993,444.30 for the last year.</p>
Fixed assets and fixed assets pending for disposal are consolidated and presented in "Fixed assets"	<p>Impact of the changes on the consolidated financial statement: fixed assets and fixed assets pending for disposal amount to RMB1,422,279.11 for the Year, as compared to RMB1,376,565.79 for the last year.</p> <p>Impact of the changes on the financial statements of parent company: fixed assets and fixed assets pending for disposal amount to RMB1,073,758.66 for the Year, as compared to RMB1,264,977.98 for the last year.</p>
Construction materials and construction in progress are consolidated and presented in "Construction in progress"	<p>Impact of the changes on the consolidated financial statement: construction materials and construction in progress amount to RMB44,395,845.97 for the Year, as compared to RMB0.00 for the last year.</p> <p>Impact of the changes on the financial statements of parent company: construction materials and construction in progress amount to RMB454,803.95 for the Year, as compared to RMB0.00 for the last year.</p>
Bills payables and accounts payables are consolidated and presented in "Bills and accounts payables"	<p>Impact of the changes on the consolidated financial statement: bills and accounts payables amount to RMB9,478,425.58 for the Year, as compared to RMB7,832,079.17 for the last year.</p> <p>Impact of the changes on the financial statements of parent company: bills and accounts payables amount to RMB5,508,988.41 for the Year, as compared to RMB5,948,370.29 for the last year.</p>
Interest payables, dividend payables and other payables are consolidated and presented in "Other payables"	<p>The consolidated balance sheet: the opening balance of other payables amounts to RMB17,054,999.60, and the closing balance amounts to RMB67,118,367.65;</p> <p>The balance sheet of parent company: the opening balance of other payables amounts to RMB15,663,615.75, and the closing balance amounts to RMB72,959,246.38.</p>
Long-term payables and special payables are consolidated and presented in "Long-term payables"	Having no impact on the Company.

Content and reason of changes in accounting policies	Affected report items and amounts
Due to the addition of the line item of research and development expenses in the consolidated income statement and income statement, research and development expenses are no longer included in management fees	Having no impact on the Company.
Items of interest expense and interest income are added to the line item "Finance expenses" in the consolidated income statement and income statement	<p>The consolidated income statement: finance expenses amount to RMB1,229,284.57, as compared to RMB1,149,994.52 for the last year.</p> <p>The income statement of parent company: finance expenses amount to RMB1,172,132.38, as compared to RMB1,143,503.75 for the last year.</p>
Item of "Transfer to retained earnings arising from change in defined benefit plans" is added to the consolidated statement of changes in equity and the statement of changes in equity	Having no impact on the Company.
2. Change in accounting estimates	
Nil.	
3. Correction of accounting errors in prior periods	
Nil.	

VI. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

Note: the terms "beginning of the period" and "end of the period" refer to 1 January 2018 and 31 December 2018 respectively, and the terms "prior period" and "the period" refer to the year of 2017 and the year of 2018 respectively.

(I) Cash and Bank Balances

1. Presentation by classification

Items	Closing balance	Opening balance
Cash	33,137.16	131,398.96
Bank deposits	14,458,238.52	11,073,543.29
Total	14,491,375.68	11,204,942.25

Including: total amount deposited abroad

2. *At end of the period, there were no amounts which had restriction on use due to pledge, secure or lock-up.*
3. *At end of the period, there were no amounts deposited abroad.*

(II) Bills and Accounts Receivables

1. *Consolidated statements*

Presentation by classification

Items	Closing balance	Opening balance
Accounts receivables	116,873.77	244,989.53
Total	116,873.77	244,989.53

2. *Accounts receivables*

(1) Disclosure by classification

Category	Closing balance				Carrying amount
	Book balance		Bad debt provision		
	Amount	Percentage (%)	Amount	Provision percentage (%)	
Accounts receivables individually significant for which provision for bad debts has been individually made					
Accounts receivables with provision for bad debts based on credit risk characteristics	124,403.56	100.00	7,529.79	6.05	116,873.77
Accounts receivables individually insignificant for which provision for bad debts has been individually made					
Total	124,403.56	100	7,529.79		116,873.77

(Continued)

Category	Opening balance				Carrying amount
	Book balance		Bad debt provision		
	Amount	Percentage (%)	Amount	Provision	
				percentage (%)	
Accounts receivables individually significant for which provision for bad debts has been individually made					
Accounts receivables with provision for bad debts based on credit risk characteristics	263,669.43	100.00	18,679.90	7.08	244,989.53
Accounts receivables individually insignificant for which provision for bad debts has been individually made					
Total	263,669.43	100	18,679.90		244,989.53

Among the group, provision for bad debts for accounts receivables by aging analysis method

Aging	Closing balance		
	Accounts receivables	Bad debt provision	Provision percentage (%)
Within 1 year (inclusive)	98,211.23	4,910.56	5.00
1 to 2 years (inclusive)	26,192.33	2,619.23	10.00
Total	124,403.56	7,529.79	

(Continued)

Aging	Opening balance		
	Accounts receivables	Bad debt provision	Provision percentage (%)
Within 1 year (inclusive)	153,740.81	7,687.04	5.00
1 to 2 years (inclusive)	109,928.62	10,992.86	10.00
Total	263,669.43	18,679.90	

- (2) Provision for bad debts made, recovered or reversed during the period

Items	Amount for the current period
Provision for bad debt made during the period	-11,150.11
Provision for bad debt recovered or reversed during the period	

- (3) There were no actual write-offs of accounts receivables during the period

- (4) Details of the top five debtors of accounts receivables at the end of the period

Companies	Relationship with the Company	Amount	Year(s)	Percentage of total accounts receivables (%)
Bank of Tianjin Co., Ltd. (Shanghai Branch) (天津銀行股份有限公司上海分行)	Non-related party	77,177.21	Within 1 year	62.04
Shanghai Huangpu District Aibei'er English Training School (上海黃浦區艾蓓兒英語培訓學校)	Non-related party	17,822.00	1 to 2 years	14.33
Shanghai Bosuo Construction Decoration Co., Ltd. (上海博索建築裝飾有限公司)	Non-related party	8,370.33	1 to 2 years	6.73
Shanghai Shixin Law Offices (上海世新律師事務所)	Non-related party	8,000.00	Within 1 year	6.43
Shanghai Lingxiao Advertising Co., Ltd. (上海凌霄廣告有限公司)	Non-related party	7,000.00	Within 1 year	5.63
Total		<u>118,369.54</u>		<u>95.16</u>

(III) Prepayment

1. Presentation by aging

Aging	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Less than 1 year (including 1 year)	<u>3,357,237.79</u>	<u>100.00</u>	<u>682,212.06</u>	<u>100.00</u>
Total	<u>3,357,237.79</u>	<u>100</u>	<u>682,212.06</u>	<u>100</u>

APPENDIX II FINANCIAL INFORMATION OF SHANGHAI KYMS

2. Top five prepayments of closing balance by prepayment object

Name of debtor	Closing balance	Percentage (%)
Shanghai Re-guarantee Co., Ltd. (上海市再擔保有限公司)	960,000.00	28.59
Shanghai Liangzhong Cleaning Services Co., Ltd. (上海良忠保潔服務有限公司)	308,022.16	9.17
Shanghai Tuanli Refrigerating Mechanical & Electrical Equipment Co., Ltd. (上海團力製冷機電設備有限公司)	200,000.00	5.96
State Grid Shanghai Municipal Electric Power Company (國網上海市電力公司)	199,260.01	5.94
Yinxin Appraisal Co., Ltd. (銀信資產評估有限公司)	150,000.00	4.47
Total	<u>1,817,282.17</u>	<u>54.13</u>

(IV) Other Receivables

1. Consolidated statements

(1) Presentation by classification

Item	Closing balance	Opening balance
Other receivables	<u>19,904,335.48</u>	<u>2,826,111.05</u>
Total	<u>19,904,335.48</u>	<u>2,826,111.05</u>

2. Other receivables

(1) Disclosure by classification

Category	Closing balance				Carrying amount
	Book balance		Bad debt provision		
	Amount	Percentage (%)	Amount	Provision percentage (%)	
Other receivables individually significant for which provision for bad debts has been individually made	12,803,382.21	61.07	640,169.11	5.00	12,163,213.10
Other receivables with provision for bad debts based on credit risk characteristics	7,641,240.48	36.44	396,113.97	5.18	7,245,126.51
Other receivables individually insignificant for which provision for bad debts has been individually made	522,100.92	2.49	26,105.05	5.00	495,995.87
Total	20,966,723.61	100	1,062,388.13		19,904,335.48

(Continued)

Category	Opening balance				Carrying amount
	Book balance		Bad debt provision		
	Amount	Percentage (%)	Amount	Provision percentage (%)	
Other receivables individually significant for which provision for bad debts has been individually made	2,943,550.00	87.11	147,177.50	5.00	2,796,372.50
Other receivables with provision for bad debts based on credit risk characteristics	435,585.38	12.89	405,846.83	93.17	29,738.55
Other receivables individually insignificant for which provision for bad debts has been individually made					
Total	3,379,135.38	100	553,024.33		2,826,111.05

Other receivables individually significant for which bad debts has been individually made at the end of period

Other receivables (by entity)	Closing balance			Reasons of provision
	Other receivables	Provision for bad debts	Provision percentage (%)	
Shanghai Xin Xuhui (Group) Company Limited (上海新徐匯(集團)有限公司)	1,250,000.00	62,500.00	5.00	Rent pledges, expected recoverability
China National Publications Import & Export Shanghai Co., Ltd. (Pudong Branch) (中國圖書進出口上海公司浦東分公司)	525,000.00	26,250.00	5.00	Rent pledges, expected recoverability
Shanghai Jianling Industry and Trade Industry Co., Ltd. (上海建嶺工貿實業有限公司)	1,519,200.00	75,960.00	5.00	Rent pledges, expected recoverability
Shanghai Wantong Xindi Real Estate Co., Ltd. (上海萬通新地置業有限公司)	8,984,839.21	449,241.96	5.00	Rent pledges, expected recoverability
Shanghai Da'an Enterprise Co., Ltd. (上海達安企業股份有限公司)	524,343.00	26,217.15	5.00	Rent pledges, expected recoverability
Total	<u>12,803,382.21</u>	<u>640,169.11</u>		

Other receivables in respect of portfolios for bad debts provision made based on aging analysis

Aging	Other receivables	Closing balance Provision for bad debts	Provision percentage (%)
Less than 1 year (including 1 year)	7,617,217.38	380,860.87	5.00
1 to 2 years (including 2 years)	2,800.00	280.00	10.00
2 to 3 years (including 3 years)	12,500.00	6,250.00	50.00
Over 3 years	8,723.10	8,723.10	100.00
Total	7,641,240.48	396,113.97	

(Continued)

Aging	Other receivables	Opening balance Provision for bad debts	Provision percentage (%)
Less than 1 years (including 1 year)	16,409.00	820.45	5.00
1 to 2 years (including 2 years)	13,500.00	1,350.00	10.00
2 to 3 years (including 3 years)	4,000.00	2,000.00	50.00
Over 3 years	401,676.38	401,676.38	100.00
Total	435,585.38	405,846.83	

(2) By nature

Nature	Closing book balance	Opening book balance
Rent pledges and deposits	20,772,206.23	2,952,273.10
Current accounts	24,226.38	394,953.28
Contingency provision	170,291.00	31,909.00
Total	20,966,723.61	3,379,135.38

(3) Provision for bad debts of amounts reversed or recovered for the period

Item	Amount for the current period
Bad debt provision of other receivables for the period	904,317.08
Bad debt provision of other receivables recovered or reversed for the period	

(4) Other receivables written off for the period

Item	Amounts written off
Other receivables written off	394,953.28

(5) Top five other receivables by closing balance collected by borrowers

Names of entity	Nature	Closing balance	Aging	Proportion in the total of other receivables (%)	Closing bad debt provision
Shanghai Wantong Xindi Real Estate Co., Ltd. (上海萬通新地置業有限公司)	Rent pledge	8,984,839.21	Within 1 years	42.85	449,241.96
Shanghai Maoxian Commerce Consultion Center (上海貌顯商務諮詢中心)	Deposits under projects	5,000,000.00	Within 1 years	23.85	250,000.00
Beijing Hongyunshun Real Estate Co., Ltd. (北京鴻韻順房地產經紀有限公司)	Deposits under projects	2,400,000.00	Within 1 years	11.45	120,000.00
Shanghai Jianling Industry and Trade Industry Co., Ltd. (上海建嶺工貿實業有限公司)	Rent pledges	1,519,200.00	2 to 3 years	7.25	75,960.00
China National Publications Import & Export Shanghai Co., Ltd.(Pudong Branch) (中國圖書進出口上海公司浦東分公司)	Rent pledges	525,000.00	Over 3 years	2.50	26,250.00
Total		18,429,039.21		87.90	921,451.96

(V) Other current assets

Item	Closing balance	Opening balance
Credit tax available for deduction	2,086,333.33	103,487.07
Total	2,086,333.33	103,487.07

(VI) Fixed assets

1. Consolidated statements

(1) Presentation by category

Item	Closing balance	Opening balance
Fixed assets	1,422,279.11	1,376,565.79
Total	1,422,279.11	1,376,565.79

2. Fixed assets

(1) Fixed assets

Item	Electronic equipment	Office equipment	Total
I. Original book value			
1. Balances of the opening of period	1,292,924.53	2,719,748.26	4,012,672.79
2. Increment for the period	414,193.26	78,277.85	492,471.11
(1) Purchase	414,193.26	78,277.85	492,471.11
(2) Transferred from construction in progress			
(3) Increase from business combination			
3. Decrement for the period		352,739.00	352,739.00
(1) Disposal or write-off		352,739.00	352,739.00
4. Balances of the end of period	1,707,117.79	2,445,287.11	4,152,404.90
II. Accumulated depreciation			
1. Balances of the opening of period	879,040.01	1,757,066.99	2,636,107.00
2. Increment for the period	111,659.91	316,829.01	428,488.92
(1) Provision	111,659.91	316,829.01	428,488.92
3. Decrement for the period		334,470.13	334,470.13
(1) Disposal or write-off		334,470.13	334,470.13
4. Balances of the end of period	990,699.92	1,739,425.87	2,730,125.79
III. Provision for impairment			
1. Balances of the opening of period			
2. Increment for the period			
(1) Provision			
3. Decrement for the period			
(1) Disposal or write-off			
4. Balances of the end of period			
IV. Carrying amount			
1. Carrying amount of the end of period	716,417.87	705,861.24	1,422,279.11
2. Carrying amount of the opening of period	413,884.52	962,681.27	1,376,565.79

(2) Fixed assets to be disposed and other idle fixed assets

Nil.

(VII) Construction in progress

1. Consolidated statements

(1) Presentation by category

Item	Closing balance	Opening balance
Construction in progress	44,395,845.97	
Total	44,395,845.97	

2. Construction in progress

(1) Construction in progress

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Hongqiao Wantong Improvement Project	36,863,979.78		36,863,979.78			
Improvement Project in Anyuan Road	5,623,118.99		5,623,118.99			
Improvement Project in Huizhan Street	1,452,666.94		1,452,666.94			
Kuaiye Improvement Project	1,276.31		1,276.31			
Renovation Project in Wuding Road	282,600.00		282,600.00			
Renovation Project in Lingling Road	172,203.95		172,203.95			
Total	44,395,845.97		44,395,845.97			

(2) Changes in significant construction in progress

Name of subject	Budget	Opening balance	Increase in the period	Transferred from long-term deferred expenses of the period	Other decrement for the period	Closing balance
Hongqiao Wantong Improvement Project	50,000,000.00		36,863,979.78			36,863,979.78
Improvement Project in Anyuan Road	10,000,000.00		7,735,106.46	2,111,987.47		5,623,118.99
Improvement Project in Huizhan Street	12,000,000.00		1,452,666.94			1,452,666.94
Kuaiye Improvement Project	5,000,000.00		1,276.31			1,276.31
Renovation Project in Wuding Road	1,000,000.00		282,600.00			282,600.00
Renovation Project in Lingling Road	1,000,000.00		873,925.28	701,721.33		172,203.95
Total	79,000,000.00		47,209,554.77	2,813,708.80		44,395,845.97

Item	Proportion of accumulative investment of project in the budget (%)	Project Progress (%)	Accumulative amount of interest capitalisation	Including: amount of interest capitalisation for current period	Interest capitalisation rate for current period (%)	Fund source
Hongqiao Wantong Improvement Project	73.73	73.73				Self-owned funds
Improvement Project in Anyuan Road	77.35	77.35	48,241.42	48,241.42	4.92	Bank borrowing, self-owned funds
Improvement Project in Huizhan Street	12.11	12.11				Self-owned funds
Kuaiye Improvement Project	0.03	0.03				Self-owned funds
Renovation Project in Wuding Road	28.26	28.26				Self-owned funds
Renovation Project in Lingling Road	87.39	87.39	152,524.20	60,203.95	7.02	Bank borrowing, self-owned funds
Total			200,765.62	108,445.37		

(VIII) Intangible asset

1. Intangible asset

Item	Software	Total
I. Original book value		
1. Balances of the opening of period	15,933.96	15,933.96
2. Increment for the period		
(1) Purchase		
3. Decrement for the period		
(1) Disposal		
4. Balances of the end of period	15,933.96	15,933.96
II. Accumulated amortisation		
1. Balances of the opening of period	2,195.43	2,195.43
2. Increment for the period	1,963.10	1,963.10
(1) Provision	1,963.10	1,963.10
3. Decrement for the period		
(1) Disposal		
4. Balances of the end of period	4,158.53	4,158.53
III. Provision for impairment		
1. Balances of the opening of period		
2. Increment for the period		
(1) Provision		
3. Decrement for the period		
(1) Disposal		
4. Balances of the end of period		
IV. Carrying amount		
1. Carrying amount of the end of period	11,775.43	11,775.43
2. Carrying amount of the opening of period	13,738.53	13,738.53

(IX) Long-term deferred expenses

Item	Opening balance	Increase for the period	Amortization amount for the current period	Other decrease	Closing balance
Improvement Project in Wuding Road	7,644,587.26		2,864,728.28		4,779,858.98
Improvement Project in Shunchang Road	1,361,851.90		1,361,851.90		
Improvement Project in Lingling Road	20,087,465.85	701,721.33	2,373,922.20		18,415,264.98
Improvement Project in Ningbo Road	4,762,160.36		680,308.68		4,081,851.68
Improvement Project in Anyuan Road		2,111,987.47	68,128.64		2,043,858.83
Total	33,856,065.37	2,813,708.80	7,348,939.70		29,320,834.47

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(X) Deferred income tax assets and deferred income tax liabilities

(1) Recognised deferred income tax assets

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for asset impairment	563,591.71	140,897.94	174,750.95	43,687.74
Deductible loss	<u>1,394,544.48</u>	<u>348,632.36</u>	<u>5,128,620.22</u>	<u>1,282,155.05</u>
Total	<u><u>1,958,136.19</u></u>	<u><u>489,530.30</u></u>	<u><u>5,303,371.17</u></u>	<u><u>1,325,842.79</u></u>

(2) Status of unrecognised deferred income tax assets

Item	Closing balance	Opening balance
Provision for asset impairment	506,326.21	396,953.28
Deductible loss	<u>809,551.82</u>	<u>549,494.11</u>
Total	<u><u>1,315,878.03</u></u>	<u><u>946,447.39</u></u>

(3) Deductible loss for which no deferred tax assets are recognised will become due in the following years

Year	Closing balance	Opening balance	Remarks
2018		47,180.26	
2019	259,127.20	259,127.20	
2020	198,595.45	198,595.45	
2021	43,396.43	43,396.43	
2022	1,194.77	1,194.77	
2023	<u>307,237.97</u>		
Total	<u><u>809,551.82</u></u>	<u><u>549,494.11</u></u>	

(XI) Other non-current assets

Item	Closing balance	Opening balance
Payment for improvement project	<u>4,863,774.44</u>	
Total	<u><u>4,863,774.44</u></u>	

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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(XII) Short-term Borrowings

1. *Classification of short-term borrowings*

Item	Closing balance	Opening balance
Secured guaranteed borrowings		12,000,000.00
Guaranteed borrowings	5,200,000.00	5,000,000.00
Credit loans	1,960,000.00	
	<hr/>	<hr/>
Total	7,160,000.00	17,000,000.00
	<hr/> <hr/>	<hr/> <hr/>

(XIII) Bills payable and trade payables

1. *Consolidated statements*

(1) By classification

Item	Closing balance	Opening balance
Trade Payables	9,478,425.58	7,832,079.17
	<hr/>	<hr/>
Total	9,478,425.58	7,832,079.17
	<hr/> <hr/>	<hr/> <hr/>

2. *Trade Payables*

(1) Breakdown of trade payables

Item	Closing balance	Opening balance
Amounts payable for trade purchases	9,478,425.58	7,832,079.17
	<hr/>	<hr/>
Total	9,478,425.58	7,832,079.17
	<hr/> <hr/>	<hr/> <hr/>

(2) Major trade payables aged over one year

Item	Closing balance	Reason for outstanding or carrying forward
Shanghai Jianling Industry and Trade Industry Co., Ltd. (上海建嶺工貿實業有限公司)	5,309,920.17	Rent adjustment in the rent-free period
	<hr/>	
Total	5,309,920.17	
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(XIV) Receipts in advance

1. *Breakdown of receipts in advance*

Item	Closing balance	Opening balance
Rent received in advance	1,601,277.27	1,886,694.91
Total	<u>1,601,277.27</u>	<u>1,886,694.91</u>

2. *Major receipts in advance aged over one year at the end of the period*

Nil.

(XV) Employee benefits payable

1. *Breakdown of employee benefits payable*

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
I. Short-term benefits		6,214,622.98	6,214,622.98	
II. Post-employment benefits (the liability of defined contribution plan)		761,858.20	761,858.20	
III. Termination benefits		138,828.80	138,828.80	
IV. Other benefits due within one year	_____	_____	_____	_____
Total	<u>_____</u>	<u>7,115,309.98</u>	<u>7,115,309.98</u>	<u>_____</u>

2. Breakdown of short-term benefits

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
I. Wages, bonuses, allowances and subsidies		5,141,104.80	5,141,104.80	
II. Employee welfare benefits		441,183.82	441,183.82	
III. Social insurance		398,409.30	398,409.30	
Including: Medical insurance		353,059.20	353,059.20	
Work-related injury insurance		8,184.40	8,184.40	
Maternity insurance		37,165.70	37,165.70	
IV. Housing provident fund		232,456.00	232,456.00	
V. Union and education funds		1,469.06	1,469.06	
VI. Short-term paid absence				
VII. Short-term profit sharing plan				
VIII. Others short-term benefits				
Total		6,214,622.98	6,214,622.98	

3. Breakdown of defined contribution plan

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
1. Basic pension insurance		743,274.40	743,274.40	
2. Unemployment insurance		18,583.80	18,583.80	
Total		761,858.20	761,858.20	

4. Termination benefits

Item	Contributions for the period	Unpaid amount payable at the end of the period
Termination compensation	138,828.80	
Total	138,828.80	

5. The liability of defined contribution plan of other long-term employee benefits

Nil.

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(XVI) Taxes payable

Taxation Item	Closing balance	Opening balance
1. Value-added Tax	508,351.82	
2. City maintenance and construction tax	11,850.87	10,473.88
3. Education surcharges	9,004.82	9,760.96
4. Withholding individual income tax	1,221.93	3,150.01
5. Stamp duty and river way management fee	2,129.30	3,488.20
	<hr/>	<hr/>
Total	532,558.74	26,873.05
	<hr/> <hr/>	<hr/> <hr/>

(XVII) Other payables

1. *Consolidated statements*

(1) By classification

Items	Closing balance	Opening balance
Interest payable	44,935.33	87,269.13
Other payables	67,073,432.32	16,967,730.47
	<hr/>	<hr/>
Total	67,118,367.65	17,054,999.60
	<hr/> <hr/>	<hr/> <hr/>

2. *Interest payable*

(1) By classification

Items	Closing balance	Opening balance
Interest payables from short-term borrowings	44,935.33	87,269.13
	<hr/>	<hr/>
Total	44,935.33	87,269.13
	<hr/> <hr/>	<hr/> <hr/>

3. *Other payables*

(1) Other payables by nature

Nature of accounts	Closing balance	Opening balance
Housing deposits	11,723,426.32	14,967,730.47
Individual borrowings	2,000,000.00	2,000,000.00
Capital borrowings	53,350,006.00	
	<hr/>	<hr/>
Total	67,073,432.32	16,967,730.47
	<hr/> <hr/>	<hr/> <hr/>

(2) Major other payables aged over one year at the end of the period

Item	Closing balance	Reason for outstanding or carrying forward
Shanghai Branch of Bank of Tianjin Co., Ltd. (天津銀行股份有限公司上海分行)	532,050.96	The housing deposit and lease term has not yet ended
Shanghai Ines Trading Co., Ltd. (上海伊納思貿易有限公司)	413,514.00	The housing deposit and lease term has not yet ended
Shanghai Zhirui Clothing Co., Ltd. (上海致瑞服飾有限公司)	407,822.00	The housing deposit and lease term has not yet ended
Beijing Innovation Partners Education Technology Co., Ltd. (北京創新夥伴教育科技有限公司)	610,448.00	The housing deposit and lease term has not yet ended
Shanghai Wan'an Hospital Investment Management Co., Ltd. (上海萬安醫院投資管理有限公司)	360,050.00	The housing deposit and lease term has not yet ended
Total	2,323,884.96	

(XVIII) Share Capital

Item	Opening balance	Issuance of new shares	Changes for the period (+, -)				Closing balance
			Bonus shares	Capitalisation of surplus reserve	Others	Total	
I. Shares subject to trading moratorium	10,000,000.00				-3,025,000.00	-3,025,000.00	6,975,000.00
1. Shares held by other domestic shareholders	10,000,000.00				-3,025,000.00	-3,025,000.00	6,975,000.00
Including: Shares held by domestic legal person	1,000,000.00				-1,000,000.00	-1,000,000.00	
Shares held by domestic natural persons	9,000,000.00				-2,025,000.00	-2,025,000.00	6,975,000.00
II. Shares not subject to trading moratorium					3,025,000.00	3,025,000.00	3,025,000.00
1. Renminbi ordinary shares					3,025,000.00	3,025,000.00	3,025,000.00
Total number of shares	10,000,000.00						10,000,000.00

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(XIX) Surplus reserve

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
Statutory surplus reserve	169,608.07	_____	_____	169,608.07
Total	<u>169,608.07</u>	<u>_____</u>	<u>_____</u>	<u>169,608.07</u>

(XX) Retained Earnings

Items	Amount for the current period	Amount for prior period
Retained earnings at the end of prior period before adjustment	-3,482,516.30	-4,522,201.47
Total amount of retained earnings at the beginning of the adjustment period (increase +, decrease -)		
Retained earnings at the beginning of the period after adjustment	-3,482,516.30	-4,522,201.47
Add: Net profits attributable to owners of the parent during the current period	743,711.10	1,039,685.17
Less: Appropriation to statutory surplus reserve		
Appropriation to discretionary surplus reserve		
Appropriation to general risk reserve		
Ordinary share dividends payable		
Ordinary share dividends included in share capital		
Retained earnings at the end of the period	<u>-2,738,805.20</u>	<u>-3,482,516.30</u>

(XXI) Operating revenue and operating cost

(1) Operating revenue and operating cost

Items	Amount for the current period		Amount for the prior period	
	Revenue	Cost	Revenue	Cost
1. Principal operations	54,942,826.77	43,637,162.95	51,683,630.62	42,112,403.52
Rental fees	48,442,629.93	41,080,983.36	45,569,024.00	39,627,907.89
Service fees	6,500,196.84	2,556,179.59	6,114,606.62	2,484,495.63
2. Other operations	_____	_____	_____	_____
Total	<u>54,942,826.77</u>	<u>43,637,162.95</u>	<u>51,683,630.62</u>	<u>42,112,403.52</u>

(2) Operating revenue from the Company's top five customers

Name of client	Operating revenue	Proportion of the total operating revenue of the Company (%)
Bank of Tianjin Co., Ltd. Shanghai Branch (天津銀行股份有限公司上海分行)	1,812,184.41	3.30
Beijing Innovation Partner Education Technology Co., Ltd. (北京創新夥伴教育科技有限公司)	1,766,416.13	3.22
Shanghai Huangpu District Aibei'er English Training School (上海黃浦區艾蓓兒英語培訓學校)	1,738,289.54	3.16
Shanghai Ines Trading Co., Ltd. (上海伊納思貿易有限公司)	1,341,120.00	2.44
Shanghai Wan'an Hospital Investment Management Co., Ltd. (上海萬安醫院投資管理有限公司)	1,300,167.74	2.37
Total	<u>7,958,177.82</u>	<u>14.49</u>

(XXII) Taxes and surcharges

Items	Amount for the current period	Amount for the prior period	Criteria for tax payment
Urban maintenance and construction tax	129,736.89	119,071.99	see Note "IV. Taxation"
Surcharge for education	112,132.28	114,041.51	see Note "IV. Taxation"
Sewage charges for river management		4,799.48	see Note "IV. Taxation"
Stamp duty	<u>51,985.40</u>	<u>4,651.60</u>	see Note "IV. Taxation"
Total	<u>293,854.57</u>	<u>242,564.58</u>	

(XXIII) Selling expense

Expense in nature	Amount for the current period	Amount for the prior period
Advertising and promotion fees	<u>26,487.61</u>	<u>26,916.00</u>
Total	<u>26,487.61</u>	<u>26,916.00</u>

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(XXIV) Management cost

Expense in nature	Amount for the current period	Amount for the prior period
Wages and salaries	3,672,382.45	4,279,843.57
Office fees	784,692.32	876,194.86
Travel expenses	533,973.69	290,870.54
Entertainment expenditures	685,383.20	659,172.79
Communication fees	425,393.19	593,702.40
Conference fees	37,306.00	42,489.32
Insurance fees	312,775.40	297,064.32
Courier fees	55,095.65	16,481.63
Low value consumables	42,553.51	86,740.88
Audit fees	134,851.48	99,056.60
labour protection costs	42,259.52	46,139.33
Consulting fees	531,565.39	100,071.81
Depreciation expenses	38,251.11	38,869.75
Stamp duty		2,237.93
Other fees	7,135.35	19,721.82
	<hr/>	<hr/>
Total	7,303,618.26	7,448,657.55
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

(XXV) Finance costs

Expense in nature	Amount for the current period	Amount for the prior period
Interest expenses	1,279,187.14	869,490.60
Less:Interest income	84,624.57	13,421.69
Commission charges	34,722.00	293,925.61
	<hr/>	<hr/>
Total	1,229,284.57	1,149,994.52
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

(XXVI) Provision for asset impairment loss

Item	Amount for the current period	Amount for the prior period
I. Loss on bad debts	893,166.97	-1,795.40
	<hr/>	<hr/>
Total	893,166.97	-1,795.40
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

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(XXVII) Other Income

Item	Amount for the current period	Amount for the prior period
Investment promotion reward from Jiading Industrial Zone	341,973.10	455,000.00
Total	<u>341,973.10</u>	<u>455,000.00</u>

(XXVIII) Non-operating income

Shown by category

Item	Amount for the current period	Amount for the prior period	Amount included in non-recurring profit or loss
Total gains on retirement of non-current assets:	6,095.80		6,095.80
Including: Gains on retirement of fixed assets	6,095.80		6,095.80
Government grants	20,422.90	147,756.58	20,422.90
Other	6,101.07		6,101.07
Total	<u>32,619.77</u>	<u>147,756.58</u>	<u>32,619.77</u>

(XXIX) Non-operating expenses

Item	Amount for the current period	Amount for the prior period	Amount included in non-recurring profit or loss
Losses on retirement of non-current assets	314,273.40		314,273.40
Including: Losses on retirement of fixed assets	314,273.40		314,273.40
Compensation, liquidated damages and fines expenses	17,000.00		17,000.00
Losses from retirement destroyed and damaged non-current assets		1,870.18	
Total	<u>331,273.40</u>	<u>1,870.18</u>	<u>331,273.40</u>

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(XXX) **Income tax expenses**

1. *Income tax expense statement*

Item	Amount for the current period	Amount for the prior period
Current income tax expense		
Deferred income tax expense	836,312.49	58,044.05
	<hr/>	<hr/>
Total	836,312.49	58,044.05
	<hr/> <hr/>	<hr/> <hr/>

2. *Reconciliation between accounting profits and income tax expenses*

Item	Amount for the current period	Amount for the prior period
Total profits	1,602,571.31	1,305,776.25
Income tax expenses calculated at statutory tax rates	400,642.82	326,444.06
Effect of different tax rates applicable to subsidiary companies		
Effect of adjusting the previous years' income tax		
Effect of non-taxable income		
Effect of non-deductible costs, expenses and losses	106,375.36	99,442.94
Effect of using deductible losses of previously unrecognised deferred tax assets		-368,141.64
Effect of deductible temporary difference or deductible losses of unrecognised deferred tax assets in the period	329,294.31	298.69
Total income tax expenses	836,312.49	58,044.05
	<hr/> <hr/>	<hr/> <hr/>

(XXXI) Notes to the cash flow statement

1. *Cash received relating to other operating activities*

Item	Amount for the current period	Amount for the prior period
Government grants received	362,396.00	602,756.58
Interest income received	84,624.57	13,421.69
Receipts from current accounts	<u>39,726,992.53</u>	<u>3,144,762.39</u>
 Total	 <u><u>40,174,013.10</u></u>	 <u><u>3,760,940.66</u></u>

2. *Cash payment relating to other operating activities*

Item	Amount for the current period	Amount for the prior period
Cash payments for current accounts	17,561,688.10	36.00
Cash payments for expenses	3,824,981.03	3,473,117.36
Fines	<u>17,000.00</u>	<u> </u>
 Total	 <u><u>21,403,669.13</u></u>	 <u><u>3,473,153.36</u></u>

(XXXII) Supplementary information of consolidated cash flow statement

1. *Supplementary information to the cash flow statement*

Supplementary information	Amount for the current period	Amount for the prior period
I. Reconciliation of net profits and cash flow from operating activities		
Net profits	766,258.82	1,247,732.20
Add: Provision for impairment losses on assets	893,166.97	-1,795.40
Fixed assets depreciation, oil and gas assets consumption and productive biological assets depreciation	428,488.92	438,673.88
Amortization of intangible assets	1,963.10	1,857.93
Amortization of long-term prepaid expenses	7,348,939.70	5,879,795.23
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)		
Losses on retirement of fixed assets ("-" for gains)	308,177.60	1,870.18
Losses on changes in fair value ("-" for gains)		
Financial costs ("-" for gains)	1,279,187.14	869,490.60
Losses arising from investments ("-" for gains)		
Decrease in deferred tax assets ("-" for increase)	836,312.49	58,044.05
Increase in deferred tax liabilities ("-" for decrease)		
Decrease in inventories ("-" for increase)		
Decrease in operating receivables ("-" for increase)	-22,199,148.03	733,296.96
Increase in operating payables ("-" for decrease)	39,836,697.90	2,171,935.90
Other		
Net cash flows from operating activities	29,500,044.61	11,400,901.53
II. Major investment and financing activities irrelevant to cash income and expenses:		
Conversion of debts into capital		
Convertible corporate bonds due within one year		
Fixed assets under finance leases		
III. Net changes in cash and cash equivalents:		
Balance of cash at the end of the period	14,491,375.68	11,204,942.25
Less: Balance of cash at the beginning of the period	11,204,942.25	4,460,345.59
Add: Balance of cash equivalents at the end of the period		
Less: Balance of cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	3,286,433.43	6,744,596.66

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2. Composition of cash and cash equivalents

Item	Closing balance	Opening balance
I. Cash	14,491,375.68	11,204,942.25
Including: Cash on hand	33,137.16	131,398.96
Bank deposits available on demand	14,458,238.52	11,073,543.29
Other cash and cash at banks on demand		
II. Cash equivalents		
Including: Bond investment due within 3 months		
III. Closing balance of cash and cash equivalents	14,491,375.68	11,204,942.25
Including: Cash and cash equivalents of the parent company or its subsidiaries subject to restrictions on use		

(XXXIII) Government grant

1. Details of the government grant

Category	Amount	Representation	Amount included in profit or loss of the period
Investment subsidies for Jiading Industrial Zone	341,973.10	Other income	341,973.10
Support funds for incubation base	20,422.90	Non-operating income	20,422.90
Total	362,396.00		362,396.00

VII. CHANGE IN THE SCOPE OF CONSOLIDATION

(I) Business combination not under common control

1. Business combination not under common control during the reporting period

The Company purchased 100% equity interests in Shanghai Lanzi Network Technology Co., Ltd. (上海嵐孜網絡科技有限公司) from a natural person shareholder, Hua Yonghong at a price of RMB0.00 on 16 November 2018. The Company's shareholding in Shanghai Lanzi Network Technology Co., Ltd. (上海嵐孜網絡科技有限公司) became 100.00%, and as a sole shareholder, the Company incorporated this wholly-owned subsidiary into the scope of consolidation.

(II) Business combination under common control

1. Business combination under common control during the reporting period

None.

(III) Counter purchase

None.

(IV) Disposal of subsidiaries

None.

(V) Other reasons for change in the scope of consolidation

The Company invested in the establishment of Shanghai Kuaiming Enterprise Management Co., Ltd. (上海快銘企業管理有限公司) on 17 April 2018 with a shareholding of 51.00%. As of 31 December 2018, the Company has completed its capital contribution, and as a controlling shareholder, the Company incorporated the controlling subsidiary, Shanghai Kuaiming Enterprise Management Co., Ltd. (上海快銘企業管理有限公司) into the scope of consolidation;

The Company invested in the establishment of Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. (北京快易天地企業管理有限公司) on 19 April 2018 with a shareholding of 51.00%. As of 31 December 2018, the Company has completed its capital contribution, and as a controlling shareholder, the Company incorporated the controlling subsidiary, Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. (北京快易天地企業管理有限公司) into the scope of consolidation;

The Company invested in the establishment of Shanghai Kuaizhuo Apartment Management Co., Ltd. (上海快卓公寓管理有限公司) on 28 November 2018 with a shareholding of 100.00%. As of 31 December 2018, the Company has completed its capital contribution, and as a sole shareholder, the Company incorporated the wholly-owned subsidiary, Shanghai Kuaizhuo Apartment Management Co., Ltd. (上海快卓公寓管理有限公司) into the scope of consolidation;

The Company invested in the establishment of Shanghai Kuaiye Enterprise Management Co., Ltd. (上海快也企業管理有限公司) on 15 May 2018 with a shareholding of 100.00%. As of 31 December 2018, the Company has not yet completed its capital contribution, and as a sole shareholder, the Company incorporated the wholly-owned subsidiary, Shanghai Kuaiye Enterprise Management Co., Ltd. (上海快也企業管理有限公司) into the scope of consolidation.

The Company invested in the establishment of Shanghai Kuaiqin Enterprise Management Co., Ltd. (上海快沁企業管理有限公司) on 25 May 2018 with a shareholding of 100.00%. As of 31 December 2018, the Company has not yet completed its capital contribution, and as a sole shareholder, the Company incorporated the wholly-owned subsidiary, Shanghai Kuaiqin Enterprise Management Co., Ltd. (上海快沁企業管理有限公司) into the scope of consolidation.

The Company invested in the establishment of Shanghai Kuaizheng Decoration Design Co., Ltd. (上海快徵裝飾設計有限公司) on 22 June 2018 with a shareholding of 51.00%. As of 31 December 2018, the Company has not yet completed its capital contribution, and as a controlling shareholder, the Company incorporated the controlling subsidiary, Shanghai Kuaizheng Decoration Design Co., Ltd. (上海快徵裝飾設計有限公司) into the scope of consolidation.

(VI) Others

None.

VIII. INTERESTS IN OTHER ENTITIES

Interests in subsidiaries

1. Composition of the Company

Name of subsidiaries	Principal place of business	Place of registration	Business nature	Shareholding(%)		Percentage of voting rights (%)	Manner of acquisition
				Direct	Indirect		
Shanghai Darun Gongjiang Investment Management Co., Ltd. (上海達潤工匠投資管理有限公司)	Shanghai	Shanghai	Investment management	100.00		100.00	Investment in establishment
Shanghai Weiwo Investment Management Co., Ltd. (上海瑋沃投資管理有限公司)	Shanghai	Shanghai	Investment management	100.00		100.00	Investment in establishment
Shanghai Kuaichang Chuangke Space Management Co., Ltd. (上海快長創客空間管理有限公司)	Shanghai	Shanghai	Investment management	51.00		51.00	Investment in establishment
Shanghai Kuaijie Enterprise Management Co., Ltd. (上海快頤企業管理有限公司)	Shanghai	Shanghai	Investment management	100.00		100.00	Investment in establishment
Shanghai Kuaiming Enterprise Management Co., Ltd. (上海快銘企業管理有限公司)	Shanghai	Shanghai	Investment management	51.00		51.00	Investment in establishment
Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. (北京快易天地企業管理有限公司)	Shanghai	Shanghai	Investment management	51.00		51.00	Investment in establishment
Shanghai Kuaizhuo Apartment Management Co., Ltd. (上海快卓公寓管理有限公司)	Shanghai	Shanghai	Investment management	100.00		100.00	Investment in establishment
Shanghai Kuaiye Enterprise Management Co., Ltd. (上海快也企業管理有限公司)	Shanghai	Shanghai	Investment management	100.00		100.00	Investment in establishment
Shanghai Lanzi Network Technology Co., Ltd. (上海嵐孜網絡科技有限公司)	Shanghai	Shanghai	Investment management	100.00		100.00	External acquisition
Shanghai Kuaiqin Enterprise Management Co., Ltd. (上海快沁企業管理有限公司)	Shanghai	Shanghai	Investment management	100.00		100.00	Investment in establishment
Shanghai Kuaizheng Decoration Design Co., Ltd. (上海快徵裝飾設計有限公司)	Shanghai	Shanghai	Investment management	51.00		51.00	Investment in establishment

2. Significant non-wholly owned subsidiaries

None.

IX. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS

(I) Recognition standards for a related party:

If a party has the power to control, jointly control or exercise significant influence over another party, they are regarded as related parties. Two or more parties are also regarded as related parties if they are subject to control, joint control or significant influence of the same party.

(II) Information on the Company's parent

None.

(III) Information on subsidiaries of the Company

Please see note 8 for details of the information on subsidiaries of the Company.

(IV) Information on associates and joint ventures of the Company

None.

(V) Information on other related parties of the Company

Names of other related parties	Relationships between other related parties and the Company
Shi Yan (施豔)	Chairman of the Company
Wang Fuhan (王輔晗)	Director and general manager of the Company
Duan Xiaoru (段曉茹)	Director and Board secretary of the Company
Yang Cheng (羊澄)	Director and deputy general manager of the Company
Huang Jingxuan (黃敬軒)	Chairman of the supervisory committee of the Company
Wang Jianfeng (王建鋒)	Director of the Company
Shen Guangming (沈光明)	Supervisor of the Company
Yao Aijun (姚愛軍)	Supervisor of the Company
Xu Hong (徐竑)	Chief financial officer of the Company
Shen Yang (沈洋)	Shareholder, direct relative of the actual controller of the Company
Shanghai Qiangao Investment Management Partnership (Limited Partnership) (上海謙高投資管理合夥企業(有限合夥))	Company invested and controlled by joint controller Wang Fuhan (王輔晗)
Shanghai Xingmao Construction and Decoration Engineering Limited Company (上海星茂建築裝飾工程有限公司)	Company invested and controlled by joint controller Wang Jianfeng (王建鋒)
Shanghai Minglu Furniture Limited Company (上海銘璐家具有限公司)	Company invested and controlled by joint controller Wang Jianfeng (王建鋒)
Tian Lai Construction (Shanghai) Limited Company (天萊建設(上海)有限公司)	Company invested and controlled by joint controllers Wang Jianfeng (王建鋒)

(VI) Related party transactions**1. Related party transactions regarding purchase and sales of commodity, provision and receiving of labor service****(1) Table of purchase of commodity/receiving of labor service**

Related party	Content of related party transactions	Amount for the current period	Amount for the prior period
Tian Lai Construction (Shanghai) Limited Company (天萊建設(上海)有限公司)	Engineering sub-contracting	3,864,350.00	

(2) Table of disposal of commodity/provision of labor service

None.

2. Related party entrusted management/contracting and entrusted management/outsourcing

None.

3. Leasing with related party

None.

4. Related party guarantees

Guarantor	Warrantee	Guaranteed amount	Start date	Termination date	Performing status
Shi Yan (施豔), Wang Fuhun (王輔哈), Wang Jianfeng (王建鋒), Ying Wen (應文), Xia Wei (夏薇)	Shanghai Kuaiyi Mingshang Enterprise Development Co., Ltd	13,000,000.00	2017-6-14	2020-6-13	Fulfilled
Shi Yan (施豔), Wang Fufan (王輔哈), Ying Wen (應文)	Shanghai Kuaiyi Mingshang Enterprise Development Co., Ltd	2,000,000.00	2018-9-28	2020-9-27	Fulfilled
Shi Yan (施豔), Wang Fuhun (王輔哈), Ying Wen (應文)	Shanghai Kuaiyi Mingshang Enterprise Development Co., Ltd	3,000,000.00	2018-9-27	2020-9-26	Fulfilled
Shi Yan (施豔), Wang Fuhun (王輔哈), Ying Wen (應文)	Shanghai Kuaiyi Mingshang Enterprise Development Co., Ltd	3,000,000.00	2019-12-12	2021-12-11	Performing
Shi Yan (施豔), Wang Fuhun (王輔哈), Wang Jianfeng (王建鋒), Zhang Bowei (張博偉)	Shanghai Kuaiyi Mingshang Enterprise Development Co., Ltd	4,300,000.00	2018-10-24	2020-10-24	Performing
Shi Yan (施豔), Wang Fuhun (王輔哈), Ying Wen (應文), Wang Jianfeng (王建鋒), Xia Wei (夏薇)	Shanghai Kuaiyi Mingshang Enterprise Development Co., Ltd	5,000,000.00	2019-12-11	2021-12-10	Performing
Wang Fuhun (王輔哈), Zhang Bowei (張博偉), Jin Xiaofeng (金曉鋒)	Shanghai Kuaiyi Mingshang Enterprise Development Co., Ltd	17,000,000.00	2018-11-7	2019-11-6	Performing

According to the guarantee measures under the “Shengang-KYMS Commercial Property Trust Beneficiary Right Asset Backed Specific Plan”, the guarantor provides guaranty for the repayment of RMB80 million of principal and corresponding interest of the superior asset backed securities. The counter guarantee measures were arranged as following: (1) The residential property of Room 1201, No. 21, Lane 333, Fangdian Road, Pudong New District (浦東新區芳甸路333弄21號1201室) mortgaged as counter guarantee; (2) Shi Yan (施豔), Wang Fuhan (王輔哈) (and his spouse) and Wang Jianfeng (王建鋒), shareholders of the Company, provided guaranty counter guarantee with joint liability covering the total principal and interest; (3) Shi Yan (施豔), Wang Fuhan (王輔哈) and Wang Jianfeng (王建鋒), shareholders of the Company, pledged 81% equity of the Company held by them as counter guarantee; (4) Zhang Bowei (張博偉) provided guaranty counter guarantee with joint liability covering 5% of the debt.

5. *Interest on related party lending and borrowing*

None.

6. *Assets transfer and debt restructuring of related parties*

None.

7. *Compensation of key management personnel*

Item	Amount for the current period	Amount for the prior period
Remuneration of key management personnel	1,218,750.00	1,077,831.75

8. *Other related party transactions*

None.

(VII) **Receivables and payables of related parties**

None.

(VIII) Commitments of related parties

On 16 November 2018, the Company acquired 100% of the equity interest in Shanghai Lanzi Internet Technology Limited Company (上海嵐孜網絡科技有限公司) from individual shareholder Hua YongHong (華永紅) at consideration of RMB0.00, therefore the company became wholly-owned by the Company. As of 31 December 2018, the Company has not yet completed its capital contribution, which will be due on 16 February 2027 pursuant to its memorandum;

On 6 November 2018, the Company transferred 100% equity of its subsidiary Shanghai Kuaijie Enterprise Management Co., Ltd. (上海快頤企業管理有限公司) to its subsidiary Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. (北京快易天地企業管理有限公司) at consideration of RMB0.00. As of 31 December 2018, Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. (北京快易天地企業管理有限公司) hadn't fulfilled the payment, which will be due on 22 August 2038 pursuant to its memorandum;

On 15 May 2018, the Company made contribution to the formation of Shanghai Kuaiye Enterprise Management Co., Ltd. (上海快也企業管理有限公司) by holding its 100.00% equity. As of 31 December 2018, the Company has not yet completed its capital contribution, which will be due on 17 April 2048 pursuant to its memorandum;

On 25 May 2018, the Company made contribution to the formation of Shanghai Kuaiqin Enterprise Management Co., Ltd. (上海快沁企業管理有限公司) by holding its 100.00% equity. As of 31 December 2018, the Company hadn't made the full contribution, which will be due on 17 April 2048 pursuant to its memorandum;

On 22 June 2018, the Company made contribution to the formation of Shanghai Kuaizheng Decoration and Design Limited Company (上海快徵裝飾設計有限公司) by holding its 100.00% equity. As of 31 December 2018, the Company hadn't made the full contribution, which will be due on 19 April 2043 pursuant to its memorandum.

(IX) Others

None.

X. SHARE PAYMENT

The Company had no share-based payments that need to be disclosed during the Reporting Period.

XI. COMMITMENT AND CONTINGENCIES

On 16 November 2018, the Company acquired 100% equity interest of Shanghai Lanzi Network Technology Co., Ltd. (上海嵐孜網絡科技有限公司) from the natural person shareholder Hua Yonghong (華永紅) at a price of RMB0.00, with 100.00% equity interest held by the Company. As of 31 December 2018, the Company has not yet completed its capital contribution, which will be due on 16 February 2027 pursuant to its memorandum.

On 6 November 2018, the Company transferred its 100% equity interest in its subsidiary Shanghai Kuaijie Enterprise Management Co., Ltd. (上海快頤企業管理有限公司) to the Company's subsidiary Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. (北京快易天地企業管理有限公司) at a price of RMB0.00. As of 31 December 2018, Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. (北京快易天地企業管理有限公司) has not yet completed its capital contribution, which will be due on 22 August 2038 pursuant to its memorandum.

On 15 May 2018, the Company invested in the establishment of Shanghai Kuaiye Enterprise Management Co., Ltd. (上海快也企業管理有限公司), with 100.00% equity interest held by the Company. As of 31 December 2018, the Company has not yet completed its capital contribution, which will be due on 17 April 2048 pursuant to its memorandum.

On 25 May 2018, the Company invested in the establishment of Shanghai Kuaiqin Enterprise Management Co., Ltd. (上海快沁企業管理有限公司), with 100.00% equity interest held by the Company. As of 31 December 2018, the Company has not yet completed its capital contribution, which will be due on 17 April 2048 pursuant to its memorandum.

On 22 June 2018, the Company invested in the establishment of Shanghai Kuaizheng Decoration Design Co., Ltd. (上海快徵裝飾設計有限公司), with 51.00% equity interest held by the Company. As of 31 December 2018, the Company has not yet completed its capital contribution, which will be due on 19 April 2043 pursuant to its memorandum.

XII. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

(I) Important Non-adjusting Events

According to the Agreement of Capital Increase by Debt for Equity Swap of Shanghai Kuaiyi Mingshang Enterprise Development Co., Ltd. (《上海快易名商企業發展股份有限公司債轉股增資擴股協議》) signed between the Company and its creditors on 30 November 2018, and the revised articles of association, as of 2 January 2019, the Company's recognised other payables to Beijing Dayuan Tiandi Real Estate Brokerage Co., Ltd. (北京大苑天地房地產經紀有限公司), Shanghai Huifan Enterprise Management Center (Limited Partnership) (上海惠番企業管理中心(有限合夥)) and Shi Wei (施偉) had a balance of RMB10,000,000.00, RMB11,000,000.00, and RMB14,000,000.00, respectively and the total of the three debts was RMB35,000,000.00. Beijing Dayuan Tiandi Real Estate Brokerage Co., Ltd. (北京大苑天地房地產經紀有限公司) subscribed for 1,428,571.00 Shares with a subscription amount of RMB9,999,997.00; Shanghai Huifan Enterprise Management Center (Limited Partnership) (上海惠番企業管理中心(有限合夥)) subscribed for 1,571,428.00 Shares with a subscription amount of RMB10,999,996.00; and Shi Wei (施偉) subscribed for 2,000,000.00 Shares with a subscription amount of RMB14,000,000.00, and the total newly-increased registered capital was RMB4,999,999.00. And the capital contribution was all in the form of holding the debts of the Company. If the remaining debts are insufficient to subscribe for 1 new share issued by the Company, the Company shall return them to the creditors without interest. The Debt for Equity Swap was issued by Baker Tilly China Certified Public Accountants with a capital verification report No. I3R35 on 14 January 2019.

(II) Profit Distribution

None.

(III) Sales Return

None.

(IV) Others

The Company leased the properties located in No. 622, Shunchang Road, Huangpu District, Shanghai held by Shanghai Academy of Social Sciences (hereinafter referred to as the “**Leased Properties**”). The lessor was Shanghai Social Science Asset Management Co., Ltd. (上海社科資產經營管理有限責任公司). The lease period of the properties was from 21 October 2011 to 20 October 2018, and the total lease area was 6,530.30 square meters. On 20 October 2018, the aforementioned lease contract expired, and the Company returned the Leased Properties to Shanghai Social Science Asset Management Co., Ltd. (上海社科資產經營管理有限責任公司), and the deposit of RMB0.83 million was directly converted into rent after negotiation between the two parties. In addition, the leases under the Shanghai Housing Subletting Contract (《上海市房屋轉租合同》) signed between the Company and the downstream tenants of the Leased Properties also expired at the same time. Among them, the three downstream tenants, i.e. Shanghai Branch of Bank of Tianjin Co., Ltd. (天津銀行股份有限公司上海分行), Shanghai Huangpu District Aibei’er English Training School (上海黃浦區艾蓓兒英語培訓學校), and Shanghai Wan’an Hospital Investment Management Co., Ltd. (上海萬安醫院投資管理有限公司) did not move out in time after the leases expired, and it did not work despite of our repeated reminders, which led to Shanghai Social Science Asset Management Co., Ltd. (上海社科資產經營管理有限責任公司)’s lawsuit against us with the court. On 28 November 2018, Shanghai Social Science Asset Management Co., Ltd. (上海社科資產經營管理有限責任公司) filed a lawsuit with the People’s Court of Huangpu District, Shanghai against the Company and the three downstream tenants, i.e. Shanghai Branch of Bank of Tianjin Co., Ltd. (天津銀行股份有限公司上海分行), Shanghai Huangpu District Aibei’er English Training School (上海黃浦區艾蓓兒英語培訓學校), and Shanghai Wan’an Hospital Investment Management Co., Ltd. (上海萬安醫院投資管理有限公司) as the defendants on the grounds that they defaulted on the rent due and did not return all the leased properties to the plaintiff.

After mediation by the court, in order to clarify the legal relationship, Shanghai Social Science Asset Management Co., Ltd. (上海社科資產經營管理有限責任公司) changed the indictment and filed a lawsuit against the Company. At the same time, the Company intended to sue the three downstream tenants, i.e. Shanghai Branch of Bank of Tianjin Co., Ltd. (天津銀行股份有限公司上海分行), Shanghai Huangpu District Aibei’er English Training School (上海黃浦區艾蓓兒英語培訓學校), and Shanghai Wan’an Hospital Investment Management Co., Ltd. (上海萬安醫院投資管理有限公司) in the court.

As of 19 April 2019, the case has not yet entered the first trial stage.

XIII. OTHER IMPORTANT EVENTS**(I) Debt Restructuring**

During the reporting period, the Company had no debt restructuring that needs to be disclosed.

(II) Asset Exchange*(1) Exchange of non-monetary assets*

During the reporting period, the Company had no exchange of non-monetary assets that needs to be disclosed.

(2) Exchange of other assets

During the reporting period, the Company had no exchange of other assets that needs to be disclosed.

(III) Annuity Plan

None.

(IV) Discontinuation of Operation

None.

(V) Borrowing Costs

- (1) The amount of borrowing costs capitalised in the period was RMB108,445.37.
- (2) In the period, the capitalisation rate used to determine the amount of capitalised borrowing costs was 5.90%.

(VI) Foreign Currency Translation

There was no foreign currency translation that needs to be disclosed during the Reporting Period.

(VII) Lease

Minimum lease payments of operating lease as lessee

To be expired in	Minimum lease payments
Within 1 year (inclusive)	23,892,285.18
1-2 (inclusive) years	19,915,325.50
2-3 (inclusive) years	20,356,750.30
Over 3 years	74,446,654.77
 Total	 <u>138,611,015.75</u>

(VIII) Others

According to the announcement on the resolutions of the second extraordinary general meeting of the Company held on 17 May 2018, the Company plans to launch a special trust plan named “Shengang-KYMS Commercial Property Trust Beneficiary Rights Asset Support Special Plan” (the name is subject to the establishment of the plan), with total issuance scale not exceeding RMB120 million, and Tibet Trust Co., Ltd.(西藏信託股份有限公司) as the lender, which has not been completed as of the date of the audit report.

XIV. NOTES TO THE PARENT COMPANY’S FINANCIAL STATEMENTS

(I) Bills and Accounts Receivable

1. Consolidated statements

(1) Presentation by classification

Items	Closing balance	Opening balance
Accounts receivable	116,873.77	244,964.83
 Total	 <u>116,873.77</u>	 <u>244,964.83</u>

2. *Accounts receivable*

(1) Accounts receivable disclosure by classification

Category	Closing balance				Book value
	Book balance		Bad debt provision		
	Amount	Percentage (%)	Amount	Provision percentage (%)	
Accounts receivable of significant individual amount and individually provided for for bad debts					
Accounts receivable for which provision for bad debt is recognised by group with distinctive credit risk characteristics	124,403.56	100.00	7,529.79	6.05	116,873.77
Accounts receivable of insignificant individual amount and individually provided for bad debts					
Total	124,403.56	100	7,529.79		116,873.77

(Continued)

Category	Opening balance				Book value
	Book balance		Bad debt provision		
	Amount	Percentage (%)	Amount	Provision percentage (%)	
Accounts receivable of significant individual amount and individually provided for for bad debts					
Accounts receivable for which provision for bad debt is recognised by group with distinctive credit risk characteristics	263,643.43	100.00	18,678.60	7.08	244,964.83
Accounts receivable of insignificant individual amount and individually provided for bad debts					
Total	263,643.43	100	18,678.60		244,964.83

Among the group, accounts receivable with bad debt provision by aging analysis method

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Aging	Accounts receivable	Closing balance Bad debt provision	Provision percentage (%)
Within 1 year (inclusive)	98,211.23	4,910.56	5.00
1-2 (inclusive)years	26,192.33	2,619.23	10.00
Total	<u>124,403.56</u>	<u>7,529.79</u>	

(Continued)

Aging	Accounts receivable	Opening balance Bad debt provision	Provision percentage (%)
Within 1 year (inclusive)	153,714.81	7,685.74	5.00
1-2 (inclusive)years	109,928.62	10,992.86	10.00
Total	<u>263,643.43</u>	<u>18,678.60</u>	

(2) Provision for bad debts made, recovered or reversed during the Period

Items	Amount for the Period
Provision for bad debts of accounts receivable made during the Period	-11,148.81
Provision for bad debts of accounts receivable recovered or reversed during the Period	

No significant amount of provision for bad debts recovered or reversed during the Period.

(3) The accounts receivable that have been written-off during the Period

Nil.

(II) Other Receivables

1. Consolidated statements

(1) Presentation by classification

Items	Closing balance	Opening balance
Interest receivable	40,021.03	
Other receivables	25,188,790.73	2,993,444.30
Total	<u>25,228,811.76</u>	<u>2,993,444.30</u>

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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2. *Interest receivable*

(1) Interest receivable by classification

Item	Closing balance	Opening balance
Interest on related party lending and borrowing	40,021.03	
Total	40,021.03	

(2) Significant overdue interest

Nil.

3. *Other receivables*

(1) Other receivables disclosed by classification

Category	Book balance		Closing balance Bad debt provision		Book value
	Amount	Percentage (%)	Amount	Provision percentage (%)	
Other receivables of significant individual amount and individually provided for for bad debts	3,294,200.00	12.80	164,710.00	5.00	3,129,490.00
Other receivables for which provision for bad debt is recognised by group with distinctive credit risk characteristics	22,381,287.65	86.93	387,869.42		21,993,418.23
1. Aging group	7,514,349.48	29.19	387,869.42	5.16	7,126,480.06
2. Related party group	14,866,938.17	57.74			14,866,938.17
Other receivable of insignificant individual amount and individually provided for bad debts	69,350.00	0.27	3,467.50	5.00	65,882.50
Total	25,744,837.65	100	556,046.92		25,188,790.73

(Continued)

Category	Book balance		Opening balance		Book value
	Amount	Percentage (%)	Bad debt provision Amount	Provision percentage (%)	
Other receivable of significant individual amount and individually provided for for bad debts	2,943,550.00	93.46	147,177.50	5.00	2,796,372.50
Other receivable for which provision for bad debt is recognised by group with distinctive credit risk characteristics	205,965.35	6.54	8,893.55		197,071.80
1. Aging group	38,632.10	1.23	8,893.55	23.02	29,738.55
2. Related party group	167,333.25	5.31			167,333.25
Other receivable of insignificant individual amount and individually provided for bad debts					
Total	3,149,515.35	100	156,071.05		2,993,444.30

Other receivable of significant individual amount and individually provided for bad debts at the end of period

Other receivables (by entity)	Other receivable	Closing balance		Reason for provision
		Bad debt provision	Provision percentage (%)	
Shanghai Xin Xuhui (Group) Company Limited (上海新徐匯(集團)有限公司)	1,250,000.00	62,500.00	5.00	Rent deposit, expected to be recovered
China National Publications Import & Export Shanghai Co., Ltd. (中國圖書進出口上海公司)	525,000.00	26,250.00	5.00	Rent deposit, expected to be recovered
Shanghai Jianling Industry and Trade Industrial Co., Ltd. (上海建嶺工貿實業有限公司)	1,519,200.00	75,960.00	5.00	Rent deposit, expected to be recovered
Total	3,294,200.00	164,710.00		

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Among the group, other receivable with bad debt provision by aging analysis method

Aging	Other receivable	Closing balance	
		Bad debt provision	Provision percentage (%)
Within 1 year (inclusive)	7,492,326.38	374,616.32	5.00
1-2 (inclusive)years	2,800.00	280.00	10.00
2-3 (inclusive)years	12,500.00	6,250.00	50.00
Over 3 years	6,723.10	6,723.10	100.00
Total	7,514,349.48	387,869.42	

(Continued)

Aging	Closing balance	Opening balance	
		Closing balance for bad debt provision	Provision percentage (%)
Within 1 year (inclusive)	16,409.00	820.45	5.00
1-2 (inclusive)years	13,500.00	1,350.00	10.00
2-3 (inclusive)years	4,000.00	2,000.00	50.00
Over 3 years	4,723.10	4,723.10	100.00
Total	38,632.10	8,893.55	

(2) Classification by nature of the account

Nature of the account	Closing book balance	Opening book balance
Housing deposit and security deposit	10,807,373.10	2,950,273.10
Current payment	15,389,164.55	167,333.25
Reserve fund	48,300.00	31,909.00
Total	26,244,837.65	3,149,515.35

(3) Provision for bad debts made, recovered or reversed during the period

Item	Amount for the current period
Provision for bad debts of other receivables during the period	399,975.87
Provision for bad debts of other receivables recovered or reversed during the period	

There was no material reversal or recovery of provision for bad debts during the period.

- (4) There were no actual write-offs of other receivables during the period
- (5) Other receivables of the top five parties in default by closing balances

Name	Nature of payment	Closing balance	Aging	Percentage of total other receivables (%)	Closing balance of provision for bad debts
Shanghai Kuajie Enterprise Management Co., Ltd. (上海快額企業管理有限公司)	Account current	10,519,372.12	Less than 1 year	40.08	
Shanghai Maoxian Business Consulting Center (上海貌顯商務諮詢中心)	Security deposit	5,000,000.00	Less than 1 year	19.05	250,000.00
Beijing Hongyunshun Real Estate Agency Co., Ltd. (北京鴻韻順房地產經紀有限公司)	Security deposit	2,400,000.00	Less than 1 year	9.15	120,000.00
Shanghai Kuaming Enterprise Management Co., Ltd. (上海快銘企業管理有限公司)	Account current	2,040,000.00	Less than 1 year	7.77	
Shanghai Jianling Industry and Trade Co., Ltd. (上海建嶺工貿實業有限公司)	Deposit	1,519,200.00	2 to 3 years	5.79	75,960.00
Total		<u>21,478,572.12</u>		<u>81.84</u>	<u>445,960.00</u>

(III) Long-term Equity Investments

Item	Book balance	Provision for impairment of closing balance	Carrying amount	Book balance	Provision for impairment of opening balance	Carrying amount
Investment in subsidiaries	30,150,000.00		30,150,000.00	2,620,000.00		2,620,000.00
Total	<u>30,150,000.00</u>		<u>30,150,000.00</u>	<u>2,620,000.00</u>		<u>2,620,000.00</u>

1. Investment in subsidiaries

Investee	Opening balance	Increase for the period	Decrease for the period	Closing balance	Provision for impairment during the period	Provision for impairment of closing balance
Shanghai Weiwo Investment Management Co., Ltd. (上海瑋沃投資管理有限公司)	600,000.00			600,000.00		
Shanghai Darun Gongjiang Investment Management Co., Ltd. (上海達潤工匠投資管理有限公司)	1,000,000.00			1,000,000.00		
Shanghai Kuaichang Maker Space Management Co., Ltd. (上海快長創客空間管理有限公司)	1,020,000.00			1,020,000.00		
Shanghai Kuaiming Enterprise Management Co., Ltd. (上海快銘企業管理有限公司)		1,530,000.00		1,530,000.00		
Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. (北京快易天地企業管理有限公司)		25,500,000.00		25,500,000.00		
Shanghai Kuaizhuo Apartment Management Co., Ltd. (上海快卓公寓管理有限公司)		500,000.00		500,000.00		
Shanghai Kuaiye Enterprise Management Co., Ltd. (上海快也企業管理有限公司)						
Shanghai Lanzi Network Technology Co., Ltd. (上海嵐孜網絡科技有限公司)						
Shanghai Kuajie Enterprise Management Co., Ltd. (上海快頤企業管理有限公司)						
Shanghai Kuaiqin Enterprise Management Co., Ltd. (上海快沁企業管理有限公司)						
Shanghai Kuaizheng Decoration Design Co., Ltd. (上海快徵裝飾設計有限公司)						
Total	2,620,000.00	27,530,000.00		30,150,000.00		

(IV) Operating Revenue and Cost

Item	Amount for the current period	Amount for the prior period
Revenue derived from the principal business	58,411,389.74	47,663,757.76
Total	<u>58,411,389.74</u>	<u>47,663,757.76</u>
Cost derived from the principal business	48,246,934.18	39,097,822.34
Total	<u>48,246,934.18</u>	<u>39,097,822.34</u>

XV. SUPPLEMENTARY

(I) Non-recurring profit or loss during the reporting period in accordance with the requirements of “Explanatory Announcement No. 1 on Information Disclosure by Public Issuers — Non-recurring Profit or Loss Items” issued by the CSRC

Breakdown of non-recurring profit or loss during the reporting period

Breakdown of non-recurring profit or loss	Amount	Note
(1) Profit or loss on disposal of non-current assets	-308,177.60	
(2) Tax refund or exemption with unauthorised approval or no formal approval document		
(3) Government grants included in profit or loss for the period (excluding those government grants that are closely related to the Group’s business and are received with fixed amounts or with fixed percentage based on unified standards promulgated by government)	362,396.00	
(4) Capital use fee received from non-financial enterprises which are included in profit or loss for the period		
(5) Gain on the difference between investment cost of acquiring subsidiaries, associates and joint ventures and the share of the fair value of the investee’s identifiable net assets, where investment cost is less than the share of the fair value		
(6) Gains or losses on exchange of non-monetary assets		
(7) Gains or losses on entrusted investment or management of assets		
(8) Provision for impairment of assets due to force majeure such as natural disasters		
(9) Gains or losses on debt restructuring		
(10) Expenses for reorganization such as expenditure for staffing and integration expenses		
(11) Gains or losses on the excess beyond fair value in the transaction with unfair price		
(12) Current gains or losses of subsidiaries from combination of enterprises under common control from the beginning of the period till the date of combination, net		

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Breakdown of non-recurring profit or loss	Amount	Note
(13) Gains or losses on contingencies that is in no connection with the normal operation of the Company		
(14) Gains or losses on changes in fair value arising from trading financial assets and trading financial liabilities held (excluding the valid hedging of the Company in its ordinary course of business), as well as investment gains received from disposal of trading financial asset, trading financial liabilities and financial assets available for sale		
(15) Reversal of provisions for impairment of account receivables individually subjected to impairment test		
(16) Gains or losses from external entrusted loans		
(17) Gains or losses on changes in fair value in the investment property that are subsequently measured at fair value		
(18) Effects of one-off adjustments as required by taxation, accounting laws and regulations on the gains or losses for the period		
(19) Trustee fee income from entrusted operations		
(20) Other non-operating income and expenses other than the aforementioned items	-10,898.93	
(21) Other items of gain or loss in accordance with the definition of non-recurring profit or loss		
Total of non-recurring profit or loss	43,319.47	
Less: Impact on income tax	10,829.87	
Non-recurring profit or loss after deducting the impact on income tax	32,489.60	
Including: Non-recurring profit or loss attributable to shareholders of the parent company	32,489.60	
Non-recurring profit or loss attributable to minority shareholders		
(II) Return on net assets and earnings per share		
	Weighted average return on net assets (%)	Earnings per share Basic earnings per share Diluted earnings per share
Profit of the reporting period		
Net profit attributable to ordinary shareholders of the Company	10.54	0.07 0.07
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	10.08	0.07 0.07

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF SHANGHAI KYMS FOR THE YEAR ENDED 31 DECEMBER 2019

Audit opinion	Unqualified opinion
Reference number of auditor's report	TZ Ye Zi [2020] No. 19071 (天職業字【2020】19071號)
Name of auditor	Baker Tilly China Certified Public Accountants
Address of auditor	13/F, Jin Mao Tower, No. 88 Century Boulevard, Pudong New Area, Shanghai, PRC
Date of auditor's report	25 April 2020
Name of certified public accountant	Zeng Li (曾莉), Liu Huakai (劉華凱)

Text of Auditor's Report:

Auditor's Report

TZ Ye Zi [2020] No. 19071 (天職業字[2020] 19071號)

The shareholders of Shanghai Kuaiyi Mingshang Enterprise Development Co., Ltd. (上海快易名商企業發展股份有限公司):

I. OPINION

We have audited the accompanying financial statements of Shanghai Kuaiyi Mingshang Enterprise Development Co., Ltd. (上海快易名商企業發展股份有限公司) (hereinafter referred to as the "**Company**"), which comprise the consolidated and the parent company's balance sheet as at 31 December 2019, and the consolidated and the parent company's income statement, the consolidated and the parent company's statement of cash flows and the consolidated and the parent company's statement of changes in equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements have been prepared in compliance with the Accounting Standards for Business Enterprises in all material respects and give a true and fair view of the consolidated and the parent company's financial position of the Company as at 31 December 2019 and of its consolidated and the parent's operating results and cash flows for the year then ended.

II. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants (“CSAs”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Certified Public Accountants of China (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.

III. OTHER INFORMATION

The management of the Company (hereinafter referred to as the “Management”) is responsible for the other information. The other information comprises all of the information included in the 2019 annual report other than the 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.

IV. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements, the Management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

V. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs 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 CSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- (4) Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- (5) Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

I. FINANCIAL STATEMENTS

(I) CONSOLIDATED BALANCE SHEET

Unit: RMB

Item	Note	As at 31 December 2019	As at 1 January 2019
Current assets:			
Cash and bank balances	VI.(I)	11,760,892.66	14,491,375.68
Settlement deposit			
Loans to other banks and financial institutions			
Held-for-trading financial assets			
Financial assets at fair value through profit or loss		–	
Derivative financial assets			
Bills receivable			
Accounts receivable	VI.(II)	732,189.56	116,873.77
Receivables financing			
Prepayments	VI.(III)	4,350,517.31	3,357,237.79
Premium receivables			
Reinsurance accounts receivable			
Reinsurance contract reserves receivable			
Other receivables	VI.(IV)	28,766,996.00	19,904,335.48
Including: Interest receivable			
Dividend receivable			
Financial assets purchased under agreements to resell			
Inventory		0	0
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets	VI.(V)	<u>3,994,238.48</u>	<u>2,086,333.33</u>
Total current assets		<u><u>49,604,834.01</u></u>	<u><u>39,956,156.05</u></u>

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	<i>Note</i>	As at 31 December 2019	As at 1 January 2019
Non-current assets:			
Loans and advances to customers			
Debt investments			
Available-for-sale financial assets		–	
Other debt investments			
Held-to-maturity investments		–	
Long-term receivables	VI.(VI)	200,000.00	
Long-term equity investments		0	0
Other equity instrument investments			
Other non-current financial assets			
Investment properties			
Fixed assets	VI.(VII)	1,471,429.92	1,422,279.11
Construction in progress	VI.(VIII)	55,514,653.94	44,395,845.97
Productive biological assets			
Oil & gas assets			
Right-of-use assets			
Intangible assets	VI.(IX)	373,684.17	11,775.43
Development expenses			
Goodwill			
Long-term deferred expenses	VI.(X)	92,716,396.61	29,320,834.47
Deferred income tax assets	VI.(XI)	463,565.04	489,530.30
Other non-current assets	VI.(XII)	1,456,214.75	4,863,774.44
Total non-current assets		<u>152,195,944.43</u>	<u>80,504,039.72</u>
Total assets		<u>201,800,778.44</u>	<u>120,460,195.77</u>

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	Note	As at 31 December 2019	As at 1 January 2019
Current liabilities:			
Short-term borrowings	VI.(XIII)	4,160,000.00	7,160,000.00
Borrowings from central bank			
Borrowings from other banks and financial institutions			
Held-for-trading financial liabilities			
Financial liabilities at fair value through profit or loss		–	
Derivative financial liabilities			
Bills payable			
Accounts payable	VI.(XIV)	9,898,953.33	9,478,425.58
Receipts in advance	VI.(XV)	6,876,938.61	1,601,277.27
Contract liabilities			
Financial assets sold under agreements to repurchase			
Deposits from customers and other banks and financial institutions			
Accounts payable to brokerage clients			
Proceeds from underwriting securities received on behalf of clients			
Employee benefits payable	VI.(XVI)		
Tax payables	VI.(XVII)	766,919.46	532,558.74
Other payables	VI.(XVIII)	55,884,049.33	67,118,367.65
Including: Interest payable		173,179.31	44,935.33
Dividend payable			
Fees and commission payable			
Reinsurance accounts payable			
Liabilities held for sale			
Non-current liabilities due within one year	VI.(XIX)	5,970,000.04	
Other current liabilities			
Total current liabilities		<u>83,556,860.77</u>	<u>85,890,629.24</u>

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	<i>Note</i>	As at 31 December 2019	As at 1 January 2019
Non-current liabilities:			
Insurance contract reserve			
Long-term borrowings	VI.(XX)	36,000,000.00	0
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities			
Long-term payables	VI.(XXI)	1,356,666.60	
Long-term employee benefits payable			
Estimated liabilities			
Deferred income			
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		37,356,666.60	
Total liabilities		120,913,527.37	85,890,629.24

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	Note	As at 31 December 2019	As at 1 January 2019
Owners' equity			
(or shareholders' equity):			
Share capital	VI.(XXII)	14,999,999.00	10,000,000.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve	VI.(XXIII)	29,731,126.08	
Less: Treasury stock			
Other comprehensive income			
Special reserve			
Surplus reserve	VI.(XXIV)	169,608.07	169,608.07
General risk reserve			
Retained profits	VI.(XXV)	-1,413,259.45	-2,738,805.20
Total equity attributable to owners of the parent company		43,487,473.70	7,430,802.87
Minority interests		37,399,777.37	27,138,763.66
Total owners' equity		80,887,251.07	34,569,566.53
Total liabilities and owners' equity		201,800,778.44	120,460,195.77
Legal representative:	Accounting principal:	Accounting firm's principal:	
Shi Yan (施豔)	Wang Fuhan (王輔晗)	Xu Hong (徐竑)	

(II) BALANCE SHEET OF THE PARENT COMPANY

Unit: RMB

Item	Note	As at 31 December 2019	As at 1 January 2019
Current assets:			
Cash and bank balances		1,565,725.77	11,224,147.61
Held-for-trading financial assets			
Financial assets at fair value through profit or loss		–	
Derivative financial assets			
Bills receivable			
Accounts receivable	XIV.(I)	7,733.14	116,873.77
Receivables financing			
Prepayments		1,314,708.68	2,688,779.12
Other receivables	XIV.(II)	82,108,921.59	25,228,811.76
Including: Interest receivable	XIV.(II)	3,158,901.99	40,021.03
Dividend receivable			
Financial assets purchased under agreements to resell			
Inventory			
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets			
Total current assets		<u>84,997,089.18</u>	<u>39,258,612.26</u>

Item	Note	As at 31 December 2019	As at 1 January 2019
Non-current assets:			
Debt investments			
Available-for-sale financial assets		–	
Other debt investments			
Held-to-maturity investments		–	
Long-term receivables		200,000.00	
Long-term equity investments	XIV.(III)	40,350,000.00	30,150,000.00
Other equity instrument investments			
Other non-current financial assets			
Investment properties			
Fixed assets		995,225.76	1,073,758.66
Construction in progress		3,154,647.45	454,803.95
Productive biological assets			
Oil & gas assets			
Right-of-use assets			
Intangible assets		363,762.70	
Development expenses			
Goodwill			
Long-term deferred expenses		17,700,712.00	23,195,123.96
Deferred income tax assets		343,438.14	450,232.44
Other non-current assets			
Total non-current assets		<u>63,107,786.05</u>	<u>55,323,919.01</u>
Total assets		<u>148,104,875.23</u>	<u>94,582,531.27</u>

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	<i>Note</i>	As at 31 December 2019	As at 1 January 2019
Current liabilities:			
Short-term borrowings		2,200,000.00	5,200,000.00
Held-for-trading financial liabilities			
Financial liabilities at fair value through profit or loss		–	
Derivative financial liabilities			
Bills payable			
Accounts payable		5,539,811.19	5,508,988.41
Receipts in advance		1,876,715.01	1,134,302.74
Financial assets sold under agreements to repurchase			
Employee benefits payable			
Tax payables		257,648.14	515,494.40
Other payables		50,545,593.97	72,959,246.38
Including: Interest payable		168,912.22	41,741.67
Dividend payable			
Contract liabilities			
Liabilities held for sale			
Non-current liabilities due within one year		5,970,000.04	
Other current liabilities		<hr/>	<hr/>
Total current liabilities		<u><u>66,389,768.35</u></u>	<u><u>85,318,031.93</u></u>

Item	Note	As at 31 December 2019	As at 1 January 2019
Non-current liabilities:			
Long-term borrowings		36,000,000.00	
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities			
Long-term payables		1,356,666.60	
Long-term employee benefits payable			
Estimated liabilities			
Deferred income			
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		37,356,666.60	
Total liabilities		103,746,434.95	85,318,031.93

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	<i>Note</i>	As at 31 December 2019	As at 1 January 2019
Owners' equity:			
Share capital		14,999,999.00	10,000,000.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve		29,765,283.43	34,157.35
Less: Treasury stock			
Other comprehensive income			
Special reserve			
Surplus reserve		169,608.07	169,608.07
General risk reserve			
Retained profits		<u>-576,450.22</u>	<u>-939,266.08</u>
Total owners' equity		<u><u>44,358,440.28</u></u>	<u><u>9,264,499.34</u></u>
Total liabilities and owners' equity		<u><u>148,104,875.23</u></u>	<u><u>94,582,531.27</u></u>
Legal representative:	Accounting principal:	Accounting firm's principal:	
Shi Yan (施豔)	Wang Fuhan (王輔晗)	Xu Hong (徐竑)	

(III) CONSOLIDATED INCOME STATEMENT

Unit: RMB

Item	Note	2019	2018
I. Total operating income		68,391,339.33	54,942,826.77
Including: Operating income	VI.(XXVI)	68,391,339.33	54,942,826.77
Interest income			
Earned premium			
Fee and commission income			
II. Total operating cost		66,833,973.30	52,490,407.96
Including: Operating cost	VI.(XXVI)	58,565,744.61	43,637,162.95
Interest expenses			
Fee and commission expenses			
Surrenders			
Net claims paid			
Net change in insurance contract reserve			
Policyholder dividend expenses			
Premiums paid for reinsurance contracts			
Taxes and surcharges	VI.(XXVII)	220,653.45	293,854.57
Marketing expenses	VI.(XXVIII)	21,931.40	26,487.61
Administrative expenses	VI.(XXIX)	6,910,688.20	7,303,618.26
Research and development expenses			
Financial expenses	VI.(XXX)	1,114,955.64	1,229,284.57
Including: Interest expenses	VI.(XXX)	1,482,807.83	1,279,187.14
Interest income	VI.(XXX)	416,811.47	84,624.57
Add: Other income	VI.(XXXI)	1,492,538.99	341,973.10
Investment income			
("-" denotes loss)			
Including: Income from investments in associates and joint ventures			
Gain on derecognition of financial assets at amortised cost			
("-" denotes loss)			

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	Note	2019	2018
Foreign exchange gain ("-" denotes loss)			
Net gain on hedging exposure ("-" denotes loss)			
Gain on change in fair value ("-" denotes loss)			
Credit impairment loss ("-" denotes loss)	VI.(XXXII)	-510,083.37	
Asset impairment loss ("-" denotes loss)	VI.(XXXIII)		-893,166.97
Gain on disposal of assets ("-" denotes loss)			
III. Operating profit ("-" denotes loss)		2,539,821.65	1,901,224.94
Add: Non-operating income	VI.(XXXIV)	178,719.41	32,619.77
Less: Non-operating expenses	VI.(XXXV)	511,345.40	331,273.40
IV. Profit before tax ("-" denotes loss before tax)		2,207,195.66	1,602,571.31
Less: Income tax expenses	VI.(XXXVI)	420,636.20	836,312.49
V. Net profit ("-" denotes net loss)		1,786,559.46	766,258.82
Including: Net profit realised by the acquiree prior to consolidation			
(I) Classified by continuity of operations:		-	-
1. Net profit from continuing operations ("-" denotes net loss)		1,786,559.46	766,258.82
2. Net profit from discontinued operations ("-" denotes net loss)			
(II) Classified by ownership of equity:		-	-
1. Profit or loss attributable to minority interest ("-" denotes net loss)		461,013.71	22,547.72
2. Net profit attributable to owners of the parent company ("-" denotes net loss)		1,325,545.75	743,711.10

Item	Note	2019	2018
VI. Other comprehensive income, net of tax			
(I) Other comprehensive income attributable to owners of the parent company, net of tax			
1. Other comprehensive income that will not be reclassified to profit or loss			
(1) Change from re-measurement of defined benefit schemes			
(2) Other comprehensive income that will not be transferred to profit or loss under the equity method			
(3) Change in fair value of other equity instrument investments			
(4) Change in fair value of own credit risk			
(5) Others			
2. Other comprehensive income that may be reclassified to profit or loss			
(1) Other comprehensive income that may be transferred to profit or loss under the equity method			
(2) Change in fair value of other debt investments			
(3) Gains or losses on change in fair value of available-for-sale financial assets		–	
(4) Reclassification of financial assets to other comprehensive income			
(5) Gains or losses on reclassification of held-to-maturity investments to available-for-sale financial assets		–	

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	Note	2019	2018
(6) Provision for credit impairment of other debt investments			
(7) Cash flow hedge reserve			
(8) Exchange differences on translation of financial statements in foreign currency			
(9) Others			
(II) Other comprehensive income attributable to minority interest, net of tax			
VII. Total comprehensive income		1,786,559.46	766,258.82
(I) Total comprehensive income attributable to owners of the parent company		1,325,545.75	743,711.10
(II) Total comprehensive income attributable to minority interest		461,013.71	22,547.72
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)	XV.(II)	0.09	0.07
(II) Diluted earnings per share (RMB/share)	XV.(II)	0.09	0.07

Legal representative:
Shi Yan (施豔)

Accounting principal:
Wang Fuhan (王輔晗)

Accounting firm's principal:
Xu Hong (徐竑)

(IV) INCOME STATEMENT OF THE PARENT COMPANY

Unit: RMB

Item	Note	2019	2018
I. Operating income	XIV.(IV)	38,262,591.32	58,411,389.74
Less: Operating cost	XIV.(IV)	32,882,218.97	48,246,934.18
Taxes and surcharges		180,672.67	251,410.26
Marketing expenses			
Administrative expenses		4,887,554.87	6,473,108.16
Research and development expenses			
Financial expenses		299,769.24	1,172,132.38
Including: Interest expenses		342,962.88	1,043,516.78
Interest income		385,603.67	75,944.47
Add: Other income		492,340.23	303,000.00
Investment income			
("—" denotes loss)			

Item	Note	2019	2018
Including: Income from investments in associates and joint ventures			
Gain on derecognition of financial assets at amortised cost ("-" denotes loss)			
Foreign exchange gain ("-" denotes loss)			
Net gain on hedging exposure ("-" denotes loss)			
Gain on change in fair value ("-" denotes loss)			
Credit impairment loss ("-" denotes loss)		-209,367.60	
Asset impairment loss ("-" denotes loss)			-388,827.06
Gain on disposal of assets ("-" denotes loss)			

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	<i>Note</i>	2019	2018
II. Operating profit ("-" denotes loss)		295,348.20	2,181,977.70
Add: Non-operating income		174,261.96	12,196.87
Less: Non-operating expenses			331,273.40
III. Profit before tax ("-" denotes loss before tax)		469,610.16	1,862,901.17
Less: Income tax expenses		106,794.30	569,193.24
IV. Net profit ("-" denotes net loss)		362,815.86	1,293,707.93
(I) Net profit from continuing operations ("-" denotes net loss)		362,815.86	1,293,707.93
(II) Net profit from discontinued operations ("-" denotes net loss)			
V. Other comprehensive income, net of tax			
(I) Other comprehensive income that will not be reclassified to profit or loss			
1. Change from re-measurement of defined benefit schemes			
2. Other comprehensive income that will not be transferred to profit or loss under the equity method			
3. Change in fair value of other equity instrument investments			
4. Change in fair value of own credit risk			
5. Others			

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	Note	2019	2018
(II) Other comprehensive income that may be reclassified to profit or loss			
1. Other comprehensive income that may be transferred to profit or loss under the equity method			
2. Change in fair value of other debt investments			
3. Gains or losses on change in fair value of available-for-sale financial assets		–	
4. Reclassification of financial assets to other comprehensive income			
5. Gains or losses on reclassification of held-to-maturity investments to available-for-sale financial assets		–	
6. Provision for credit impairment of other debt investments			
7. Cash flow hedge reserve			
8. Exchange differences on translation of financial statements in foreign currency			
9. Others			
VI. Total comprehensive income		362,815.86	1,293,707.93
VII. Earnings per share:			
(I) Basic earnings per share (RMB/share)			
(II) Diluted earnings per share (RMB/share)			

Legal representative:
Shi Yan (施豔)

Accounting principal:
Wang Fuhan (王輔晗)

Accounting firm's principal:
Xu Hong (徐竑)

(V) CONSOLIDATED STATEMENT OF CASH FLOWS

Unit: RMB

Item	Note	2019	2018
I. Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		79,174,134.74	70,175,687.75
Net increase in deposits from customers and other banks and financial institutions			
Net increase in borrowings from central bank			
Cash received from premiums under original insurance contracts			
Net cash received from reinsurance business			
Net increase in policyholders' deposits and investment contract liabilities			
Net increase from disposal of financial assets at fair value through profit or loss		–	
Cash received from interests, fee and commission			
Net increase in loans from other banks and financial institutions			
Net increase in repo transactions			
Net cash received from securities trading agency services			
Tax rebates received			
Cash received relating to other operating activities	VI. (XXXVII)	<u>111,347,214.83</u>	<u>40,174,013.10</u>
Subtotal of cash inflow from operating activities		<u>190,521,349.57</u>	<u>110,349,700.85</u>

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	Note	2019	2018
Cash paid for goods purchased and services received		51,077,637.28	49,829,095.63
Net increase in loans and advances to customers			
Net increase in deposits with central bank and other banks and financial institutions			
Cash paid for claims of original insurance contract			
Net increase in financial assets held for trading			
Net increase in loans to other banks and financial institutions			
Cash paid for interest, fee and commission			
Cash paid for policyholder dividend			
Cash paid to and for employees		8,820,508.63	7,117,238.06
Cash paid for taxes and surcharges		2,078,257.43	2,499,653.42
Cash paid relating to other operating activities	VI. (XXXVII)	<u>66,458,102.33</u>	<u>21,403,669.13</u>
Subtotal of cash outflow from operating activities		<u>128,434,505.67</u>	<u>80,849,656.24</u>
Net cash flow from operating activities	VI. (XXXVIII)	<u>62,086,843.90</u>	<u>29,500,044.61</u>

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	Note	2019	2018
II. Cash flows from investing activities:			
Cash received from disposal of investments			
Cash received from investment income			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		15.00	25,340.00
Net cash received from disposal of subsidiaries and other business units			
Cash received relating to other investing activities	VI. (XXXVII)	<u>5,000,000.00</u>	<u> </u>
Subtotal of cash inflow from investing activities		<u>5,000,015.00</u>	<u>25,340.00</u>
Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets		76,015,920.39	41,027,247.32
Cash paid for investments			
Net increase in pledged loans			
Net cash paid for acquisition of subsidiaries and other business units			
Cash paid relating to other investing activities	VI. (XXXVII)	<u>15,000,000.00</u>	<u> </u>
Subtotal of cash outflow from investing activities		<u>91,015,920.39</u>	<u>41,027,247.32</u>
Net cash flow from investing activities		<u>-86,015,905.39</u>	<u>-41,001,907.32</u>

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	Note	2019	2018
III. Cash flows from financing activities:			
Cash received from capital contributions		9,800,000.00	25,970,000.00
Including: Cash received from capital contributions to subsidiaries by minority shareholders		9,800,000.00	25,970,000.00
Cash received from borrowings		57,200,000.00	19,160,000.00
Cash received from bond issuance			
Cash received relating to other financing activities	VI.(XXXVII)	<u>35,620,000.00</u>	<u> </u>
Subtotal of cash inflow from financing activities		<u>102,620,000.00</u>	<u>45,130,000.00</u>
Cash paid for repayment of debt		20,200,000.00	29,000,000.00
Cash paid for distribution of dividend and profit or interest payment		3,881,421.53	1,341,703.86
Including: Distribution of dividend and profit by subsidiaries to minority shareholders			
Cash paid relating to other financing activities	VI. (XXXVII)	<u>57,340,000.00</u>	<u> </u>
Subtotal of cash outflow from financing activities		<u>81,421,421.53</u>	<u>30,341,703.86</u>
Net cash flow from financing activities		<u>21,198,578.47</u>	<u>14,788,296.14</u>

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	Note	2019	2018
IV. Effect of foreign exchange rate fluctuation on cash and cash equivalents			
V. Net increase in cash and cash equivalents	VI. (XXXVIII)	-2,730,483.02	3,286,433.43
Add: Cash and cash equivalents at the beginning of the period	VI. (XXXVIII)	14,491,375.68	11,204,942.25
VI. Cash and cash equivalents at the end of the period	VI. (XXXVIII)	<u>11,760,892.66</u>	<u>14,491,375.68</u>
Legal representative: Shi Yan (施豔)	Accounting principal: Wang Fuhan (王輔晗)	Accounting firm's principal: Xu Hong (徐竑)	

(VI) STATEMENT OF CASH FLOWS OF THE PARENT COMPANY

Unit: RMB

Item	Note	2019	2018
I. Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		41,142,674.71	61,223,534.28
Tax rebates received			
Cash received relating to other operating activities		<u>52,375,081.92</u>	<u>57,686,182.60</u>
Subtotal of cash inflow from operating activities		<u>93,517,756.63</u>	<u>118,909,716.88</u>
 Cash paid for goods purchased and services received		24,889,419.38	42,635,361.09
Cash paid to and for employees		3,025,041.43	4,924,685.37
Cash paid for taxes and surcharges		1,761,933.52	2,402,912.04
Cash paid relating to other operating activities		<u>42,423,799.70</u>	<u>26,066,756.70</u>
Subtotal of cash outflow from operating activities		<u>72,100,194.03</u>	<u>76,029,715.20</u>
 Net cash flow from operating activities		<u>21,417,562.60</u>	<u>42,880,001.68</u>

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	Note	2019	2018
II. Cash flows from investing activities:			
Cash received from disposal of investments			
Cash received from investment income			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			25,340.00
Net cash received from disposal of subsidiaries and other business units			
Cash received relating to other investing activities		5,419,391.04	
Subtotal of cash inflow from investing activities		<u>5,419,391.04</u>	<u>25,340.00</u>
Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets		3,400,403.85	1,308,302.79
Cash paid for investments		10,200,000.00	27,530,000.00
Net cash paid for acquisition of subsidiaries and other business units			
Cash paid relating to other investing activities		20,419,391.04	
Subtotal of cash outflow from investing activities		<u>34,019,794.89</u>	<u>28,838,302.79</u>
Net cash flow from investing activities		<u>-28,600,403.85</u>	<u>-28,812,962.79</u>

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	Note	2019	2018
III. Cash flows from financing activities:			
Cash received from capital contributions			
Cash received from borrowings		57,200,000.00	17,200,000.00
Cash received from bond issuance			
Cash received relating to other financing activities		<u>20,620,000.00</u>	<u> </u>
Subtotal of cash inflow from financing activities		<u>77,820,000.00</u>	<u>17,200,000.00</u>
Cash paid for repayment of debt		20,200,000.00	29,000,000.00
Cash paid for distribution of dividend and profit or interest payment		2,755,580.59	1,329,248.19
Cash paid relating to other financing activities		<u>57,340,000.00</u>	<u> </u>
Subtotal of cash outflow from financing activities		<u>80,295,580.59</u>	<u>30,329,248.19</u>
Net cash flow from financing activities		<u>-2,475,580.59</u>	<u>-13,129,248.19</u>
IV. Effect of foreign exchange rate fluctuation on cash and cash equivalents			
V. Net increase in cash and cash equivalents		-9,658,421.84	937,790.70
Add: Cash and cash equivalents at the beginning of the period		11,224,147.61	10,286,356.91
VI. Cash and cash equivalents at the end of the period		<u><u>1,565,725.77</u></u>	<u><u>11,224,147.61</u></u>

Legal representative:
Shi Yan (施豔)

Accounting principal:
Wang Fuhan (王輔晗)

Accounting firm's principal:
Xu Hong (徐竑)

(VII) CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Unit: RMB

Item	Equity attributable to owners of the parent company											Total owners' equity	
	Other equity instruments				Less:								
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained profits	Minority interests	
I. Balance at the end of last year	10,000,000.00								169,608.07		-2,738,805.20	27,138,763.66	34,569,566.53
Add: Effect of changes in accounting policies	0	0	0	0	0	0	0	0	0	0	0	0	0
Effect of correction of prior period errors													
Business combination under common control													
Others													
II. Balance at the beginning of the year	10,000,000.00								169,608.07		-2,738,805.20	27,138,763.66	34,569,566.53
Changes in the period ("—" denotes decrease)	4,999,999.00				29,731,126.08						1,325,545.75	10,261,013.71	46,317,684.54
(I) Total comprehensive income											1,325,545.75	461,013.71	1,786,559.46
(II) Owners' contribution and decrease in capital	4,999,999.00				29,731,126.08							9,800,000.00	44,531,125.08
1. Common stock capital contribution from shareholders	4,999,999.00												
2. Capital contribution from holders of other equity instruments					29,731,126.08							9,800,000.00	44,531,125.08
3. Share-based payments recognised in owners' equity													
4. Others													

Item	2019									
	Equity attributable to owners of the parent company									
	Share capital	Preference shares	Other equity instruments	Others	Capital reserve	Treasury stock	Less: Other comprehensive income	Special reserve	Surplus reserve	Total owners' equity
(III) Profit appropriation										
1. Appropriation to surplus reserve										
2. Appropriation to general risk reserve										
3. Appropriation to owners (or shareholders)										
4. Others										
(IV) Transfer within owners' equity										
1. Transfer from capital reserve to capital (or share capital)										
2. Transfer from surplus reserve to capital (or share capital)										
3. Making up losses with surplus reserve										
4. Transfer from changes in defined benefit schemes to retained earnings										
5. Transfer from other comprehensive income to retained earnings										
6. Others										
(V) Special reserve										
1. Appropriation in the period										
2. Utilisation in the period										
(VI) Others										
IV. Balance at the end of the year	14,999,999.00				29,731,126.08				169,608.07	80,887,251.07

Item	2018									
	Equity attributable to owners of the parent company									
	Other equity instruments			Less:			Total owners' equity			Total owners' equity
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	
I. Balance at the end of last year	10,000,000.00	0	0	0	0	0	0	0	169,608.07	7,833,307.71
Add: Effect of changes in accounting policies										
Effect of correction of prior period errors										
Business combination under common control										
Others										
II. Balance at the beginning of the year	10,000,000.00								169,608.07	7,833,307.71
III. Changes in the period ("—" denotes decrease)										
(I) Total comprehensive income										
(II) Owners' contribution and decrease in capital										
1. Common stock capital contribution from shareholders										
2. Capital contribution from holders of other equity instruments										
3. Share-based payments recognised in owners' equity										
4. Others										
(III) Profit appropriation										
1. Appropriation to surplus reserve										
2. Appropriation to general risk reserve										
3. Appropriation to owners (or shareholders)										
4. Others										

Item	2018												
	Equity attributable to owners of the parent company												
	Other equity instruments			Less:			Total						
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained profits	Minority interests	owners' equity
(IV) Transfer within owners' equity													
1. Transfer from capital reserve to capital (or share capital)													
2. Transfer from surplus reserve to capital (or share capital)													
3. Making up losses with surplus reserve													
4. Transfer from changes in defined benefit schemes to retained earnings													
5. Transfer from other comprehensive income to retained earnings													
6. Others													
(V) Special reserve													
1. Appropriation in the period													
2. Utilisation in the period													
(VI) Others													
IV. Balance at the end of the year	10,000,000.00								169,608.07		-2,738,805.20	27,138,763.66	34,569,566.53
Legal representative: Shi Yan (施豔)													
Accounting principal: Wang Fuhua (王輔哈)													
Accounting firm's principal: Xu Hong (徐宏)													

(VIII) STATEMENT OF CHANGES IN EQUITY OF THE PARENT COMPANY

Item	2019											Total owners' equity	
	Other equity instruments					Less:		General risk reserve	Retained profits	Surplus reserve			
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury stock	Other comprehensive income				Special reserve		
I.	Balance at the end of last year	10,000,000.00				34,157.35				169,608.07		-939,266.08	9,264,499.34
	Add: Effect of changes in accounting policies	0	0	0	0	0		0	0	0		0	0
	Effect of correction of prior period errors												
	Others												
II.	Balance at the beginning of the year	10,000,000.00				34,157.35				169,608.07		-939,266.08	9,264,499.34
III.	Changes in the period ("—" denotes decrease)	4,999,999.00				29,731,126.08						362,815.86	35,093,940.94
	(I) Total comprehensive income											362,815.86	362,815.86
	(II) Owners' contribution and decrease in capital	4,999,999.00				29,731,126.08							34,731,125.08
	1. Common stock capital contribution from shareholders	4,999,999.00				29,731,126.08							34,731,125.08
	2. Capital contribution from holders of other equity instruments												
	3. Share-based payments recognised in owners' equity												
	4. Others												
	(III) Profit appropriation												
	1. Appropriation to surplus reserve												
	2. Appropriation to general risk reserve												
	3. Appropriation to owners (or shareholders)												
	4. Others												

Unit: RMB

Item	2019							Total owners' equity		
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury stock	Other comprehensive income			
								Surplus reserve	General risk reserve	Retained profits
								Special reserve		
(IV) Transfers within owners' equity										
1. Transfer from capital reserve to capital (or share capital)										
2. Transfer from surplus reserve to capital (or share capital)										
3. Making up losses with surplus reserve										
4. Transfer from changes in defined benefit schemes to retained earnings										
5. Transfer from other comprehensive income to retained earnings										
6. Others										
(V) Special reserve										
1. Appropriation in the period										
2. Utilisation in the period										
(VI) Others										
IV. Balance at the end of the year	14,999,999.00				29,765,283.43			169,608.07		-576,450.22
										44,358,440.28

Item	2018									
	Share capital	Preference shares	Other equity instruments	Perpetual bonds	Others	Capital reserve	Treasury stock	Other comprehensive income	Special reserve	Surplus reserve
								General risk reserve	Retained profits	Total owners' equity
I. Balance at the end of last year	10,000,000.00					34,157.35			-2,232,974.01	7,970,791.41
Add: Effect of changes in accounting policies	0	0	0	0	0	0	0	0	0	0
Effect of correction of prior period errors										
Others										
II. Balance at the beginning of the year	10,000,000.00					34,157.35			-2,232,974.01	7,970,791.41
III. Changes in the period ("—" denotes decrease)										
(I) Total comprehensive income										
(II) Owners' contribution and decrease in capital										
1. Common stock capital contribution from shareholders										
2. Capital contribution from holders of other equity instruments										
3. Share-based payments recognised in owners' equity										
4. Others										
(III) Profit appropriation										
1. Appropriation to surplus reserve										
2. Appropriation to general risk reserve										
3. Appropriation to owners (or shareholders)										
4. Others										

FINANCIAL INFORMATION OF SHANGHAI KYMS

Accounting firm's principal:
Xu Hong (徐弘)

NOTES TO 2019 ANNUAL FINANCIAL STATEMENTS

(All amounts expressed in Renminbi Yuan unless otherwise stated)

I. BASIC INFORMATION OF THE COMPANY

1. Domicile, organization and head office address of the Company

Company name: 上海快易名商企業發展股份有限公司(Shanghai Kuaiyi Mingshang Enterprise Development Co., Ltd.) (“**Company**”)

Registered address: Room 2299, Block 5, No. 1630, Yecheng Road, Jiading Industrial Zone, Shanghai

Registered capital: RMB14.999999 million

Unified social credit code: 913100007721258903

Legal representative: Shi Yan (施豔)

Type of company: Joint stock company (Not listed, invested or controlled by natural persons)

2. History

(1) Establishment on 25 February 2005

The Company was invested and founded by Wang Fuhan (王輔晗) and Zhou Hai (周海) on 25 February 2005. Its name when first established was 上海泰和嘉投資管理有限公司 (Shanghai Taihejia Investment Management Co., Ltd.). The registered capital was RMB10.00 million, which was entirely contributed with cash. Such contribution was verified by Shanghai Jiarui Certified Public Accountants Co., Ltd. (上海佳瑞會計師事務所有限公司) and a capital verification report (Jiarui Yan Zi (2005) No. 21260) was issued.

The Company was registered in Shanghai Administration of Industry and Commerce Jiading Branch in February 2005 and received a corporate legal person business licence with a registration number 3101142098281.

Shareholders’ contribution amounts and percentages when the Company was established:

Shareholders’ names	Contribution amounts	Forms of contribution	Contribution percentages (%)
Wang Fuhan (王輔晗)	9,500,000.00	Cash	95.00
Zhou Hai (周海)	500,000.00	Cash	5.00
Total	10,000,000.00		100.00

(2) *Equity transfer in November 2005*

An equity transfer agreement was signed on 8 November 2005, pursuant to which, Wang Fuhan (王輔晗) transferred 95.00% shareholding to Ying Wen (應文) at a consideration of RMB9.50 million. The shareholding structure after such equity transfer was:

Shareholders' names	Contribution amounts	Forms of contribution	Contribution percentages (%)
Ying Wen (應文)	9,500,000.00	Cash	95.00
Zhou Hai (周海)	500,000.00	Cash	5.00
Total	10,000,000.00		100.00

(3) *Equity transfer in September 2006*

An equity transfer agreement was signed on 18 September 2006, pursuant to which, Zhou Hai (周海) transferred 5.00% shareholding to Ying Wen (應文) at a consideration of RMB0.50 million. The shareholding structure after such equity transfer was:

Shareholder' s name	Contribution amount	Form of contribution	Contribution percentage (%)
Ying Wen (應文)	10,000,000.00	Cash	100.00
Total	10,000,000.00		100.00

(4) *Change of company name in July 2007*

In July 2007, as approved by Shanghai Administration of Industry and Commerce Jiading Branch, the Company's name changed from 上海泰和嘉投資管理有限公司 (Shanghai Taihejia Investment Management Co., Ltd.) to 上海達潤投資管理有限公司 (Shanghai Darun Investment Management Co., Ltd.).

(5) *Equity transfer in June 2009*

An equity transfer agreement was signed on 29 June 2009, pursuant to which, Ying Wen (應文) transferred 40.00% shareholding to Shen Hai (沈海) at a consideration of RMB4.00 million and transferred 30.00% shareholding to Wang Jianfeng (王建鋒) at a consideration of RMB3.00 million. The shareholding structure after such equity transfers was:

Shareholders' names	Contribution amounts	Forms of contribution	Contribution percentages (%)
Ying Wen (應文)	3,000,000.00	Cash	30.00
Shen Hai (沈海)	4,000,000.00	Cash	40.00
Wang Jianfeng (王建鋒)	3,000,000.00	Cash	30.00
Total	10,000,000.00		100.00

APPENDIX II FINANCIAL INFORMATION OF SHANGHAI KYMS

(6) Equity transfer in December 2010

On 7 December 2010, according to a property division agreement, Shen Hai (沈海) transferred his 30.00% shareholding to his wife Shi Yan (施豔) and 10.00% to his son Shen Yang (沈洋) from his total 40.00% shareholding after his death. The shareholding structure after such equity transfers was:

Shareholders' names	Contribution amounts	Forms of contribution	Contribution percentages (%)
Ying Wen (應文)	3,000,000.00	Cash	30.00
Wang Jianfeng (王建鋒)	3,000,000.00	Cash	30.00
Shi Yan (施豔)	3,000,000.00	Cash	30.00
Shen Yang (沈洋)	1,000,000.00	Cash	10.00
Total	10,000,000.00		100.00

(7) Equity transfer in April 2014

In April 2014, according to an equity transfer agreement, Ying Wen (應文) transferred 27.00% shareholding to Wang Fuhua (王輔哈), and Ying Wen (應文) transferred 3.00% shareholding, Shi Yan (施豔) transferred 3.00% shareholding, Wang Jianfeng (王建鋒) transferred 3.00% shareholding and Shen Yang (沈洋) transferred 1.00% shareholding to Shanghai Qiangao Investment Management Partnership, L.P (上海謙高投資管理合夥企業(有限合夥)). The shareholding structure after such equity transfers was:

Shareholders' names	Contribution amounts	Forms of contribution	Contribution percentages (%)
Wang Fuhua (王輔哈)	2,700,000.00	Cash	27.00
Wang Jianfeng (王建鋒)	2,700,000.00	Cash	27.00
Shi Yan (施豔)	2,700,000.00	Cash	27.00
Shen Yang (沈洋)	900,000.00	Cash	9.00
Shanghai Qiangao Investment Management Partnership, L.P (上海謙高投資管理合夥企業(有限合夥))	1,000,000.00	Cash	10.00
Total	10,000,000.00		100.00

(8) Capital increase on 22 April 2014

On 22 April 2014, the Company's shareholders additionally contributed RMB7.80 million based on their respective existing shareholding. Such contribution was credited into capital reserve and would not increase paid-up capital.

(9) Change of company name in June 2014

In June 2014, as approved by Shanghai Administration of Industry and Commerce, the Company's name changed from 上海達潤投資管理有限公司 (Shanghai Darun Investment Management Co., Ltd.) to 上海快易名商企業發展股份有限公司 (Shanghai Kuaiyi Mingshang Enterprise Development Co., Ltd.).

APPENDIX II FINANCIAL INFORMATION OF SHANGHAI KYMS

(10) Equity transfer in June 2018

In June 2018, Shi Yan (施豔) transferred her 4.96% shareholding. The shareholding structure after such equity transfer was:

Shareholders' names	Contribution amounts	Forms of contribution	Contribution percentages (%)
Wang Fuhan (王輔晗)	2,700,000.00	Cash	27.00
Wang Jianfeng (王劍峰)	2,700,000.00	Cash	27.00
Shi Yan (施豔)	2,204,000.00	Cash	22.04
Shen Yang (沈洋)	900,000.00	Cash	9.00
Shanghai Qiangao Investment Management Partnership, L.P (上海謙高投資管理合夥企業 (有限合夥))	1,000,000.00	Cash	10.00
Shanghai Dangxian Business Information Consulting Co., Ltd. (上海當現商務信息諮詢有限公司)	496,000.00	Cash	4.96
Total	10,000,000.00		100

(11) Capital increase on 2 January 2019

The capital increase was completed on 2 January 2019 in the form of making capital contribution in indebtedness held by the Company, and the share capital was increased to RMB4,999,999.00. The shareholding structure after such debt-to-equity swap was:

Shareholders' names	Contribution amounts	Forms of contribution	Contribution percentages (%)
Wang Fuhan (王輔晗)	2,700,000.00	Cash	18.00
Wang Jianfeng (王劍峰)	2,700,000.00	Cash	18.00
Shi Yan (施豔)	2,204,000.00	Cash	14.69
Shen Yang (沈洋)	900,000.00	Cash	6.00
Shanghai Qiangao Investment Management Partnership, L.P (上海謙高投資管理合夥企業 (有限合夥))	1,000,000.00	Cash	6.67
Shanghai Dangxian Business Information Consulting Co., Ltd. (上海當現商務信息諮詢有限公司)	496,000.00	Cash	3.31
Beijing Dayuan Tiandi Real Estate Brokerage Co., Ltd. (北京大苑天地房地產經紀有限責任公司)	1,428,571.00	Indebtedness	9.52
Shanghai Huifan Enterprise Management Center (Limited Partnership) (上海惠番企業管理中心 (有限合夥))	1,571,428.00	Indebtedness	10.48
Shi Wei (施偉)	2,000,000.00	Indebtedness	13.33
Total	14,999,999.00		100

(12) Equity transfer in June 2019

In June 2019, Shi Wei (施偉) transferred all of his shares to Shanghai Zhayuan Enterprise Management Partnership (Limited Partnership) (上海札遠企業管理合夥企業(有限合夥)), a company controlled by his spouse Liu Xuan (劉璇). The shareholding structure after such equity transfer was:

Shareholders' names	Contribution amounts	Forms of contribution	Contribution percentages (%)
Wang Fuhan (王輔哈)	2,700,000.00	Cash	18.00
Wang Jianfeng (王劍峰)	2,700,000.00	Cash	18.00
Shi Yan (施豔)	2,204,000.00	Cash	14.69
Shen Yang (沈洋)	900,000.00	Cash	6.00
Shanghai Qiangao Investment Management Partnership, L.P (上海謙高投資管理合夥企業(有限合夥))	1,000,000.00	Cash	6.67
Shanghai Dangxian Business Information Consulting Co., Ltd. (上海當現商務信息諮詢有限公司)	496,000.00	Cash	3.31
Beijing Dayuan Tiandi Real Estate Brokerage Co., Ltd. (北京大苑天地房地產經紀有限責任公司)	1,428,571.00	Indebtedness	9.52
Shanghai Huifan Enterprise Management Center (Limited Partnership) (上海惠番企業管理中心(有限合夥))	1,571,428.00	Indebtedness	10.48
Shanghai Zhayuan Enterprise Management Partnership (Limited Partnership) (上海札遠企業管理合夥企業(有限合夥))	2,000,000.00	Indebtedness	13.33
Total	14,999,999.00		100

3. Scope of business: Investment management, property management, enterprise management, self-owned equipment lease (financial lease not permitted), conference service, exhibition service, software development. *[Activities legally required approvals are not permitted to be undertaken until acquiring relevant authorities' approvals]*

Term of operation: 25 February 2005 to no fixed term

4. The Company's financial report has been approved to be published on 25 April 2020.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(I) Basis of preparation

Financial statements of the company have been prepared on going concern basis, according to the actual transaction, in accordance with the relevant requirements of Accounting Standards for Enterprises, and prepared under following material accounting policies and accounting estimates.

(II) Going concern

It is assessed that the Company is able to continue as a going concern for the next 12 months from the end of the Reporting Period.

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(I) Statement on compliance with the Accounting Standards for Enterprises

The financial statements of the Company which are prepared on the base of above-mentioned basis are in compliance with requirements of latest Financial Accounting Standards as well as relevant application guidance, interpretation and other regulations (jointly referred to as the “**Accounting Standards for Enterprises**”) issued by the Ministry of Finance, truly and completely reflect the financial position, operating results, cash flow positions and other relevant information of the Company.

In addition, these financial statements are prepared in accordance with the presentation and disclosure requirements of “No. 15 Reporting Regulation on the Information Disclosure for Public Share Offering Companies – Ordinary Reporting Regulation” (revised in 2014) and “Notice on Matters Related to the Implementation of New Accounting Standards for Enterprises by Listed Companies (Letter from Accounting Department No. [2018] 453)”.

(II) Accounting period and business cycle

Accounting year of the Company is the calendar year from 1 January to 31 December.

(III) Measurement currency

The Company uses RMB as the currency for recording transactions.

(IV) Report items whose measurement attributes changed in the current period and their current measurement attributes

The measurement attributes of the Company include historical cost, replacement cost, net realizable value, present value and fair value.

(V) Business combination

1. *Accounting treatments for business combination under common control*

Where the Company involved in business combination under common control, either through one transaction or several multiple transactions, assets and liabilities acquired by the Company shall be measured at carrying amount on acquisition date in the consolidated financial statements of the ultimate controlling party. Where difference arises between the carrying amount of net assets acquired by the Company and the acquisition consideration (or the total nominal value of the shares issued) paid, capital reserves shall be adjusted; where capital reserves are not enough for offset, retained earnings shall be adjusted instead.

2. *Accounting treatments for business combination not under common control*

On acquisition date, when the cost of consideration offered by the acquirer is more than the fair value of proportionate share of the acquiree’s net identifiable assets, the difference shall be recognised as goodwill; when the cost of consideration offered by the acquirer is less than the fair value of proportionate share of the acquiree’s net identifiable assets, the fair value of the acquiree’s net identifiable assets, liabilities, contingent liabilities and cost of consolidation shall be reviewed first. If cost of consolidation is still less than the fair value of proportionate share of the acquiree’s net identifiable assets after the review, the difference shall be accounted into current profit or loss.

When acquisition is achieved through several multiple transactions, accounting treatments should be made in the following order:

- (1) Adjust the initial investment costs of the long-term equity investment. The equity of acquiree held before acquisition date shall be remeasured at the fair value of such equity on the acquisition date and the difference between fair value and carrying amount shall be recognised as investment income in current period; if the acquiree's equity held before the acquiring date contains other comprehensive income and the other changes of owner's equity under the equity method, the related other comprehensive income and changes in other owner's equity shall be transferred to investment income on the date of acquisition in current period, excluding the other comprehensive income derived from changes of net liabilities or net assets due to re-measurement on defined benefit scheme by the investee.
- (2) Recognise goodwill (or the amount accounted into current profit or loss). Compare the initial investment costs of the long-term equity investment as adjusted in step (1) with the share of fair value of net identifiable assets of the subsidiary. If the former is greater than the latter, the difference is recognised as goodwill; if the former is less than the latter, the difference is recognised as current profit and loss.

Circumstance where the Company can no longer exercise control over subsidiary due to disposal of equity through several multiple transactions

- (1) Decide whether the multiple transactions that contributed loss of control should be accounted for as a single transaction

When the terms, conditions and economic effects of several multiple transactions meet one or several of the following conditions, normally they will be regarded as a single transaction:

- 1) They are signed at the same time or under the consideration of the influence of each other;
 - 2) They form a single transaction designed to achieve an overall commercial effect;
 - 3) The occurrence of one transaction is dependent on the occurrence of at least one other transaction;
 - 4) One transaction considered on its own is not economically justified, but it is economically justified when considered together with other arrangements.
- (2) The accounting treatments for various transaction in relation to disposal of equity in a subsidiary step by step until it loses the control right shall be treated as a whole deal

For various transaction in relation to disposal of equity investment in a subsidiary until it loses the control right are treated as a whole deal, all transactions should be treated as one transaction of disposal of subsidiary and lose control over it. However, prior to loss of control, all differences between disposal proceeds and the investee's proportionate share of identifiable net assets within each single transaction should be recognised as other comprehensive income in the consolidated financial statements, and transferred to current profit or loss when control is lost.

Residual equity in the consolidated financial statements should be re-measured at fair value at the date when control is lost. Consideration received at disposal of subsidiary, added by the fair value of residual equity, net of original proportionate share of net assets of the subsidiary which is continuously calculated since the date of acquisition, shall be recorded as investment income during the accounting period when control is lost. All other comprehensive income related to the original investment should be accounted into current profit or loss when control is lost.

- (3) The accounting treatments for various transactions in relation to disposal of equity in a subsidiary step by step until it loses the control right shall not be treated as a whole deal

For transactions that do not result in loss of control, the difference between consideration received and proportionate share of subsidiary's net asset shall be recognised as capital reserve (capital premium or share premium) in the consolidated financial statements, when capital reserve is insufficient to offset, retained earnings shall be adjusted instead.

For transactions that result in loss of control, residual equity shall be re-measured at fair value in the consolidated financial statements. Consideration received at disposal of subsidiary, added by the fair value of residual equity, net of original proportionate share of net assets of the subsidiary which is continuously calculated since the date of acquisition, shall be recorded as investment income during the accounting period when control is lost. All other comprehensive income related to the original investment should be accounted into current profit or loss when control is lost.

(VI) Preparation of consolidated financial statements

The consolidated financial statements were prepared based on the financial statement of the parent company and its subsidiaries by the Company in accordance with other relevant information and Accounting Standard for Business Enterprises No. 33 – Consolidated Financial Statements.

(VII) Classification of joint arrangements and accounting treatment method for joint operations

1. Identification and classification of a joint arrangement

A joint arrangement refers to an arrangement under the joint control of two or more participants. The joint arrangement of the Group has the following characteristics: (1) each participant is bound by the arrangement; (2) two or more participants have joint control over the arrangement. No participant can control the arrangement independently, and any participant with joint control over the arrangement can prevent other participant or a combination of participants from controlling the arrangement independently.

Joint control refers to the sharing of control over an arrangement according to relevant agreements, and the related activities of the arrangement can only be decided after the unanimous consent of the participants sharing the control.

Joint arrangement is classified into joint operation and joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

2. The accounting treatment of joint arrangement

The party participating in joint operations shall recognise the following items relating to its interests in the joint operations and account for them in accordance with related requirements of Accounting Standards for Business Enterprises: (1) its solely-held assets and solely-assumed liabilities, and its share of any assets and liabilities held jointly; (2) its solely-assumed liabilities, and its share of any liabilities held jointly; (3) its revenue from the sale of its share of the output arising from the joint operation; (4) its share of the revenue from the sale of the output by the joint operation; (5) its own expenses, and its share of any expenses incurred jointly.

The parties of a joint venture should perform accounting for investments by the joint venture in accordance with the Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investments.

(VIII) Determination criteria for cash and cash equivalents

Cash and cash equivalents of the Group include cash on hand, deposits readily available for payment purpose. Cash equivalents as defined by the Company represent short-term, (usually with maturity within three months from the date of purchase) highly liquid investments which are easily converted into cash of the known amount with low valuation risk.

(IX) Translation of foreign currency businesses

Foreign currency business transaction is recognised at the beginning and translated into Renminbi using the spot exchange rate prevailing on the date when transaction occurred. At the balance sheet date, monetary items denominated in foreign currency are translated using the spot exchange rate at the balance sheet date. Exchange differences arising from difference in exchange rates, except exchange differences in relation to the principle of and interest on specific-purpose borrowings denominated in foreign currency for the acquisition and construction of assets that qualify for capitalisation, are recognised in profit or loss for the current period. Non-monetary items in foreign currency measured at historical cost are translated using the spot exchange rate prevailing on the date when transaction occurred and its functional currency shall remain unchanged. Non-monetary items in foreign currency carried at fair value are translated using the spot exchange rate prevailing on the date when such fair value was determined, and any exchange difference arising therefrom is recognised in profit or loss for the period or other comprehensive income.

(X) Financial Instruments*1. Recognition and derecognition of financial instrument*

The Company recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of a financial instrument.

Regular way purchases and sales of financial assets are recognised and derecognised using trade date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the period generally established by regulation or convention in the marketplace. The trade date is the date that the Company committed to purchase or sell a financial asset.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's consolidated balance sheet) when:

- (1) the rights to receive cash flows from the financial asset have expired;
- (2) the Company has transferred its rights to receive cash flows from the financial asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) has transferred substantially all the risks and rewards of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the financial asset.

2. Classification and measurement of financial assets

The Company's financial assets are, at initial recognition, classified into the following categories based on the business model of the Company's financial asset management and the characteristics of the financial assets' contractual cash flows: financial assets measured at amortised cost, financial assets at fair value through other comprehensive income, and financial assets measured at fair value through profit or loss. The subsequent measurement of financial assets depends on their classification.

The Company classifies financial assets based on the business model of the Company's financial asset management and the characteristics of the financial assets' contractual cash flows.

(1) Financial assets measured at amortised cost

Financial assets are classified as financial assets measured at amortised cost if they meet the following conditions at the same time: The financial assets are held within a business model with the objective to collect contractual cash flows; the contractual terms of the financial assets stipulate that cash flows generated on a specific date are solely payments of the principal and the interest based on the principal amount outstanding. Such financial assets are subsequently measured using the effective interest method on the basis of amortised cost. The gains or losses arising from amortization or impairment are recognised in current profit or loss.

(2) Debt instrument investments at fair value through other comprehensive income

Financial assets are classified as financial assets at fair value through other comprehensive income if they meet the following conditions at the same time: The financial assets are held within a business model with the objective of both holding to collect contractual cash flows and selling; the contractual terms of the financial assets stipulate that cash flows generated on a specific date are solely payments of principal and interest based on the principal amount outstanding. Such financial assets are subsequently measured at fair value. The discount or premium is amortized using the effective interest method and recognised as interest income or expense. Except for impairment losses and foreign currency monetary financial assets' translation differences which are recognised in current profit or loss, fair value changes in such financial assets are recognised as other comprehensive income until the financial assets are derecognised upon which the cumulative gains or losses are transferred to current profit or loss. Interest income related to such financial assets is included in current profit or loss.

(3) Equity instrument investments at fair value through other comprehensive income

The Group irrevocably elect to designate part of non-trading equity instruments as financial assets at fair value through other comprehensive income. Only the relevant dividend income is included in current profit or loss. Fair value changes are recognised as other comprehensive income until the financial assets are derecognised upon which the cumulative gains or losses are transferred to current profit or loss.

(4) Financial assets at fair value through profit or loss

Except for the financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income as mentioned above, other financial assets are classified as financial assets at fair value through profit or loss. The Company may, at initial recognition, designate a financial asset as financial asset at fair value through profit or loss if doing so eliminates or significantly reduces accounting mismatches. Such financial assets are subsequently measured at fair value with all fair value changes included in current profit or loss.

The Company reclassifies all affected related financial assets when and only when it changes the business model for managing financial assets.

For financial assets at fair value through profit or loss, the related transaction costs are directly included in the current profit and loss, and other types of financial assets related transaction costs are included in the initial recognition amount.

3. *Classification and measurement of financial liabilities*

The Company's financial liabilities are, at initial recognition, classified into the following categories: financial liabilities measured at amortised cost and financial liabilities at fair value through profit and loss.

Financial liabilities may, at initial measurement, be designated as financial liabilities at fair value through profit or loss if they meet any of the following conditions: (1) Such designation would eliminate or significantly reduce accounting mismatches; (2) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented corporate risk management or investment strategy, and information is reported on that basis to key management personnel within the Company; (3) the financial liabilities include embedded derivatives which need to be split separately.

The Company determines the classification of its financial liabilities at initial recognition. For financial liabilities at fair value through profit or loss, the related transaction costs are directly included in the current profit and loss, and other financial liabilities related transaction costs are included in the initial recognition amount.

The subsequent measurement of financial liabilities depends on their classification:

(1) Financial liabilities measured at amortised cost

Such financial liabilities are subsequently measured using the effective interest method on the basis of amortised cost.

(2) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include trading financial liabilities (including derivative instruments attributable to financial liabilities) and financial liabilities designated upon initial recognition as at fair value through profit or loss.

4. *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on the net basis, or to realise the assets and settle the liabilities simultaneously.

5. *Impairment of Financial Assets*

Loss provision is recognised for financial assets measured at amortised cost, investments in debt instruments at fair value through other comprehensive income and financial guarantee contracts based on expected credit loss. Credit losses represent the difference between all contractual cash flows receivable under the contract and all cash flows expected to be received, discounted at the Company's original effective interest rate, being the present value of all cash shortfalls.

The Company considers all reasonable and evidence-based information, including forward-looking information, and estimates the expected credit loss of financial assets measured at the amortized cost and financial assets (debt instruments) measured at fair value through other comprehensive income individually or in portfolio.

(1) General Approach of Expected Credit Loss

If there is obvious increase in credit risk of such financial instrument following the initial recognition, the Company will measure the loss provision at the amount which is equivalent to the amount of the expected credit loss over the entire duration of such financial instrument; if there is no obvious increase in credit risk of such financial instrument following the initial recognition, the Company will measure the loss provision at the amount which is equivalent to the amount of the expected credit loss within 12 months in the future of such financial instrument. Amount increased or reversed of loss provision arising therefrom will be included in the current profit or loss as impairment loss or gains.

Generally, once the overdue period is more than 30 days, the Company may consider that there is obvious increase in credit risk of such financial instrument, unless there is unambiguous evidence that there is no obvious increase in credit risk of such financial instrument following the initial recognition.

In particular, the process of credit impairment for financial instruments purchased or originated that have not suffered credit impairment is divided into three stages by the Company. There are different accounting treatment for the impairment of financial instruments in different stages:

Stage 1: Credit risk has not increased significantly upon initial recognition

For financial instruments at this stage, the Company measures the loss provisions at 12-month expected credit loss of such financial instruments, and calculates the interest income based on its book balance (that is, without deduction of impairment provision) and effective interest (if such instrument is a financial asset, the same below).

Stage 2: Credit risk has increased significantly upon initial recognition but credit impairment has not occurred

For financial instruments at this stage, the Company measures the loss provisions at lifetime expected credit loss of such financial instrument, and calculates the interest income based on its book balance and effective interest.

Stage 3: Credit-impaired occurred upon initial recognition

For financial instruments at this stage, the Company measures the loss provisions at lifetime expected credit loss of such instrument, but the calculation of interest income is different from that of financial assets at the first two stages. For financial instruments that have suffered credit impairment, the Company calculates interest income based on its amortized cost (book balance less the amount of impairment provision provided, that is, carrying amount) and effective interest rate.

For financial instruments purchased or originated that have suffered credit impairment,, the Company only recognises the changes of lifetime expected credit loss upon initial recognition as loss provisions, and calculates interest income based on its amortized cost and credit-adjusted effective interest rate.

(2) For financial instruments with low credit risk at the balance sheet date, the Company can directly assume the credit risk of such instruments does not increase significantly upon the initial recognition without comparing it with the credit risk at the initial recognition.

If the Company determines that the financial instrument has a low risk of default, the borrower has a strong ability to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations, the credit risk on a financial instrument is considered low.

(3) Receivables and rental receivable

For receivables including notes receivable and accounts receivable, whether there is a significant financing component or not, the Company considers all reasonable and evidence-based information, including forward-looking information, and estimates the expected credit loss of receivables above individually or in portfolio. The Company adopts simplified model of expected credit loss and always measures loss provisions based on lifetime expected credit loss.

- 1 At the end of the Reporting Period, receivables that are expected to be significantly impaired in the future and other receivables applicable to individual assessment, which include bill receivable, accounts receivable, other receivables, receivables financing and long-term receivables, are individually tested for impairment, and impairment losses are recognised and bad debt provision is made based on the difference between the present value of the expected future cash flows and their carrying amount.
- 2 When the expected credit loss of a single financial asset cannot be assessed at a reasonable cost, the Company divides receivables into groups according to the credit risk characteristics and calculate the expected credit loss on a group basis.

Name of portfolio	Grouping basis	Provision method
Bill receivable portfolio 1	Bank acceptance with high credit risk	Impairment test is carried out individually
Bill receivable portfolio 2	Bank acceptance bills and commercial acceptance bills with low credit risk	A reconciliation table of the age of accounts receivable and the lifetime expected credit loss rate is prepared to calculate the expected credit loss, with reference to historical credit loss experience, in consideration of current conditions and prediction of future economic conditions
Accounts receivable credit risk characteristics portfolio	Aging risk portfolio	A reconciliation table of the age of accounts receivable and the lifetime expected credit loss rate is prepared to calculate the expected credit loss, with reference to historical credit loss experience, in consideration of current conditions and prediction of future economic conditions
Other receivables credit risk characteristics portfolio	Aging risk portfolio	A reconciliation table of the age of accounts receivable and the lifetime expected credit loss rate is prepared to calculate the expected credit loss, with reference to historical credit loss experience, in consideration of current conditions and prediction of future economic conditions
Other receivable security deposits portfolio	Security deposits portfolio	The expected credit loss is calculated, with reference to historical credit loss experience, in consideration of current conditions and prediction of future economic conditions, and based on the default risk exposure and 12-month or lifetime expected credit loss rate

- 3 Reconciliation table of the age of the credit risk characteristics portfolio and the lifetime expected credit loss

Ageing	Expected credit loss rate (%)
Within 1 year (inclusive)	5.00
1 to 2 years (2 years inclusive)	10.00
2 to 3 years (3 years inclusive)	50.00
Over 3 years	100.00

6. *Transfer of financial assets*

The Company derecognises a financial asset only if it transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; the Company should not derecognise a financial asset if it retains substantially all the risks and rewards of ownership of the financial asset.

The Company neither transfers nor retains substantially all the risks and rewards of ownership, shows as the following circumstances: if the Company has forgone control over the financial assets, derecognise the financial assets and verify the assets and liabilities; if the Company retains its control of the financial asset, the financial asset is recognised to the extent of its continuing involvement in the transferred financial asset and recognise an associated liability is recognised.

Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the carrying amount of the financial asset and the financial guarantee amount. The financial guarantee amount is the maximum amount of received consideration that could be required to repay.

(XI) Receivables financing

The Company classifies a financial asset as a financial asset at FVTOCI if the following conditions are met: the Company's business model for managing the financial asset aims at both collecting contractual cash flows and selling the financial asset; the contractual terms of the financial asset stipulate that the cash flows generated on a specific date are solely payments of principal and interest based on the amount of the principal outstanding.

Receivables held by the Company that are transferred in the form of discount or endorsement, and where such operations are more frequent and involve larger amounts. Its management business model is in substance to both receive contractual cash flows and sell. The receivables are classified as financial assets at FVTOCI in accordance with the relevant provisions of the Financial Instruments Standard.

(XII) Assets held for sale

The Company classifies company components (or non-current assets) which meet the following conditions at the same time as held for sale: (1) based on the practice of selling such assets or disposal groups in similar transactions, they can be sold immediately under current conditions; (2) the sale is very likely to happen, that is, the Company has already made a resolution on a sales plan and obtained a confirmed purchase commitment. The confirmed purchase commitment refers to the legally binding purchase agreement signed by the company and other parties. The agreement contains important terms such as transaction price, time and strict penalty for breach of contract, which makes the possibility of major adjustment or cancellation of the agreement extremely small. It is expected that the sale will be completed within one year. The necessary approval as required by the relevant regulations has been obtained from the relevant authority or regulatory authority.

The Company adjusts the estimated net residual value of the assets held for sale to the net amount that reflects its fair value less the costs of disposal, but the amount shall not exceed the original book value of the assets held for sale. The difference between the original book value over the estimated net residual value after adjustment is included in the current profit or loss as impairment loss of the assets, and provision for impairment of assets held for sale was also made. For the impairment loss amount of assets recognised in the disposal groups held for sale, it shall first write down the book value of the goodwill in the disposal groups, then write down its book value in proportion of the book value of each non-current asset, to which the measurement requirements of this standard apply, in the disposal groups.

If the net amount of the fair value deducting the disposal expense of the non-current assets held for sale increased on the subsequent balance sheet date, the previously written down amount shall be recovered, and reversed in the asset impairment loss amount recognised after being classified as held for sale, with the reversal amount recorded into the current profit and loss, while the asset impairment loss recognised before being classified as held for sale will not be reversed. If the net amount of the fair value deducting the disposal expense of the disposal group held for sale increased on the subsequent balance sheet date, the previously written down amount shall be recovered, and reversed in the asset impairment loss amount recognised on the non-current assets, to which the measurement requirements of this standard apply, after being classified as held for sale, with the reversal amount recorded into the current profit and loss. The written down book value of goodwill as well as the asset impairment loss recognised on non-current assets, to which the measurement requirements of this standard apply, before being classified as held for sale, will not be reversed. The subsequent reversed amount in respect of the impairment loss on assets recognised in the disposal groups held for sale shall increase its book value in proportion of the book value of each non-current assets (other than goodwill), to which the measurement requirements of this standard apply, in the disposal groups.

Where a company lost control of a subsidiary due to reasons such as disposal of investment in the subsidiary, regardless of whether the company retains any part of equity investment after disposal, upon the investment in the subsidiary intended to be disposed satisfying the criterion for classification as held for sale, the investment in the subsidiary will be entirely classified as held for sale in the separate financial statements of the parent company, and all assets and liabilities of the subsidiary are classified as held for sale in the consolidated financial statements.

(XIII) Long-term equity investment**1. Determination of investment cost**

- (1) For the business combination under the same control, the initial investment cost shall be recognised at the share of the book value of owners' equity attributable to the combined party in the consolidated financial statements of the ultimate controlling party at the date of combination, if the consideration from the combining party is settled in cash, by way of transfer of non-cash assets, assumption of liabilities or issuance of equity securities. The difference between the initial investment cost of the long-term equity investment and the book value of the consideration paid for the combination or the aggregate nominal values of the shares issued is adjusted against the capital reserve (capital premium or share capital premium). If the capital reserve is insufficient to offset the difference, any excess is adjusted against the retained earnings.

For the business combination under the same control in stages, the initial investment cost of the investment shall be recognised based on the proportionate share of the owners' equity in the book of the combined party at the date of combination. The difference between the initial investment cost and the sum of the book value of the original long-term equity investment and the book value of the further consideration paid for the shares at the date of combination is adjusted against the capital reserve (capital premium or share capital premium). If the capital reserve is insufficient to offset the difference, any excess is adjusted against the retained earnings.

- (2) For the business combination not under the same control, the initial investment cost shall be recognised at the acquisition-date fair value of combination considerations paid.
- (3) Other than the business combination: the initial investment cost obtained by making payment in cash is the purchase cost which is actually paid; that obtained on the basis of issuing equity securities is the fair value of the equity securities issued; when consideration is paid by investors, the initial cost of investment shall be determined by the value stipulated in the investment contract or agreement, except for the value stipulated in the contract or agreement is not fair.

2. *Subsequent measurements and recognition of profit or loss*

The long-term equity investments where the Company can exercise control over the investee are stated in accordance with cost method in the Company's individual financial statements; For a long-term equity investment where the Company has joint control or significant influence over the investee, the investment is stated in accordance with equity method.

Under the cost method, a long-term equity investment is measured at its initial investment cost. Except receiving the actual consideration paid for the investment or the declared but not yet distributed cash dividends or profits which is included in the consideration, the cash dividends or profits declared by the investee are recognised as investment gains for the period, and impairment is tested for long-term investments in accordance with the relevant asset impairment policies.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the share of the fair value of the investee's identifiable net assets at the acquisition date, no adjustment shall be made to the initial investment cost. Where the initial investment cost is less than the share of the fair value of the investee's identifiable net assets at the acquisition date, the difference shall be charged to profit or loss for the current period, and the cost of the long-term equity investment shall be adjusted accordingly.

Under the equity method, after a long-term equity investment is acquired, the Group recognises its share of the net profits or losses made by the investee as investment income or losses, and adjusts the carrying amount of the investment accordingly. The share of the investee's net profit or loss is recognised on the basis of the fair value of various identifiable assets in the investee at the time of acquisition and in accordance with the accounting policies and accounting period of the Company, based on the share attributable to the investor as calculated according to shareholdings, after elimination of the profit or loss for internal transactions with associates and joint ventures (except for those transactions relating to impairment loss of assets which shall be recognised in full) and after adjustment to the net profits of the investee. The carrying amount of the long-term equity investment is reduced based on the Group's share of any profit or cash dividends declared by the investee. The Company's share of net losses of the investee is recognised to the extent the carrying amount of the long-term equity investment together with other long-term interests in substance form part of its net investment in the investee is reduced to zero, except that the Company has the obligations to assume additional losses. The Group adjusts the carrying amount of the long-term equity investment for any changes in owner's equity of the investee (other than net profits or losses) and includes the corresponding adjustments in the owner's equity.

3. *Determination of control or significant influence over the investee*

Control refers to when an investor has power over the investee; and has exposure, or rights, to variable returns from its involvements with the investee, and the ability to use its power over the investee to affect the amount of the investor's returns. Significant influence refers to investors have power to take part in the determination of finance and operating decision of the investee, but can not control or joint-control the making of these policy with others.

4. *Disposal of long-term equity investment*

- (1) Partial disposal of long-term equity investment in subsidiaries without loss of control

When the long-term equity investment in subsidiaries is been partially disposed without loss of control, the difference between disposal proceeds and carrying amount of the proportion being disposed is recognised as investment gains for the period.

- (2) Lose control over subsidiaries due to partial disposal of equity investment or other reasons

When losing control over subsidiaries due to partial disposal of equity investment or other reasons, the carrying value of the long-term equity investment on the stock right, the difference between disposal proceeds and carrying amount of the part being disposed should be recognised as investment gains (loss). The residual part should be treated as long-term equity investment or other relevant financial assets according to their carrying amount. If the remaining equity after disposal can exercise joint control or have a significant influence over subsidiaries, it shall be accounted for in accordance with the relevant provisions of the transfer of the cost method to the equity method.

5. *Impairment tests methods and provision for impairment methods*

For investments in subsidiaries, associates and joint ventures, when there is objective evidence that impairment has occurred on each balance sheet date, provisions for impairment should be provided according to the difference between carrying amount and recoverable amount.

(XIV) Fixed assets1. *The recognition, valuation and depreciation of fixed assets*

Fixed assets refer to tangible assets that are used for the manufacturing of goods, provision of services, lease, or management purposes for a period of more than one accounting year.

Fixed assets are accounted at actual cost at acquisition date, and depreciated using the straight-line method starting from the following month when the asset is ready for intended use.

2. *Depreciation methods for each category of fixed assets*

Category	Depreciation methods	Depreciation period (years)	Net Residual value rate (%)	Annual depreciation rate (%)
Office equipment	Straight-line-method	5	5	19.00
Electronic equipment	Straight-line-method	3	5	31.67

3. *Impairment testing methods and provision for impairment methods on fixed assets*

The impairment is provided for based on the different between the carrying amount and the recoverable amount when there is indication that the fixed asset is impaired at the balance sheet date.

4. *The judgment basis, pricing method and depreciation method for the fixed assets obtained through financial lease*

Where a lease satisfies one or more of the following criteria, it shall be recognised as finance lease: (1) the ownership of the leased asset is transferred to the lessee when the term of lease expires ; (2) the lessee has the option to buy the leased asset at a price which is expected to be far lower than the fair value of the leased asset at the date when the option is exercised. Thus, on the lease beginning date, it can be reasonably determined that the option will be exercised by the lessee; (3) even if the ownership of the asset is not transferred, the lease term covers the major part of the use life of the leased asset (generally refers to 75% or above of the use life of the leased asset); (4) in the case of the lessee, the present value of the minimum lease payments on the lease beginning date amounts to substantially all of the fair value (more than 90% (inclusive)) of the leased asset on the lease beginning date; in the case of the lessor, the present value of the minimum lease receipts on the lease beginning date amounts to substantially all of the fair value (more than 90% (inclusive)) of the leased asset on the lease beginning date; and (5) the leased assets are of a specialized nature that only the lessee can use them without making major modifications.

Fixed assets rented-in under finance lease are recorded at the lower of fair value of the leased asset and the present value of the minimum lease payment at the lease beginning date, and are depreciated following the depreciation policy for self-owned fixed assets.

(XV) Construction in Progress

1. Construction in progress is transferred into fixed assets when it is ready for its intended use based on the actual cost. For a completed project ready for intended use but with final account unsettled, the asset is transferred into fixed assets based on estimated value first. After final account of the project has been settled, the Company shall base on actual cost to make adjustment on the previous estimated value, but need not to adjust the depreciation retrospectively.
2. At the balance sheet date, impairment is provided for based on the excess of the carrying amount over the recoverable amount when there is evidence that the construction in progress is impaired.

(XVI) Borrowing costs

1. *Criteria for recognition of capitalised borrowing costs*

For borrowing costs incurred by the Company that are directly attributable to the acquisition, construction or production of assets qualified for capitalisation, the costs will be capitalised and included in the costs of the related assets. Other borrowing costs shall be recognised as expense in the period in which they are incurred and included in profit or loss for the current period.

2. *Capitalisation period of borrowing costs*

- (1) Borrowing costs shall be capitalised when: (1) capital expenditures; (2) borrowing costs have been incurred; (3) activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced.
- (2) Capitalisation of borrowing costs should be suspended during a period in which abnormal interruption has lasted for more than three months during the process of acquisition, construction or production of assets eligible for capitalisation. The borrowing costs incurred during interruption is recognised as current expenses until the acquisition, construction or production activities resume.
- (3) The capitalisation of borrowing costs ceases when the assets acquired, constructed or produced and qualified for capitalisation are ready for their intended use or sale.

3. *Capitalisation amount of borrowing costs*

For specific borrowings used to acquire, construct or produce assets eligible for capitalisation, the amount of interest expenses (including amortisation of discount or premium determined using the effective interest method) actually incurred on such borrowings for the period shall be capitalised after deducting any interest earned from depositing the unused borrowings in bank or any investment income arising from the temporary investment of those borrowings during the capitalisation period. For general borrowings used to acquire, construct or produce assets eligible for capitalisation, the capitalised amount of interests on general borrowings shall be determined on the basis that the weighted average (of the excess of cumulative assets expenditures over the specific borrowings) times capitalisation rate (of used general borrowings).

(XVII) Intangible assets

1. Intangible assets, including land use rights, patents, software and non-patent technology, etc., are initially measured at cost.
2. Intangible assets with definite useful lives are systematically and reasonably amortized over their useful lives based on the pattern of expected realization of the economic benefits relating to the intangible assets, or otherwise are amortized on a straight-line basis over the following specific amortization period if the pattern of the expected realization cannot be reliably determined:

Item	Amortization period (years)
Software	10

3. For intangible assets with definite useful lives, provision for impairment is made according to the difference between its carrying amount and recoverable amount when there is evidence indicating that the intangible assets are impaired at the balance sheet date. For intangible assets with indefinite useful lives and those not ready for use, an impairment test is performed each year, irrespective of whether there is any indication of impairment.
4. Expenditure incurred during the research stage of internal research and development projects is included in profit or loss for the current period as incurred. Expenditure incurred during the development stage of internal research and development projects that simultaneously satisfy the following conditions are recognised as intangible assets: (1) it is technically feasible to complete the intangible asset so that it will be available for use or sale; (2) there is the intention to complete the intangible asset for use or sales; (3) how the intangible asset will generate economic benefits, including the evidence indicating that market exist for the products using the intangible asset to produce or the intangible asset itself has a market; if the intangible asset is for internal use, the evidence indicating its usability; (4) the availability of adequate technical, financial and other resources to support the completion of the development and the ability to use or sell the intangible assets; and (5) the expenditure attributable to the development stage of the intangible asset can be reliably measured.

(XVIII) Impairment of long-term assets

An enterprise shall determine at each balance sheet date whether there is any indication that assets may be impaired.

Goodwill arising from a business combination and an intangible asset with an indefinite useful life shall be subject to impairment test each year, irrespective of whether there is any indication of impairment.

There may be an impairment of assets when one of the following indications occurs:

(1) The current market price of the asset has declined significantly, which is apparently more than expected decline as a result of the passage of time or normal use; (2) the economic, technical, or legal environment, in which an enterprise operates, and the market where the assets are located changes or will change significantly in current period or near future, causing any adverse influences to the enterprise; (3) the market interest rates or other market rate of return on investment in the current period have been increased so that the enterprise's calculation of the discount rate of the present value of the estimated future cash flows is affected, leading to significant reduction in the recoverable amounts of the assets; (4) there is evidence showing that the assets have been obsolete or actually damaged; (5) the asset has been or will be left unused, or terminated for use, or disposed ahead of schedule; (6) any evidence in internal reports shows that the economic performance of the assets has been or will be lower than expected, and the net cash flows or realized operating profits (or losses) from the assets are far lower (or higher) than the estimated amounts; and (7) other indications that assets may have been impaired.

Where there is any indication that an asset is impaired, its recoverable amount should be estimated.

The recoverable amount shall be determined based on the higher of the net amount of fair value of the asset less cost of disposal and the present value of the estimated future cash flows of the asset.

Costs of disposal are expenses attributable to disposal of the asset, including legal fee, relevant tax and surcharges, transportation fee and direct expenses incurred to prepare the asset for its intended sale.

The present value of the expected future cash flows of an asset is determined by discounting the expected future cash flows derived from continuing use of the asset and from its ultimate disposal using appropriate discount rate. Present value of the future cash flows shall take into account factors such as the estimated future cash flows, useful life and discount rate of the asset.

Where the measurement results show the recoverable amount of an asset is lower than its book value, the book value of the assets shall be written down to the recoverable amount, and the amount written down shall be recognised as impairment loss of the assets included in profit or loss for that period and provision for assets impairment shall be made accordingly.

(XIX) Long-term deferred expenses

Long-term deferred expenses are measured at actual amount and amortized evenly over the beneficial or required period. If the long-term deferred expenses are no longer beneficial to the subsequent accounting periods, the full unamortized balance is then transferred to profit or loss for the current period.

(XX) Employee Benefits

Employee benefits refer to all kinds of remunerations or reimbursements given by the Company in exchange for service rendered by employees or the termination of employment, including short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. The benefits that the Company provides to the spouses, children and dependents of employees, the late employees' family and other beneficiaries also shall be deemed as employee benefits.

1. *Short-term employee benefits*

The short-term employee benefits actually occurred are recognised as a liability in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period, or if otherwise required or allowed by other accounting standards, to the related costs of assets for the current period.

As for the profit-sharing plan, the related employee benefits payable should be recognised when all of the following conditions are met:

- (1) the Company has current legal obligation or constructive obligation to make such payments as a result of past events;
- (2) a reliable estimate of the amount of employee benefits obligation arising from the profit-sharing plan can be made.

If the employee benefits payable under the profit-sharing plan is not required to be settled wholly before twelve months after the end of the annual reporting period in which the employees render their related service to the Company, those payments shall be accounted for through other long-term employee benefits standard. The bonus which is accrued on the basis of performance or employee contributions belongs to bonus plan; the treatment method is in accordance with short-term profit-sharing plan.

2. *Post-employment benefits*

(1) Defined contribution plan

The Company shall recognise, in the accounting period in which an employee provides service, the contribution payable to a defined contribution plan as a liability, with a corresponding charge to the profit or loss for the current period or the cost of a relevant asset. Under a defined contribution plan, when contributions are not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render their related service, the employee benefits payable shall be measured at the discounted value of all contributions using a defined discount rate.

(2) Defined benefit scheme

The welfare responsibilities generated from defined benefit scheme based on the formula determined by projected unit credit method would be vested to the service period of the staff and charged into current profit or loss or costs of relevant assets. When an employee's service in later years will lead to a materially higher level of benefit from the defined benefit scheme than in earlier years, the Company shall attribute accumulated defined benefit scheme obligation with straight line method to the period from the date when service provided by the employee first leads to the Company's benefit obligation under the defined benefit scheme to the date when future service provided by the employee will not lead to a material increase in defined benefit scheme obligation. In determining the period to which the benefit obligation shall attribute, the Company shall not consider the situation in which the material increase in defined benefit scheme obligation only as a result of future salary increases. At the end of reporting period, the Company shall recognise the following components of employee benefit cost arising from defined benefit scheme:

- 1 Service costs, comprising current service costs, past service costs and any gains or losses on settlement.

- 2 Net interest on the net defined benefit scheme assets or liabilities, including interest income on plan assets, interest cost on the defined benefit scheme obligation and interest on the effect of the asset ceiling.
- 3 Changes as a result of remeasurements of the net defined benefit assets or liabilities.

Unless other accounting standards requires or permits the inclusion of employee benefit costs in the cost of assets, item 1 and 2 above should be recognised in profit or loss for the current period; item 3 should be recognised in other comprehensive income.

3. *Termination benefits*

Termination benefits primarily include:

- (1) Compensation provided to employees due to the termination of employment relationship before due date of employment contract, whether employees agree with the termination or not.
- (2) Compensation provided to employees to encourage them to accept employee curtailment before the due date of employment contract, in which the employees have a choice of either to stay in service or leave.

When termination benefits are provided, the Company recognises employee benefit liabilities for termination benefits, with a corresponding charge to the profit or loss for the current period, at the earlier of the following dates:

- 1 The date when the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; or
- 2 The date when the Company recognises costs or expenses related to a restructuring that involves the payment of termination benefits.

If the termination benefits are expected to be settled wholly within 12 months after the end of the annual reporting period in which the termination benefit is recognised, the Company shall apply the relevant regulations of short-term employee benefits; if the termination benefits are not expected to be settled wholly within 12 months after the end of the annual reporting period in which the termination benefit is recognised, the Company shall apply the relevant regulations of other long-term employee benefits.

4. *Other long-term employee benefits*

When other long-term employee benefits provided by the Company meet the requirements of defined contribution plans, those benefits shall be accounted for in accordance with the regulations relating to defined contribution plans. Apart from the above, the Company shall recognise and measure the net liabilities or net assets of other long-term employee benefits in accordance with the regulations relating to defined benefit schemes.

(XXI) **Provision for liabilities**

1. Provisions for liabilities are recognised when the Company has a present obligation as a result of contingencies such as provision of external guarantee, litigation, product quality warranty, and loss making contract, and it is very likely that an outflow of economic benefits will be resulted from settlement of the obligation, and a reliable estimate of the amount of the obligation can be made.
2. Provisions are initially stated at the best estimate of the expenditure expected to be required for settling the present obligation. Carrying amounts of all provisions for liabilities are reviewed at balance sheet date.

(XXII) Share payment*1. Type of Share payment*

The Company's share payment included equity-settled share payment and cash-settled share payment.

2. Recognition method of fair value of equity instrument

- (1) If there is an active market, the fair value is determined on the basis quotations in the active market;
- (2) If there is no active market, the fair value is determined using valuation techniques, including reference to the prices in recent market transactions between knowledgeable and willing parties, to the current fair values of other substantially identical financial instruments, discounted cash flow method, and option pricing model.

3. The basis for determining the best estimate of an exercisable equity instrument

The estimate is made based on the latest changes in the number of employees with available rights and other follow-up information.

*4. Relevant accounting for implementation, revision and termination of share-based payment plans**(1) Equity-settled share-based payment*

As to an equity-settled share-based payment in return for services of employees, if the right may be exercised immediately after the grant, the fair value of the equity instruments should, on the date of grant, be stated as the relevant cost or expense and the capital reserves should be adjusted accordingly. As to an equity-settled share-based payment in return for services of employees, if the right can only be exercised upon the completion of services or attainment of stipulated results in business performance within the vesting period, then on each balance sheet date within the vesting period, the services obtained in the current period should, based on the best estimate of the number of vested equity instruments, be stated as relevant costs or expenses at the fair value of the equity instruments on the date of grant and the capital reserves should be adjusted accordingly.

Regarding equity-settled share-based payment in return for services of other parties, if the fair value of the service of any other party can be measured reliably, the equity-settled share-based payment should be measured as per the fair value of the service of the other party on the date of acquisition. If the fair value of the service of any other party cannot be measured reliably, but the fair value of the equity instruments can be measured reliably, the equity-settled share-based payment should be measured as per the fair value of the equity instruments on the date of the service acquisition and be stated as relevant cost or expense, and the owner's equities should be increased accordingly.

(2) Cash-settled share-based payment

As to a cash-settled share-based payment in return for services of employees, if the right may be exercised immediately after the grant, the cash-settled share-based payment should be stated as relevant cost or expense as per the fair value of the liabilities undertaken by the Company on the date of grant, and the liabilities should be increased accordingly. As to a cash-settled share-based payment in return for services of employees, if the right can only be exercised upon the completion of services or attainment of stipulated results in business performance within the vesting period, on each balance sheet date within the vesting period, the services obtained in the current period should,

based on the best estimate of the information about the exercisable right, be stated as relevant costs or expenses and the corresponding liabilities at the fair value of the liabilities undertaken by the Company.

(3) Revision and termination of the share-based payment plans

If the revision leads to increase in the fair value of the equity instruments granted, the Company should recognise the increase of the services obtained according to the increase in the fair value of the equity instruments. If the revision leads to increase in the number of the equity instruments granted, the Company should recognise the fair value of the increased equity instruments as increase of the services obtained. If the Company changes the vesting conditions in a mode favourable to the employees, the Company should take into account the vesting conditions after change in dealing with the vesting conditions.

If the revision leads to decrease in the fair value of the equity instruments granted, the Company should continue to recognise the amount of the services obtained based on the fair value of the equity instruments on the date of grant, without considering the decrease in the fair value of the equity instruments. If the revision leads to decrease in the number of equity instruments, the Company should regard the decrease as cancellation of the equity instruments granted. If the Company changes the vesting conditions in a mode unfavourable to the employees, the Company may not consider the vesting conditions after change in dealing with the vesting conditions.

If the Company cancels or settles the equity instruments granted in the vesting period (except for cancellation due to failure to meet vesting conditions), the Company should speed up dealing with the exercisable right based on the cancellation or settlement and immediately recognise the amount to be recognised in the remaining vesting period.

(XXIII) Revenue

1. *The specific criteria for determining the time of sales of goods revenue*

Revenue from the sale of goods is recognised when the company has transferred to the purchaser the significant risks and rewards of ownership of the goods; the company retains neither continuing management rights associated with ownership nor exercises effective control over the goods sold; the amount of revenue can be measured reliably; it is probable that the related economic benefits will flow to the business; and the related costs incurred or to be incurred can be measured reliably.

2. *The basis for determining the income from the transfer of asset use rights*

When the economic benefits associated with the transaction are likely to flow into the enterprise, and the amount of income can be reliably measured. Determining the amount of income from the transfer of asset use rights in the following situations:

- (1) The amount of interest income is calculated and determined in accordance with the time and actual interest rate of the company's monetary funds used by others.
- (2) The amount of royalty income is calculated and determined in accordance with the charging time and method agreed in the relevant contract or agreement.

3. *Basis and method for recognising revenue from the provision of labour service and construction contracts under the percentage of completion method*

If the result of the labor service transaction provided on the balance sheet date can be reliably estimated, the percentage of completion method shall be adopted to recognise the revenue from provision of labor services. The completion progress of the labor service transaction is determined based on the measurement of the completed work.

The total amount of income from the provision of labor services shall be determined in accordance with the price of the contract or agreement received or receivable, unless the price of the contract or agreement received or receivable is unfair. On the balance sheet date, the total revenue from provision of labor services is multiplied by the completion progress after subtracting the accumulated revenue from provision of labor services recognised in the previous accounting period to recognise the revenue from provision of labor services in the current period; at the same time, the estimated total costs from provision of labor services is multiplied by the completion progress after subtracting the accumulated labor costs recognised in the the previous accounting period to carry forward the labor costs for the current period.

If the results of labor services provided on the balance sheet date cannot be reliably estimated, the following situations shall be handled respectively:

- (1) If the labor cost incurred is expected to be compensated, the labor service income shall be recognised according to the amount of labor cost incurred, and the labor cost shall be carried forward at the same amount.
- (2) If the labor cost incurred is not expected to be compensated, the labor cost incurred is included in the current profit and loss, and the labor service income is not recognised.

4. *Revenue from the Company's principal activities consists of rental income and value-added services income, which are recognised in accordance with the following principles:*

- (1) Rental income recognition and cost carry forward: Revenue is recognised on a monthly basis and costs are carried forward at the same time, in accordance with the rental rates and lease terms stipulated in the contracts entered into between the Company and its customers.
- (2) Value-added services income recognition and cost carry forward: Value-added services income mainly include overtime charges for meeting rooms, printer services and café services, etc.. Such income is recognised on an accrual basis in the month in which the services are provided and costs are carried forward at the same time.

(XXIV) GOVERNMENT GRANTS

1. Government grants consist of the government grants related to assets and government grants related to income.
2. If government grant is in the form of a transfer of a monetary asset, it is measured at the amount that is received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at its fair value. If its fair value cannot be obtained in a reliable way, it shall be measured at its nominal amount.
3. Government grants are accounted for using the gross method:
 - (1) Government grant related to an asset is recognised as deferred income, they shall be included in profit and loss in installments in accordance with a reasonable and systematic method during the useful life of the related assets. Relevant assets that are sold, transferred, scraped or damaged during its useful life, the unallocated balance of deferred income will be transferred to the profit or loss of the period when relevant assets are disposed.
 - (2) Government grants related to income is used to compensate relevant expenses or losses incurred during subsequent periods and recognised as deferred income, and will be recorded in the profit or loss during the period when relevant expenses and losses are recognised. A grant that compensates the Group for expenses incurred is recognised in profit or loss immediately.
4. A government grant related to both an asset and income is accounted for separately upon distinction, otherwise is classified as a government grant related to income as a whole.
5. A government grant related to the Group's daily activities is recognised in other income or written off related cost and expense based on the nature of economic activities; a government grant not related to the Group's daily activities is recognised in non-operating income and expenses.
6. The policy-based concessionary loan subsidies received by the Company are treated in accordance with either the appropriation of the interest subsidies by the Ministry of Finance to the lending banks or the appropriation of the interest subsidies by the Ministry of Finance directly to the Company:
 - (1) For interest subsidies appropriated by Ministry of Finance to a loan bank which will provide loans to the Company at a policy-related preferential rate, the Company has elected to account for it in accordance with the following method:

the actual amount of the borrowings received is recorded as the book value and the relevant borrowing costs are calculated according to the principal amount borrowed and the concessionary interest rate under this policy.
 - (2) For interest subsidies directly appropriated by Ministry of Finance to the Company, the interest subsidies shall be used to offset against relevant borrowing costs.

(XXV) Deferred income tax assets and deferred income tax liabilities

1. Deferred income tax assets or deferred income tax liabilities are recognised on the basis of the difference between the carrying amounts of the assets or liabilities and their tax bases (for an item not recognised as asset or liability but for which tax base can be determined under tax laws, the difference between its tax base and its carrying amount), and are calculated by applying the tax rates applicable to the period in which the assets are expected to be recovered or the liabilities are expected to be settled.
2. Deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. At the balance sheet date, deferred income tax assets unrecognised in prior accounting periods are recognised to the extent that there is obvious evidence that it has become probable that sufficient taxable profit will be available in subsequent periods against which the deductible temporary differences can be utilized.
3. The carrying amount of deferred income tax assets is reviewed at the balance sheet date and written down to the extent that it is no longer probable that sufficient taxable profit will be available against which the deferred income tax asset can be utilized. Such amount is written back to the extent that it has become probable that sufficient taxable profit will be available.
4. The Company's current and deferred income taxes are recognised in profit or loss for the current period as tax expense or profit, excluding income tax arising from: (1) business combination; and (2) transactions or issues directly recognised in owners' equity.

(XXVI) Leases

1. *Operating leases*
 - (1) Leasing charges paid by the Company for the assets leased out shall be amortized in a straight-line basis over the lease term without deducting the rent-free periods, and included in the current expenses. The initial direct fee related to the leasing transactions paid by the Company shall be charged to current expenses.

When the asset lessor bears the lease-related expenses which should be undertaken by the Company, the Company shall deduct this part of expense from the total rent and amortize the net amount over the lease term and include it in the current expenses.
 - (2) Leasing charges received by the Company for the assets leased out shall be amortized in a straight-line basis over the lease term without deducting the rent-free periods, and recognised as leasing income. The initial direct fee related to the leasing transactions paid by the Company shall be charged to current expenses; if the amount is significant, it shall be capitalised and charged to current income evenly on the same basis as the leasing income is recognised over the lease term.

When the Company bears the lease-related expenses which should be undertaken by the lessee, the Company shall deduct this part of expense from the total rent and distribute the net amount over the lease term.

2. *Finance lease*

When the Company acts as lessee, at the inception of lease, the lower of fair value of leased assets at the inception of lease and the present value of minimum lease payment is recognised as the value of leased assets. The minimum lease payment is recognised as the value of long-term payable. Their difference is recorded as unrecognised finance costs with any initial direct expense incurred charged to the value of leased assets. For each period of the lease term, current finance cost is calculated using effective interest method.

When the Company acts as lessor, at the inception of lease, the sum of minimum lease income at the inception of lease and the initial direct expense is recognised as the value of finance lease payment receivable, with unsecured balance also recorded. The difference between the sum of minimum lease income, initial direct expense and unsecured balance and the sum of their present values is recognised as unrealised finance income. For each period of the lease term, current finance income is calculated using effective interest method.

IV. TAXATION

(I) Principal tax types and tax rates

Tax types	Tax basis	Tax rate
Value-added Tax ("VAT")	Sales of goods or rendering of taxable services	5%, 6%, 9%, 11%, 16%, 17%
Urban maintenance and construction tax	Amount of payable turnover tax	5%, 7%
Education surcharge	Amount of payable turnover tax	3%
Local education surcharge	Amount of payable turnover tax	2%
Corporate income tax	Amount of taxable income	20%, 25%
River way management fee	Amount of payable turnover tax	1%
Stamp duty	Contractual amount	0.1%

(II) Tax concession and approvals

Pursuant to the Notice of the Ministry of Finance and the State Taxation Administration on Implementation of Inclusive Tax Relief Policy for Small Low-profit Enterprises (Cai Shui [2019] No. 13) (《財政部稅務總局關於實施小微企業普惠性稅收減免政策的通知》(財稅[2019]13號)), from 1 January 2019 to 31 December 2021, a small low-profit enterprise with an annual taxable income no more than RMB1,000,000 is entitled to a preferential tax treatment of 25% exemption of taxable income and subjected to corporate income tax rate of 20%. The Company's subsidiaries are qualified small low-profit enterprises and shall be entitled to such income tax concession.

V. ILLUSTRATION OF CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE, ERROR CORRECTION OF PRIOR PERIOD

1. Changes of accounting policies

- (1) The Company adopted the relevant regulations of the Circular on Revising and Issuing the Format of Financial Statements of General Enterprises for 2019 (Caikuai [2019] No. 6) (《關於修訂印發2019年度一般企業財務報表格式的通知》(財會[2019]6號)) from 1 January 2019. The impacts of changes in accounting policies are as follows:

Content and reason of changes in accounting policies	Affected report items and amounts
“Bills and accounts receivables” are divided and presented in accounts receivable and bills receivable	<p>Bills receivable and accounts receivable are consolidated and presented in amount of RMB0.00 and RMB732,189.56, respectively on 31 December 2019; bills receivable and accounts receivable are consolidated and presented in amount of RMB0.00 and RMB116,873.77, respectively on 1 January 2019.</p> <p>Bills receivable and accounts receivable of the parent Company amount to RMB0.00 and RMB7,733.14, respectively on 31 December 2019; bills receivable and accounts receivable of the parent Company amount to RMB0.00 and RMB116,873.77, respectively on 1 January 2019.</p>
“Bills and accounts payables” are divided and presented in bills payable and accounts payable	<p>Bills payable and accounts payable are consolidated and presented in amount of RMB0.00 and RMB9,898,953.33, respectively on 31 December 2019; bills payable and accounts payable are consolidated and presented in amount of RMB0.00 and RMB9,478,425.58 on 1 January 2019.</p> <p>Bills payable and accounts payable of the parent Company amount to RMB0.00 and RMB5,539,811.19, respectively on 31 December 2019; bills payable and accounts payable of the parent Company amount to RMB0.00 and RMB5,508,988.41, respectively on 1 January 2019.</p>
“Less: Asset impairment loss” in the income statement has been adjusted to “Add: Asset impairment loss (“-” for losses)”	<p>In 2019 and 2018, the consolidated asset impairment loss amounted to RMB0.00 and RMB-893,166.97, respectively.</p> <p>In 2019 and 2018, the asset impairment loss of the parent company amounted to RMB0.00 and RMB-388,827.06, respectively.</p>
Add the line item of “Credit impairment loss” (“-” for losses)	<p>The credit impairment loss increased by RMB-510,083.37 and the asset impairment loss decreased by RMB-510,083.37 in the 2019 consolidated financial statement.</p> <p>The credit impairment loss increased by RMB-209,367.60 and the asset impairment loss decreased by RMB-209,367.60 in the 2019 financial statement of parent company.</p>

- (2) After being approved by the Board, the Company has applied the relevant requirements of the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instrument (Caikuai [2017] No. 7), Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets (Caikuai [2017] No. 8), Accounting Standards for Business Enterprises No. 24 – Hedging Accounting (Caikuai [2017] No. 9) and Accounting Standards for Business Enterprises No. 37 – Presentation and Reporting of Financial Instrument (Caikuai [2017] No. 14) since 1 January 2019. The opening balances of the retained earnings and other relevant items in the financial statements at the beginning of the year were adjusted to reflect the cumulative affected amounts, but no adjustment was made to the amounts of the comparable period.

There is no impact on the Company for the Year.

- (3) After being approved by the Board, the Company has applied the relevant requirements of the Accounting Standards for Business Enterprises No. 7 – Exchange of Non-monetary Assets (Caikuai [2019] No. 8) since 10 June 2019. The exchange of non-monetary assets between 1 January 2019 and the implementation date of the standards shall be adjusted in accordance with the standards. The exchange of non-monetary assets before 1 January 2019 is not required to be retroactively adjusted.

There is no impact on the Company for the Year.

- (4) After being approved by the Board, the Company has applied the relevant requirements of the Accounting Standards for Business Enterprises No. 12 – Debt Restructuring (Caikuai [2019] No. 9) since 17 June 2019. The debt restructuring between 1 January 2019 and the implementation date of the standards shall be adjusted in accordance with the standards. The debt restructuring before 1 January 2019 is not required to be retroactively adjusted.

There is no impact on the Company for the Year.

2. Change in accounting estimates

Nil.

3. Correction of accounting errors in prior periods

Nil.

4. Adjustments to relevant items in financial statements at the beginning of the current year for the initial application of the new financial instrument standards

There is no impact on the Company.

VI. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

Note: the terms “beginning of the period” and “end of the period” refer to 1 January 2019 and 31 December 2019 respectively, and the terms “prior period” and “the period” refer to the year of 2018 and the year of 2019 respectively.

(I) Cash and Bank Balances

1. Presentation by category

Items	Closing balance	Opening balance
Cash	39,782.26	33,137.16
Bank deposits	11,721,110.40	14,458,238.52
Other monetary funds		
Total	11,760,892.66	14,491,375.68

Including: total amount deposited abroad

Note: No cash and bank balances of the Company were restricted to use at the end of period.

(II) Accounts Receivables

1. Disclosure by aging

Aging	Closing balance
Within 1 year (inclusive)	770,725.85
Total	770,725.85

2. Classified disclosure by the method of bad debt provision

Category	Closing balance				Carrying amount
	Book balance		Bad debt provision		
	Amount	Percentage (RMB/share)	Amount	Provision percentage (%)	
Bad debt provision on individual basis					
Bad debt provision on group basis	770,725.85	100.00	38,536.29		732,189.56
Accounts receivable for which provision for bad debt is recognised by group with distinctive credit risk characteristics	770,725.85	100.00	38,536.29	5.00	732,189.56
Total	770,725.85	100.00	38,536.29		732,189.56

(Continued)

Category	Opening balance				Carrying amount
	Book balance		Bad debt provision		
	Amount	Percentage (RMB/share)	Amount	Provision percentage (%)	
Bad debt provision on individual basis					
Bad debt provision on group basis	124,403.56	100.00	7,529.79		116,873.77
Accounts receivable for which provision for bad debt is recognised by group with distinctive credit risk characteristics	124,403.56	100.00	7,529.79	6.05	116,873.77
Total	124,403.56	100.00	7,529.79		116,873.77

Bad debt provision on group basis:

Provision on group basis: Accounts receivable for which provision for bad debt is recognised by group with distinctive credit risk characteristics

Name	Accounts receivables	Closing balance	
		Bad debt provision	Provision percentage (%)
Within 1 year (inclusive)	770,725.85	38,536.29	5.00
Total	770,725.85	38,536.29	

3. *Provision for bad debts*

Category	Opening balance	Provision	Changes during the period			Closing balance
			Recovery or reversal	Transfer or write-off	Other changes	
Grouping by credit risk characteristics	7,529.79	31,006.50				38,536.29
Total	7,529.79	31,006.50				38,536.29

4. *Actual write-offs of accounts receivables during the period*

Nil.

5. Details of the top five debtors of accounts receivables at the end of the period

Company	Relationship with the Company	Closing balance	Aging	Percentage of total accounts receivables (%)
Alcatel-Lucent Shanghai Bell Software Co., Ltd. (上海諾基亞貝爾軟件有限公司)	Non-related party	756,798.46	Within 1 year (inclusive)	98.19
Shanghai Branch of China Telecom Corporation Limited (中國電信股份有限公司上海分公司)	Non-related party	7,476.16	Within 1 year (inclusive)	0.97
Genghui Information Technology (Shanghai) Co., Ltd. (庚惠信息科技(上海)有限公司)	Non-related party	3,387.24	Within 1 year (inclusive)	0.44
Shanghai Shuxing Network Technology Co., Ltd. (上海曙星網絡科技有限公司)	Non-related party	2,400.00	Within 1 year (inclusive)	0.31
Kesigu (Shanghai) Commercial Management Co., Ltd. (可斯谷(上海)商業管理有限公司)	Non-related party	588.39	Within 1 year (inclusive)	0.08
Total		<u>770,650.25</u>		<u>99.99</u>

(III) Prepayment

1. Presentation by aging

Aging	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year (inclusive)	<u>4,350,517.31</u>	<u>100.00</u>	<u>3,357,237.79</u>	<u>100.00</u>
Total	<u>4,350,517.31</u>	<u>100.00</u>	<u>3,357,237.79</u>	<u>100</u>

2. Top five prepayments of closing balance by prepayment object

Name of debtor	Book balance	Percentage of total prepayments (%)	Bad debt provision
Shanghai Wantong Xindi Real Estate Co., Ltd. (上海萬通新地置業有限公司)	2,266,109.41	52.09	
China National Publications Import & Export Shanghai Co., Ltd.(Pudong Branch) (中國圖書進出口上海公司浦東分公司)	1,025,850.40	23.58	
Beijing Vantone Ding An Int'l Property Service Co., Ltd (Shanghai Suhong Road Branch) (北京萬通鼎安國際物業服務有限公司上海蘇虹路分公司)	464,522.02	10.68	
Tianlai Construction (Shanghai) Co., Ltd (天萊建設(上海)有限公司)	123,853.21	2.85	
State Grid Shanghai Municipal Electric Power Company (國網上海市電力公司)	<u>88,285.31</u>	<u>2.03</u>	
Total	<u>3,968,620.35</u>	<u>91.23</u>	

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(IV) Other Receivables

1. Consolidated statements

(1) Presentation by classification

Items	Closing balance	Opening balance
Interest receivable		
Dividends receivable		
Other receivables	28,766,996.00	19,904,335.48
	<hr/>	<hr/>
Total	28,766,996.00	19,904,335.48
	<hr/> <hr/>	<hr/> <hr/>

2. Other Receivables

(1) Disclosure by aging

Aging	Closing balance
Less than 1 year (including 1 year)	16,526,554.77
1 to 2 years (including 2 years)	11,645,833.13
2 to 3 years (including 3 years)	2,800.00
Over 3 years	2,133,273.10
	<hr/>
Total	30,308,461.00
	<hr/> <hr/>

(2) Presentation by nature

Nature	Closing book balance	Opening book balance
Rent pledges and deposits	19,107,259.49	20,772,206.23
Current accounts	10,858,698.64	24,226.38
Contingency provision	339,035.22	170,291.00
Others	3,467.65	
	<hr/>	<hr/>
Total	30,308,461.00	20,966,723.61
	<hr/> <hr/>	<hr/> <hr/>

(3) Provision of bad debts

	Stage 1 Next 12-month ECLs	Stage 2 Lifetime ECLs (non-credit impaired)	Stage 3 Lifetime ECLs (credit impaired)	Total
Provision for bad debts				
Balance as at 1 January 2019	1,062,388.13			1,062,388.13
Book balance of other receivables as at 1 January 2019 that during the period				
– Transfer to stage 2				
– Transfer to stage 3				
– Reverse to stage 2				
– Reverse to stage 1				
Provision for the period	832,491.87			832,491.87
Reversal for the period	353,415.00			353,415.00
Transfer for the period				
Write-off for the period				
Other changes				
Balance as at 31 December 2019	1,541,465.00			1,541,465.00

(4) Bad debts provision

Category	Opening balance	Provision	Changes during the period		Other changes	Closing balance
			Recovery or reversal	Transfer or write-off		
Grouping by pledges and deposits	1,038,610.31	270,167.66	353,415.00			955,362.97
Grouping by credit risk characteristics	23,777.82	562,324.21				586,102.03
Total	1,062,388.13	832,491.87	353,415.00			1,541,465.00

(5) Other receivables that written-off for the period

Nil.

(6) Top five other receivables by closing balance collected by borrowers

Name	Nature	Closing balance	Aging	Proportion in the total of other receivables (%)	Closing balance of bad debt provision
Beijing Dayuan Tiandi Real Estate Agency Co., Ltd. (北京大苑天地房地產經紀有限責任公司)	Borrowings	10,000,000.00	Within 1 year	32.99	500,000.00
Shanghai Da'an Enterprise Co., Ltd. (上海達安企業股份有限公司)	Rent pledges	1,686,789.00	Within 1 year, 1-2 years	5.57	84,339.45
Shanghai Jianling Industry and Trade Industry Co., Ltd. (上海建嶺工貿實業有限公司)	Rent pledges	1,519,200.00	over 3 years	5.01	75,960.00
Beijing Hongyunshun Real Estate Co., Ltd. (北京鴻韻順房地產經紀有限公司)	Deposits under projects	1,413,000.00	1-2 years	4.66	70,650.00
China National Publications Import & Export Shanghai Co., Ltd.(Pudong Branch) (中國圖書進出口上海公司浦東分公司)	Rent pledges	525,000.00	over 3 years	1.73	26,250.00
Total		15,143,989.00		49.96	757,199.45

(V) Other current assets

Items	Closing balance	Opening balance
Credit tax available for deduction	3,986,414.97	2,086,333.33
Prepayment of corporate income tax	7,823.51	
Total	3,994,238.48	2,086,333.33

(VI) Long-term receivables

1. Long-term receivables

Item	Closing balance				Opening balance			
	Book balance	Bad debts provision	Carrying amount	Range of discount rate	Book balance	Bad debts provision	Carrying amount	Range of discount rate
Performance bond	200,000.00		200,000.00	6.25%				
Total	200,000.00		200,000.00					

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(VII) Fixed assets

1. Consolidated statements

(1) Presentation by classification

Items	Closing balance	Opening balance
Fixed assets	1,471,429.92	1,422,279.11
Disposal of fixed assets	<u> </u>	<u> </u>
Total	<u><u>1,471,429.92</u></u>	<u><u>1,422,279.11</u></u>

2. Fixed assets

(1) Fixed assets

Items	Electronic equipment	Office equipment	Total
I. Original book value			
1. Opening balance	1,707,117.79	2,445,287.11	4,152,404.90
2. Increment for the period	424,513.59	151,075.15	575,588.74
(1) Purchase	424,513.59	151,075.15	575,588.74
(2) Transferred from construction in progress			
(3) Increase from business combination			
3. Decrement for the period	1,389.00		1,389.00
(1) Disposal or write-off	1,389.00		1,389.00
4. Closing balance	<u><u>2,130,242.38</u></u>	<u><u>2,596,362.26</u></u>	<u><u>4,726,604.64</u></u>
II. Accumulated depreciation			
1. Opening balance	990,699.92	1,739,425.87	2,730,125.79
2. Increment for the period	172,295.78	353,595.04	525,890.82
(1) Provision	172,295.78	353,595.04	525,890.82
3. Decrement for the period	841.89		841.89
(1) Disposal or write-off	841.89		841.89
4. Closing balance	<u><u>1,162,153.81</u></u>	<u><u>2,093,020.91</u></u>	<u><u>3,255,174.72</u></u>
III. Provision for impairment			
1. Opening balance			
2. Increment for the period			
(1) Provision			
3. Decrement for the period			
(1) Disposal or write-off			
4. Closing balance	<u> </u>	<u> </u>	<u> </u>
IV. Carrying amount			
1. Carrying amount of the end of period	968,088.57	503,341.35	1,471,429.92
2. Carrying amount of the opening of period	<u><u>716,417.87</u></u>	<u><u>705,861.24</u></u>	<u><u>1,422,279.11</u></u>

(VII) Construction in progress

1. Consolidated statements

(1) Presentation by category

Items	Closing balance	Opening balance
Construction in progress	55,514,653.94	44,395,845.97
Construction material		
Total	<u>55,514,653.94</u>	<u>44,395,845.97</u>

2. Construction in progress

(1) Construction in progress

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Project in Wuding Road, Lingling Road	3,154,647.45		3,154,647.45	454,803.95		454,803.95
Hongqiao Wantong Project	371,362.78		371,362.78	36,863,979.78		36,863,979.78
Project in Anyuan Road	13,917,791.45		13,917,791.45	5,623,118.99		5,623,118.99
Improvement Project in Huizhan Street	22,331,437.35		22,331,437.35	1,452,666.94		1,452,666.94
Kuaiye Improvement Project	1,771.65		1,771.65	1,276.31		1,276.31
Project in Xizangbei Road	15,737,643.26		15,737,643.26			
Total	<u>55,514,653.94</u>		<u>55,514,653.94</u>	<u>44,395,845.97</u>		<u>44,395,845.97</u>

(2) Changes in significant construction in progress

Items	Budget	Opening balance	Increment for the period	Transferred into fixed assets of the period	Other decrement for the period	Closing balance
Project in Wuding Road, Lingling Road	3,500,000.00	454,803.95	2,699,843.50			3,154,647.45
Hongqiao Wantong Project	75,000,000.00	36,863,979.78	33,750,540.03		70,243,157.03	371,362.78
Project in Anyuan Road	15,000,000.00	5,623,118.99	8,294,672.46			13,917,791.45
Improvement Project in Huizhan Street	25,000,000.00	1,452,666.94	20,878,770.41			22,331,437.35
Kuaiye Improvement Project		1,276.31	495.34			1,771.65
Project in Xizangbei Road	70,000,000.00		15,737,643.26			15,737,643.26
Total		<u>44,395,845.97</u>	<u>81,361,965.00</u>		<u>70,243,157.03</u>	<u>55,514,653.94</u>

Continued:

Item	Proportion of accumulative investment of project in the budget (%)	Project Progress (%)	Accumulative amount of interest capitalisation	Including: amount of interest capitalisation for current period	Interest capitalisation rate for current period (%)	Fund source
Project in Wuding Road, Lingling Road	90.13	98.73				Loan
Hongqiao Wantong Project	94.15	95.28	733,505.45	733,505.45	7.12	Loan
Project in Anyuan Road	92.79	90.61	445,501.69	383,397.00	4.01	Loan
Improvement Project in Huizhan Street	89.33	48.39	1,435,926.98	1,435,926.98	6.91	Loan
Kuaiye Improvement Project						
Project in Xizangbei Road	22.48	20.46	185,694.88	185,694.88	8.80	Loan
Total			2,800,629.00	2,738,524.31		

(IX) Intangible asset1. *Intangible asset*

Items	Software	Total
I. Original book value		
1. Opening balance	15,933.96	15,933.96
2. Increment for the period	363,762.70	363,762.70
(1) Purchase	363,762.70	363,762.70
3. Decrement for the period		
(1) Disposal		
4. Closing balance	379,696.66	379,696.66
II. Accumulated amortisation		
1. Opening balance	4,158.53	4,158.53
2. Increment for the period	1,853.96	1,853.96
(1) Provision	1,853.96	1,853.96
3. Decrement for the period		
(1) Disposal		
4. Closing balance	6,012.49	6,012.49
III. Provision for impairment		
1. Opening balance		
2. Increment for the period		
(1) Provision		
3. Decrement for the period		
(1) Disposal		
4. Closing balance		
IV. Carrying amount		
1. Carrying amount of the end of period	373,684.17	373,684.17
2. Carrying amount of the opening of period	11,775.43	11,775.43

(X) Long-term deferred expenses

Item	Opening balance	Increment for the period	Amortization amount for the period	Other decrease	Closing balance
Project in Wuding Road, Lingling Road	23,195,123.96		5,494,411.96		17,700,712.00
Improvement Project in Ningbo Road	4,081,851.68		680,308.68		3,401,543.00
Hongqiao Wantong Project		70,243,157.03	1,745,830.95		68,497,326.08
Project in Anyuan Road	2,043,858.83	1,408,128.06	345,171.36		3,106,815.53
Water purification services		12,000.00	2,000.00		10,000.00
Total	29,320,834.47	71,663,285.09	8,267,722.95		92,716,396.61

(XI) Deferred income tax assets and deferred income tax liabilities

1. Deferred income tax assets before offsetting

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for asset impairment	1,321,784.20	313,362.98	563,591.71	140,897.94
Deductible loss	600,808.22	150,202.06	1,394,544.48	348,632.36
Total	1,922,592.42	463,565.04	1,958,136.19	489,530.30

2. Status of unrecognised deferred income tax assets

Item	Closing balance	Opening balance
Provision for asset impairment	258,217.09	506,326.21
Deductible loss	1,486,785.66	809,551.82
Total	1,745,002.75	1,315,878.03

3. Deductible loss for which no deferred tax assets are recognised will become due in the following years

Year	Closing balance	Opening balance	Remarks
2019		259,127.20	
2020	198,595.45	198,595.45	
2021	43,396.43	43,396.43	
2022	1,194.77	1,194.77	
2023	307,237.97	307,237.97	
2024	936,361.04		
Total	1,486,785.66	809,551.82	

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(XII) Other Non-current assets

Item	Closing balance	Opening balance
Payment for improvement project	1,456,214.75	4,863,774.44
Total	<u>1,456,214.75</u>	<u>4,863,774.44</u>

(XIII) Short-term Borrowings

1. *Classification of short-term borrowings*

Item	Closing balance	Opening balance
Credit loans	1,960,000.00	1,960,000.00
Guaranteed borrowings	2,200,000.00	5,200,000.00
Total	<u>4,160,000.00</u>	<u>7,160,000.00</u>

(XIV) Trade payables

1. *Breakdown of trade payables*

Items	Closing balance	Opening balance
Within 1 year (inclusive)	9,798,700.23	4,148,240.58
1-2 (inclusive) years	81,579.26	5,330,185.00
2-3 (inclusive) years	18,673.84	
Total	<u>9,898,953.33</u>	<u>9,478,425.58</u>

(XV) Receipts in advance

1. *Breakdown of receipts in advance*

Items	Closing balance	Opening balance
Rent received in advance	6,876,938.61	1,601,277.27
Total	<u>6,876,938.61</u>	<u>1,601,277.27</u>

2. *Major receipts in advance aged over one year at the end of the period*

Nil.

(XVI) Employee benefits payable1. *Breakdown of employee benefits payable*

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
I. Short-term benefits		7,931,615.93	7,931,615.93	
II. Post-employment benefits (the liability of defined contribution plan)		834,696.98	834,696.98	
III. Termination benefits		54,000.00	54,000.00	
IV. Other benefits due within one year				
Total		8,820,312.91	8,820,312.91	

2. *Breakdown of short-term benefits*

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
I. Wages, bonuses, allowances and subsidies		6,286,647.48	6,286,647.48	
II. Employee welfare benefits		734,859.71	734,859.71	
III. Social insurance		567,872.40	567,872.40	
Including: Medical insurance		507,782.37	507,782.37	
Work-related injury insurance		12,107.81	12,107.81	
Maternity insurance		47,982.22	47,982.22	
IV. Housing provident fund		302,665.34	302,665.34	
V. Union and education funds		30,983.30	30,983.30	
VI. Short-term paid absence				
VII. Short-term profit sharing plan				
VIII. Others short-term benefits		8,587.70	8,587.70	
Total		7,931,615.93	7,931,615.93	

3. *Breakdown of defined contribution plan*

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
1. Basic pension insurance		807,829.69	807,829.69	
2. Unemployment insurance		26,867.29	26,867.29	
3. Annuity payment				
Total		834,696.98	834,696.98	

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4. *Termination benefits*

Items	Contributions for the period	Unpaid amount payable at the end of the period
Termination compensation	54,000.00	_____
Total	54,000.00	_____

5. *The liability of defined contribution plan of other long-term employee benefits*

Nil.

(XVII) Taxes payable

Taxation Items	Closing balance	Opening balance
Value-added Tax	317,678.87	508,351.82
Corporate income tax	394,670.94	
City maintenance and construction tax	8,688.79	11,850.87
Education surcharges	7,890.37	9,004.82
Withholding individual income tax	1,062.07	1,221.93
Others	36,928.42	2,129.30
Total	766,919.46	532,558.74

(XVIII) Non-current liabilities due within one year

Items	Closing balance	Opening balance
Long-term borrowings due within one year	4,000,000.00	
Long-term payables due within one year	1,970,000.04	_____
Total	5,970,000.04	_____

(XIX) Other payables

1. Consolidated statements

(1) By classification

Items	Closing balance	Opening balance
Interest payable	173,179.31	44,935.33
Dividend payable		
Other payables	55,710,870.02	67,073,432.32
Total	55,884,049.33	67,118,367.65

2. Interest payable

(1) By classification

Items	Closing balance	Opening balance
Interest of long-term borrowings with interest payable by installments and principal payable on maturity	103,888.90	
Interest payable on short-term borrowings	69,290.41	44,935.33
Total	173,179.31	44,935.33

(2) Major unpaid overdue interest

Nil.

3. Other payables

(1) Other payables by nature

Nature of accounts	Closing balance	Opening balance
Housing deposits	26,459,109.04	11,723,426.32
Individual borrowings	2,000,000.00	2,000,000.00
Capital borrowings	27,000,000.00	53,350,006.00
Others	251,760.98	
Total	55,710,870.02	67,073,432.32

(2) Major other payables aged over one year at the end of the period

Items	Closing balance	Reason for outstanding or carrying forward
Shanghai Ines Trading Co., Ltd.* (上海伊納思貿易有限公司)	414,264.00	Housing deposits and the lease term has not yet ended
Shanghai Zhirui Clothing Co., Ltd.* (上海致瑞服飾有限公司)	414,014.00	Housing deposits and the lease term has not yet ended
Total	828,278.00	

(XX) Long-term borrowings

Condition and Category	Closing balance	Opening balance	Interest Rate Range
Secured loan	36,000,000.00		8.5%
Total	36,000,000.00		

(XXI) Long-term payables

1. Consolidated statements

(1) By classification

Items	Closing balance	Opening balance
Long-term payables	1,356,666.60	
Special payables		
Total	1,356,666.60	

2. Long-term payables

(1) Long-term payables by nature

Items	Closing balance	Opening balance
Finance lease payment	1,356,666.60	
Total	1,356,666.60	

(XXII) Share capital

Items	Opening balance	Issuance of new shares	Changes for the period (+, -)			Total	Closing balance
			Bonus issue	Capitalisation of surplus reserve	Others		
I. Shares subject to trading moratorium	6,975,000.00						6,975,000.00
1. Shares held by other domestic shareholders	6,975,000.00						6,975,000.00
Including: Shares held by domestic legal person							
Shares held by domestic natural persons	6,975,000.00						6,975,000.00
II. Shares not subject to trading moratorium	3,025,000.00				4,999,999.00	4,999,999.00	8,024,999.00
1. Renminbi ordinary shares	3,025,000.00				4,999,999.00	4,999,999.00	8,024,999.00
Total number of shares	10,000,000.00				4,999,999.00	4,999,999.00	14,999,999.00

Note: Please see Note “VI. (XXIII) Capital reserve” for others under changes for the period.

(XXIII) Capital reserve

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
Share premium		29,999,994.00	268,867.92	29,731,126.08
Total		29,999,994.00	268,867.92	29,731,126.08

On 3 January 2019, a resolution was passed at the general meeting of the Company to increase the share capital by RMB4,999,999.00. For this capital increase, not more than 4,999,999 shares (including 4,999,999 shares) shall be issued at an issue price of RMB7.00 per share and subscribed by subscribers with the debentures held by them in Shanghai KYMS Enterprise Development Co., Ltd. (上海快易名商企業發展股份有限公司), and no cash subscription or fund raising is involved. During this share issue, Beijing Dayuan Tiandi Real Estate Brokerage Co., Ltd. (北京大苑天地房地產經紀有限公司) subscribed for 1,428,571.00 Shares with a subscription amount of RMB9,999,997.00; Shanghai Huifan Enterprise Management Center (Limited Partnership) (上海惠番企業管理中心(有限合夥)) subscribed for 1,571,428.00 Shares with a subscription amount of RMB10,999,996.00; and Shi Wei (施偉) subscribed for 2,000,000.00 Shares with a subscription amount of RMB14,000,000.00, and the capital contribution was all in the form of holding debentures of the Company. The total subscription amount of each shareholder was RMB34,999,993.00, of which RMB4,999,999.00 was credited into share capital, and the premium portion of RMB29,999,994.00, after deducting the related issuance costs payable to the intermediaries which amounted to RMB268,867.92 (excluding taxes), was credited into capital reserve-share premium.

(XXIV) Surplus reserve

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
Statutory surplus reserve	169,608.07			169,608.07
Total	169,608.07			169,608.07

(XXV) Retained earnings

Items	Amount for the period	Amount for the prior period
Retained earnings at the end of prior period before adjustment	-2,738,805.20	-3,482,516.30
Total amount of retained earnings at the beginning of the adjustment period (increase +, decrease -)		
Retained earnings at the beginning of the period after adjustment	-2,738,805.20	-3,482,516.30
Add: Net profits attributable to shareholders of the parent during the current period	1,325,545.75	743,711.10
Less: Appropriation to statutory surplus reserve		
Retained earnings at the end of the period	-1,413,259.45	-2,738,805.20

(XXVI) Operating income and operating cost

1. Operating income and operating cost

Items	Amount for the current period		Amount for the prior period	
	Income	Cost	Income	Cost
1. Principal operations	68,391,339.33	58,565,744.61	54,942,826.77	43,637,162.95
Rental	60,701,853.16	55,003,586.70	48,442,629.93	41,080,983.36
Service fee	7,689,486.17	3,562,157.91	6,500,196.84	2,556,179.59
2. Other operations				
Total	68,391,339.33	58,565,744.61	54,942,826.77	43,637,162.95

2. Operating revenue from the Company's top five customers

Name of client	Operating revenue	Proportion of the total operating revenue of the Company (%)
Shanghai Blue Town Urban Planning and Design Office* (上海藍鎮城市規劃設計事務所)	2,296,190.50	3.36
Shanghai Ines Trading Co., Ltd.* (上海伊納思貿易有限公司)	1,614,360.69	2.36
Tibet Yushi Trading Co. Ltd.* (西藏宇石貿易有限公司)	1,478,370.64	2.16
Shanghai Zhirui Clothing Co., Ltd.* (上海致瑞服飾有限公司)	1,421,755.97	2.08
Liang Chen (陳亮)	1,315,237.47	1.92
Total	8,125,915.27	11.88

(XXVII) Taxes and surcharges

Items	Amount for the current period	Amount for the prior period	Criteria for tax payment
City maintenance and construction tax	97,757.38	129,736.89	see Note "IV. Taxation"
Education surcharges	83,177.25	112,132.28	see Note "IV. Taxation"
Stamp duty	39,718.82	51,985.40	see Note "IV. Taxation"
Total	220,653.45	293,854.57	

(XXVIII) Selling expense

Nature	Amount for the period	Amount for the prior period
Advertising and promotion fees	21,931.40	26,487.61
Total	21,931.40	26,487.61

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(XXIX) **Management cost**

Nature	Amount for the current period	Amount for the prior period
Service fees	2,409,542.52	
Wages and salaries	1,557,695.50	3,672,382.45
Entertainment expenditures	701,547.47	685,383.20
Consulting fees	430,943.39	531,565.39
Training expenses	410,000.00	
Insurance fees	338,326.15	312,775.40
Travel expenses	318,721.89	533,973.69
Office fees	232,582.79	784,692.32
Audit fees	158,490.57	134,851.48
Low-value consumables	98,450.11	42,553.51
Depreciation expenses	72,059.95	38,251.11
Communication fees	70,901.73	425,393.19
Conference fees	52,000.00	37,306.00
Labour insurance premiums	44,588.44	42,259.52
Courier fees	12,144.00	55,095.65
Other fees	2,693.69	7,135.35
	<hr/>	<hr/>
Total	6,910,688.20	7,303,618.26
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

(XXX) **Finance costs**

Nature	Amount for the current period	Amount for the prior period
Interest expenses	1,482,807.83	1,279,187.14
Less:Interest income	416,811.47	84,624.57
Commission charges	48,959.28	34,722.00
	<hr/>	<hr/>
Total	1,114,955.64	1,229,284.57
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

(XXXI) **Other Income**

Item	Amount for the current period	Amount for the prior period
Investment promotion reward from Jiading Industrial Zone	492,340.23	341,973.10
Special subsidy support project for modern service industry of Hongqiao	1,000,000.00	
Individual income tax refund	198.76	
	<hr/>	<hr/>
Total	1,492,538.99	341,973.10
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

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(XXXII) Credit impairment losses

Item	Amount for the current period	Amount for the prior period
Credit impairment losses for accounts receivable	-31,006.50	
Credit impairment losses for other receivable	-479,076.87	
Total	<u>-510,083.37</u>	<u></u>

(XXXIII) Impairment loss of assets

Item	Amount for the current period	Amount for the prior period
Loss on bad debts		-893,166.97
Total	<u></u>	<u>-893,166.97</u>

(XXXIV) Non-operating income

1. Shown by category

Item	Amount for the current period	Amount for the prior period	Amount included in non-recurring profit or loss
Total gains on retirement of non-current assets:		6,095.80	
Including: Gains on retirement of fixed assets		6,095.80	
Government grants		20,422.90	
Penalty income	177,711.96		177,711.96
Other	1,007.45	6,101.07	1,007.45
Total	<u>178,719.41</u>	<u>32,619.77</u>	<u>178,719.41</u>

(XXXV) Non-operating expenses

Item	Amount for the current period	Amount for the prior period	Amount included in non-recurring profit or loss
Total loss on disposal of non-current assets	532.11	314,273.40	532.11
Including: Loss on disposal of fixed assets	532.11	314,273.40	532.11
Compensation, liquidated damages and fines	510,813.09	17,000.00	510,813.09
Donation	0.20		0.20
Total	<u>511,345.40</u>	<u>331,273.40</u>	<u>511,345.40</u>

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(XXXVI) **Income tax expenses**

1. *Income tax expense statement*

Item	Amount for the current period	Amount for the prior period
Current income tax expense	394,670.94	
Deferred income tax expense	25,965.26	836,312.49
	<hr/>	<hr/>
Total	420,636.20	836,312.49
	<hr/> <hr/>	<hr/> <hr/>

2. *Reconciliation between accounting profits and income tax expenses*

Item	Amount for the current period	Amount for the prior period
Total profits	2,207,195.66	1,602,571.31
Income tax expenses calculated at applicable tax rates	551,798.92	400,642.82
Effect of different tax rates applicable to subsidiary companies	-109,631.49	
Effect of adjusting the previous years' income tax		
Effect of non-taxable income		
Effect of non-deductible costs, expenses and losses	140,898.68	106,375.36
Effect of tax rate change on opening balance of deferred income tax	3.00	
Effect of using deductible losses of previously unrecognised deferred income tax assets	-183,889.15	
Effect of deductible temporary difference or deductible losses of unrecognised deferred income tax assets in the period	21,456.24	329,294.31
	<hr/>	<hr/>
Total income tax expenses	420,636.20	836,312.49
	<hr/> <hr/>	<hr/> <hr/>

(XXXVII) **Notes to the cash flow statement**

1. *Other cash received relating to operating activities*

Item	Amount for the current period	Amount for the prior period
Government grants received	1,492,538.99	362,396.00
Interest income received	416,811.47	84,624.57
Receipts from current accounts	109,437,864.37	39,726,992.53
	<hr/>	<hr/>
Total	111,347,214.83	40,174,013.10
	<hr/> <hr/>	<hr/> <hr/>

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2. *Other cash payment relating to operating activities*

Item	Amount for the current period	Amount for the prior period
Cash payments for current accounts	60,764,806.60	17,561,688.10
Cash payments for expenses	5,182,482.64	3,824,981.03
Fines	510,813.09	17,000.00
	<hr/>	<hr/>
Total	66,458,102.33	21,403,669.13
	<hr/> <hr/>	<hr/> <hr/>

3. *Other cash received relating to investing activities*

Item	Amount for the current period	Amount for the prior period
Repayment of capital loans by related parties	5,000,000.00	
	<hr/>	<hr/>
Total	5,000,000.00	
	<hr/> <hr/>	<hr/> <hr/>

4. *Other cash paid relating to investing activities*

Item	Amount for the current period	Amount for the prior period
Capital loans from related parties	15,000,000.00	
	<hr/>	<hr/>
Total	15,000,000.00	
	<hr/> <hr/>	<hr/> <hr/>

5. *Other cash received relating to financing activities*

Item	Amount for the current period	Amount for the prior period
Finance lease payment	3,620,000.00	
Borrowings from non-financial institutions	32,000,000.00	
	<hr/>	<hr/>
Total	35,620,000.00	
	<hr/> <hr/>	<hr/> <hr/>

6. *Other cash Cash paid relating to financing activities*

Item	Amount for the current period	Amount for the prior period
Repayment of borrowings from non-financial institutions	56,500,000.00	
Finance lease payment	840,000.00	
	<hr/>	<hr/>
Total	57,340,000.00	
	<hr/> <hr/>	<hr/> <hr/>

(XXXVIII) Supplementary information to the cash flow statement

1. Supplementary information to the cash flow statement

Supplementary information	Amount for the current period	Amount for the prior period
I. Reconciliation of net profits and cash flow from operating activities		
Net profits	1,786,559.46	766,258.82
Add: Provision for impairment losses on assets	510,083.37	893,166.97
Fixed assets depreciation, oil and gas assets consumption and productive biological assets depreciation	525,890.82	428,488.92
Depreciation of right-of-use assets		
Amortization of intangible assets	1,853.96	1,963.10
Amortization of long-term prepaid expenses	8,267,722.95	7,348,939.70
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)		
Losses on retirement of fixed assets ("-" for gains)	532.11	308,177.60
Losses on changes in fair value ("-" for gains)		
Financial costs ("-" for gains)	1,437,807.83	1,279,187.14
Losses arising from investments ("-" for gains)		
Decrease in deferred tax assets ("-" for increase)	25,965.26	836,312.49
Increase in deferred tax liabilities ("-" for decrease)		
Decrease in inventories ("-" for increase)		
Decrease in operating receivables ("-" for increase)	-63,606,280.90	-22,199,148.03
Increase in operating payables ("-" for decrease)	113,136,709.04	39,836,697.90
Others		
Net cash flows from operating activities	62,086,843.90	29,500,044.61
II. Major investment and financing activities irrelevant to cash income and expenses:		
Conversion of debts into capital		
Convertible corporate bonds due within one year		
Fixed assets under finance leases		
III. Net changes in cash and cash equivalents:		
Balance of cash at the end of the period	11,760,892.66	14,491,375.68
Less: Balance of cash at the beginning of the period	14,491,375.68	11,204,942.25
Add: Balance of cash equivalents at the end of the period		
Less: Balance of cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	-2,730,483.02	3,286,433.43

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2. *Composition of cash and cash equivalents*

Item	Closing balance	Opening balance
I. Cash	11,760,892.66	14,491,375.68
Including: Cash on hand	39,782.26	33,137.16
Bank deposits available on demand	11,721,110.40	14,458,238.52
Other cash and cash at banks on demand		
II. Cash equivalents		
Including: Bond investment due within 3 months		
III. Closing balance of cash and cash equivalents	11,760,892.66	14,491,375.68
Including: Cash and cash equivalents of the parent company or its subsidiaries subject to restrictions on use		
	<u> </u>	<u> </u>

(XXXIX) **Government grant**

1. *Details of the government grant*

Category	Amount	Representation	Amount included in profit or loss of the period
Investment promotion reward from Jiading Industrial Zone	492,340.23	Other income	492,340.23
Special subsidy support project for modern service industry of Hongqiao	1,000,000.00	Other income	1,000,000.00
Individual income tax refund	198.76	Other income	198.76
	<u> </u>		<u> </u>
Total	1,492,538.99		1,492,538.99
	<u> </u>		<u> </u>

VII. CHANGE IN THE SCOPE OF CONSOLIDATION

(I) Business combination not under common control

Business combination not under common control did not happen during the period.

(II) Business combination under common control

Business consolidation under common control did not happen during the period.

(III) Counter purchase

None.

(IV) Disposal of subsidiaries

None.

(V) Other reasons for change in the scope of consolidation

The Company invested in the establishment of Shanghai Mingyuan Enterprise Development Co., Ltd. (上海銘苑企業發展有限公司) on 6 November 2019 with a shareholding of 24.50%. As of 31 December 2019, the Company has not contributed its capital. Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. (北京快易天地企業管理有限公司) holds 51% equity interest of Shanghai Mingyuan Enterprise Development Co., Ltd. (上海銘苑企業發展有限公司). As Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. is the controlling subsidiary of the Company, the Company (as a controlling shareholder) incorporated Shanghai Mingyuan Enterprise Development Co., Ltd. (上海銘苑企業發展有限公司) into the scope of consolidation.

(VI) Others

None.

VIII. INTERESTS IN OTHER ENTITIES**(I) Interests in subsidiaries***1. Composition of the Company*

Name of subsidiaries	Principal place of business	Place of registration	Business nature	Shareholding (%)		Percentage of voting rights (%)	Manner of acquisition
				Direct	Indirect		
Shanghai Darun Gongjiang Investment Management Co., Ltd. (上海達潤工匠投資管理有限公司)	Shanghai	Shanghai	Investment management	100.00		100.00	Investment in establishment
Shanghai Weiwo Investment Management Co., Ltd. (上海瑋沃投資管理有限公司)	Shanghai	Shanghai	Investment management	100.00		100.00	Investment in establishment
Shanghai Kuaichang Chuangke Space Management Co., Ltd., (上海快長創客空間管理有限公司)	Shanghai	Shanghai	Investment management	51.00		51.00	Investment in establishment
Shanghai Kuaijie Enterprise Management Co., Ltd., (上海快韻企業管理有限公司)	Shanghai	Shanghai	Investment management		51.00	51.00	Investment in establishment
Shanghai Kuaiming Enterprise Management Co., Ltd. (上海快銘企業管理有限公司)	Shanghai	Shanghai	Investment management	51.00		51.00	Investment in establishment
Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. (北京快易天地企業管理有限公司)	Beijing	Beijing	Investment management	51.00		51.00	Investment in establishment
Shanghai Kuaizhuo Apartment Management Co., Ltd. (上海快卓公寓管理有限公司)	Shanghai	Shanghai	Investment management	100.00		100.00	Investment in establishment
Shanghai Kuaiye Enterprise Management Co., Ltd. (上海快也企業管理有限公司)	Shanghai	Shanghai	Investment management	100.00		100.00	Investment in establishment

Name of subsidiaries	Principal place of business	Place of registration	Business nature	Shareholding (%)		Percentage of voting rights (%)	Manner of acquisition
				Direct	Indirect		
Shanghai Lanzi Network Technology Co., Ltd. (上海嵐孜網絡科技有限公司)	Shanghai	Shanghai	Investment management	100.00		100.00	External acquisition
Shanghai Kuaiqin Enterprise Management Co., Ltd. (上海快沁企業管理有限公司)	Shanghai	Shanghai	Investment management	20.00	40.80	60.80	Investment in establishment
Shanghai Kuaizheng Decoration Design Co., Ltd. (上海快徵裝飾設計有限公司)	Shanghai	Shanghai	Investment management	51.00		51.00	Investment in establishment
Shanghai Mingyuan Enterprise Development Co., Ltd. (上海銘苑企業發展有限公司)	Shanghai	Shanghai	Investment management	24.50	26.01	50.51	Investment in establishment

2. *Significant non-wholly owned subsidiaries*

None.

IX. RISKS RELATING TO FINANCIAL INSTRUMENTS

The Company's principal financial instruments, other than derivatives, include bank borrowings, convertible bonds, finance lease, other interest-bearing borrowings and cash and cash equivalents, etc. The purpose of these financial instruments is to finance the Company's operations. The Company has various other financial assets and liabilities such as trade payables and accounts payable, which arose directly from its operations.

The principal risks arising from the Company's financial instruments are credit risk, liquidity risk and market risk.

(I) Classification of financial instruments

1. *The carrying amount of various financial assets as at the balance sheet date*

(1) 31 December 2019

Financial assets item	Financial assets at amortised cost	Financial assets at fair value through profit or loss ("FVTPL")	Financial assets at fair value through other comprehensive income ("FVTOCI")	Total
Cash and cash equivalents	11,760,892.66			<u>11,760,892.66</u>
Trade receivables	732,189.56			<u>732,189.56</u>
Other receivables	28,766,996.00			<u>28,766,996.00</u>

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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(2) 1 January 2019

Financial assets item	Financial assets at FVTPL	Loan and receivables	Available-for-sale financial assets	Total
Cash and cash equivalents		14,491,375.68		<u>14,491,375.68</u>
Trade receivables		116,873.77		<u>116,873.77</u>
Other receivables		19,904,335.48		<u>19,904,335.48</u>
Other current assets		2,086,333.33		<u>2,086,333.33</u>

2. *The carrying amount of various financial liabilities as at the balance sheet date*

(1) 31 December 2019

Financial liabilities item	Financial liabilities at FVTPL	Other financial liabilities	Total
Short-term borrowings		4,160,000.00	<u>4,160,000.00</u>
Trade payables		9,898,953.33	<u>9,898,953.33</u>
Other payables		55,884,049.33	<u>55,884,049.33</u>
Non-current liabilities due within one year		5,970,000.04	<u>5,970,000.04</u>
Long-term borrowings		36,000,000.00	<u>36,000,000.00</u>
Long-term payable		1,356,666.60	<u>1,356,666.60</u>

(2) 1 January 2019

Financial liabilities item	Financial liabilities at FVTPL	Other financial liabilities	Total
Short-term borrowings		7,160,000.00	<u>7,160,000.00</u>
Accounts payable		9,478,425.58	<u>9,478,425.58</u>
Other payables		67,118,367.65	<u>67,118,367.65</u>

(II) Credit risk

The Company only conducts transactions with accredited and reputable third parties. According to the Company's policies, all the customers who require credit-based transactions are subject to credit audit. Moreover, the Company keeps monitoring the balances of accounts receivable to ensure it will not face material bad debt risks. Regarding transactions not settled in the recording currency of the relevant operating entities, the Company will not provide any credit transaction conditions, save as otherwise approved by the credit control department of the Company.

Other financial assets of the Company include cash and cash equivalents, financial assets held for trading, other receivables and some derivatives. The credit risk of these financial assets is caused by the default of the counterparty, and the maximum risk exposure is equal to the carrying amount of these instruments. See the relevant items in "VI. NOTE TO MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS" for details.

As the Company trades only with recognised and creditworthy third parties, no collateral is required. Concentration of credit risk is managed by customers' counterparties, geographic regions and industries. As customer groups from whom the Company's accounts receivable derived are widely dispersed across different sectors and industries, there is no significant concentration of credit risk within the Company.

Criteria for judging significant increases in credit risk

The Company evaluates on each balance sheet date whether the credit risk of the relevant financial instruments has increased significantly since the initial recognition.

In determining whether the credit risk has increased significantly since the initial recognition, the Company considers reasonable and valid information that can be obtained without unnecessary additional costs or efforts. This includes qualitative and quantitative analysis based on the Company's historical data, external credit risk ratings and forward-looking information. Based on a single financial instrument or a portfolio of financial instruments with similar credit risk characteristics, the Company compares the default risk of financial instruments on the balance sheet date with the default risk on the initial confirmation date to determine the change of default risk of financial instruments during their expected duration.

The Company considers a financial instrument to have experienced a significant increase in credit risk when one, or more of the following quantitative or qualitative criteria have been met:

- Quantitative criteria mainly comprise the circumstance that at the reporting date, the increase in remaining lifetime probability of default is considered significant comparing with that at initial recognition
- Qualitative criteria mainly comprise significant adverse change in debtor's operation or financial status, and being listed on the watch-list, etc.

Definition of credit-impaired assets

The standard adopted by the Company to determine whether a credit impairment occurs is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Company assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- significant financial difficulty of the issuer or debtor;
- breach of contract by the debtor: such as delinquency or default in interest and principal payments;
- the creditor (s), for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession (s) that the creditor (s) would not otherwise consider;
- it becomes probable that the debtor will enter bankruptcy or financial reorganization;
- the disappearance of active markets for that financial asset because of financial difficulties of the issuer or debtor;
- a substantial discount during acquisition or sourcing of a financial asset reflects the fact the occurrence of credit losses;

The credit impairment of financial assets may be caused by the joint impacts of multiple events, which may not be necessarily caused by separate identifiable events.

Parameters of ECL measurement

Depending on whether there is a significant increase in credit risk and whether there is an impairment of assets, the Company measures the impairment loss for different assets with ECLs of 12 months or the entire lifetime respectively. The key measuring parameters of ECLs include the probabilities of default, losses given default and exposures at default. The Company takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collateral and repayments) and forward-looking information in order to establish the model of probability of default, loss given default and exposure at default.

Relative definitions are listed as follows:

- Probability of default refers to the possibility that a debtor fails to fulfill its repayment obligations in the next 12 months or the entire remaining lifetime. The Company's probability of default is adjusted based on the results of the historical mobility model of receivables, taking into account the forward-looking information to reflect the debtor's probability of default under the current macroeconomic environment;
- Loss given default refers to the Company's expectation of the extent of the loss resulting from the default exposure. Depending on the type of the counterparty, the method and priority of the recourse, and the type of collateral, the loss given default varies. Loss given default is the percentage of loss of risk exposure at the time of default, calculated over the next 12 months or over the entire remaining lifetime;
- Exposure at default refers to the amount that the Company should be reimbursed at the time of default in the next 12 months or the entire remaining lifetime.

Forward-looking information

The assessment of a significant increase in credit risk and the calculation of ECLs both involve forward-looking information. Through the analysis of historical data, the Company identifies the key economic indicators that affect the credit risk and ECLs of various business types.

Please see Notes VI (II) and (IV) for the quantitative data of credit risk exposure of the Company due to accounts receivable and other receivables.

(III) Liquidity risk

The Company monitors its risk of deficiency of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and estimated cash flows from the Company's operations.

The Company's objective is to maintain a balance between continuity and flexibility of funding through the use of various funding means, such as bank borrowings, convertible bonds, finance leases and other interest-bearing borrowings. The Company's policy is that 100.00% of borrowings shall mature in the following 12 months period based on the carrying amount of borrowings reflected in the financial statements. As at 31 December 2019, 67.02% (2018: 100.00%) of the Company's borrowings would mature in less than one year.

The maturity profile of financial liabilities based on the undiscounted contractual cash flows:

Item	31 December 2019				Over 3 years	Total
	Within 1 year (including 1 year)	1 to 2 years (including 2 years)	2 to 3 years (including 3 years)			
Short-term borrowings	4,160,000.00				4,160,000.00	
Accounts payable	9,898,953.33				9,898,953.33	
Other payables	55,884,049.33				55,884,049.33	
Non-current liabilities due within one year	5,970,000.04				5,970,000.04	
Long-term borrowings		36,000,000.00			36,000,000.00	
Long-term payables		1,350,000.04	6,666.56		1,356,666.60	

Continued:

Item	Within 1 year (including 1 year)	1 January 2019		Over 3 years	Total
		1 to 2 years (including 2 years)	2 to 3 years (including 3 years)		
Short-term borrowings	7,160,000.00			7,160,000.00	
Accounts payable	9,478,425.58			9,478,425.58	
Other payables	67,118,367.65			67,118,367.65	

(IV) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate due to changes in market prices. The market risk mainly includes interest rate risk, foreign exchange risk and other price risk, such as equity instruments investment price risk.

1. Interest rate risk

The Company has no long-term liabilities that are charged at floating rates, therefore the Company currently faces to no risk of changes in market interest rate.

2. Foreign exchange rate risk

The Company has no such events occurred.

3. Price risk of investment in equity instruments

Price risk of investment in equity instruments is the risk that fair value of equity securities is reduced due to change of stock index and value of individual stock.

Since the Company holds no equity security investments, the Company exposes to no price risks of investments in equity instruments.

X. CAPITAL MANAGEMENT

The Company's primary objectives for capital management are to safeguard the Company's ability to continue as a going concern and keep the capital ratio at a healthy level, so that it can support business development and maximize the value of shareholders.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the profit distribution to shareholders, return capital to shareholders or issue new shares. The Company is not bound by external compulsory capital requirements. No changes were made in the objectives, policies or processes for managing capital in 2019 and 2018.

The Company monitors the capital structure with gearing ratio (i.e. total liabilities over total assets). On 31 December 2019, the Company's gearing ratio is 59.92% (31 December 2018: 71.30%).

XI. DISCLOSURE OF FAIR VALUE

(I) Closing fair value of assets and liabilities measured at fair value

None.

(II) The basis for determining the market value of recurring and non-recurring fair value measurements categorized within Level 1

The equity instrument investments held by the Company that are measured at fair value through profit or loss are publicly traded stocks on the secondary market, and the Level 1 valuation is used as the basis for measurement of fair value.

(III) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring and non-recurring fair value measurements categorized within Level 2

The financial assets held by the Company that are measured at fair value through profit or loss are using the Level 2 valuation as the basis for measurement of fair value. It's based on the valuation reports published by banks or financial units.

(IV) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring and non-recurring fair value measurements categorized within Level 3

Pursuant to the "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments", during the period, the Company classified available-for-sale financial assets which are originally measured at costs as financial assets at fair value through profit or loss. The other equity instrument investments held by the Company for which there are no observable inputs and valuation techniques in the market are using the Level 3 valuation as the basis for measurement of fair value. The amount of investment in other equity instruments is determined as flows: the appraised value = the net assets of the investee on the balance sheet date * PB (price-to-book ratio) of the industry in which the investee is located * discount rate * percentage of shareholdings.

XII. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS

(I) Recognition standards for a related party

If a party has the power to control, jointly control or exercise significant influence over another party, they are regarded as related parties. Two or more parties are also regarded as related parties if they are subject to control, joint control or significant influence of the same party.

(II) Information on the Company's parent

None.

(III) Information on subsidiaries of the Company

Please see note VIII for details of the information on subsidiaries of the Company.

(IV) Information on associates and joint ventures of the Company

None.

(V) Information on other related parties of the Company

Names of other related parties	Relationships between other related parties and the Company
Shi Yan (施豔)	Chairman of the Company
Wang Fuhan (王輔晗)	Director and general manager of the Company
Duan Xiaoru (段曉茹)	Board secretary of the Company
Yang Cheng (羊澄)	Director and deputy general manager of the Company
Huang Jingxuan (黃敬軒)	Chairman of the supervisory committee of the Company
Wang Jianfeng (王建鋒)	Director of the Company
Peng Qilei (彭期磊)	Director of the Company
Zhang Bowei (張博偉)	Director of the Company
Jin Xiaofeng (金曉鋒)	Director of the Company
Shen Guangming (沈光明)	Supervisor of the Company
Liu Xuan (劉璇)	Supervisor of the Company
Xu Hong (徐竑)	Chief financial officer of the Company
Shen Yang (沈洋)	Shareholder, direct relative of the actual controller of the Company
Ying Wen (應文)	Direct relative of the Company's shareholder
Xu Lihong (徐麗虹)	Direct relative of director of Company
Xia Wei (夏薇)	Direct relative of director of the Company

Names of other related parties	Relationships between other related parties and the Company
Beijing Dayuan Tiandi Real Estate Brokerage Co., Ltd. (北京大苑天地房地產經紀有限責任公司)	Shareholder of the Company
Shanghai Huifan Enterprise Management Center (Limited Partnership) (上海惠番企業管理中心(有限合夥))	Shareholder of the Company
Shanghai Zhayuan Enterprise Management Partnership, L.P (上海札遠企業管理合夥企業(有限合夥))	Shareholder of the Company
Shanghai Qiangao Investment Management Partnership, L.P (上海謙高投資管理合夥企業(有限合夥))	Company invested and controlled by joint controller Wang Fuhua (王輔哈)
Shanghai Xingmao Construction and Decoration Engineering Limited Company (上海星茂建築裝飾工程有限公司)	Company invested and controlled by joint controller Wang Jianfeng (王建鋒)
Shanghai Minglu Furniture Limited Company (上海銘璐家具有限公司)	Company invested and controlled by joint controller Wang Jianfeng (王建鋒)
Tian Lai Construction (Shanghai) Limited Company (天萊建設(上海)有限公司)	Company invested and controlled by joint controllers Wang Jianfeng (王建鋒)
Shanghai Dangxian Business Information Consulting Co., Ltd. (上海當現商務信息諮詢有限公司)	Company invested and controlled by director of the Company, Zhang Bowei (張博偉)

(VI) Related party transactions

1. *Related party transactions regarding purchase and sales of commodity, provision and receiving of labor service*

(1) Table of purchase of commodity/receiving of labor service

Related party	Content of related party transactions	Amount for the current period	Amount for the prior period
Shanghai Xingmao Construction and Decoration Engineering Limited Company (上海星茂建築裝飾工程有限公司)	Receiving of labor service	3,306,880.75	
Tian Lai Construction (Shanghai) Limited Company (天萊建設(上海)有限公司)	Receiving of labor service	10,175,612.02	3,864,350.00

(2) Table of disposal of commodity/provision of labor service

None.

2. *Related party entrusted management/contracting and entrusted management/outsourcing*

None.

3. *Leasing with related party*

None.

4. *Related party guarantees*

Guarantor	Guaranteed amount	Start date	Termination date	Performing status
Shi Yan (施豔), Wang Fuhun (王輔哈), Ying Wen (應文)	3,000,000.00	2019-12-12	2021-12-11	Fulfilled
Wang Fuhun (王輔哈), Zhang Bowei (張博偉), Shi Yan (施豔), Wang Jianfeng (王建鋒)	4,300,000.00	2018-10-24	2020-10-24	Performing
Wang Fuhun (王輔哈), Ying Wen (應文), Zhang Bowei (張博偉), Xu Lihong (徐麗虹)	15,000,000.00	2020-1-30	2022-1-29	Fulfilled
Zhang Bowei (張博偉), Xu Lihong (徐麗虹)	1,980,000.00	2021-8-16	2023-8-15	Performing
Shi Yan (施豔), Wang Jianfeng (王建鋒), Wang Fuhun (王輔哈), Ying Wen (應文), Shanghai Dangxian Business Information Consulting Co., Ltd. (上海當現商務信息諮詢有限公司)	40,000,000.00	2021-8-16	2023-8-15	Performing
Shi Yan (施豔), Wang Jianfeng (王建鋒), Wang Fuhun (王輔哈), Ying Wen (應文), Xia Wei (夏薇)	10,000,000.00	2021-10-31	2023-10-31	Performing
Ying Wen (應文)	20,000,000.00	2019-8-15	2021-8-15	Performing
Shi Yan (施豔), Wang Fuhun (王輔哈), Ying Wen (應文), Wang Jianfeng (王建鋒), Xia Wei (夏薇)	2,000,000.00	2019-8-20	2020-1-30	Performing
Wang Fuhun (王輔哈), Ying Wen (應文)	15,000,000.00	2019-11-20	2021-9-30	Performing
Wang Fuhun (王輔哈), Shi Yan (施豔), Zhang Bowei (張博偉)	4,000,000.00	2019-4-26	2022-4-26	Performing

5. *Call loan of related part*

Related party	Amount	Start date	Expiration date	Description
Lender Beijing Dayuan Tiandi Real Estate Brokerage Co., Ltd. (北京大苑天地房地產經紀有限責任公司)	15,000,000.00	2019-11-27	2020-3-26	RMB5,000,000.00 repaid in the period

6. *Assets transfer and debt restructuring of related parties*

None.

7. *Compensation of key management personnel*

Item	Amount for the current period	Amount for the prior period
Remuneration of key management personnel	1,860,579.00	1,218,750.00

8. *Other related party transactions*

None.

(VII) Receivables and payables of related parties

1. *Accounts receivable*

Item	Related party	Closing amount		Opening amount	
		Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
Other receivable	Huang Jingxuan (黃敬軒)	18,500.00	1,600.00		
Other receivable	Duan Xiaoru (段曉茹)	111,335.22	5,566.76		
Other receivable	Beijing Dayuan Tiandi Real Estate Brokerage Co., Ltd. (北京大苑天地房地產經紀有限公司)	10,000,000.00	500,000.00		
Prepayments	Tian Lai Construction (Shanghai) Limited Company (天萊建設(上海)有限公司)	123,853.21			

2. *Accounts payable*

Item	Related party	Closing amount	Opening amount
Trade payables	Tian Lai Construction (Shanghai) Limited Company (天萊建設(上海)有限公司)	37,080.90	
Trade payables	Shanghai Xingmao Construction and Decoration Engineering Limited Company (上海星茂建築裝飾工程有限公司)	787,500.00	

(VIII) Commitments of related parties

On 23 May 2019, Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. (北京快易天地企業管理有限公司) held a general meeting to increase the company's registered capital from RMB50 million to RMB100 million. Such capital addition shall be contributed by its shareholder, Shanghai Kuaiyi Mingshang Enterprise Development Co., Ltd. (上海快易名商企業發展股份有限公司) and Beijing Dayuan Tiandi Real Estate Brokerage Co., Ltd. (北京大苑天地房地產經紀有限公司) in proportion of 51% and 49%. As of 31 December 2019, the Company had contributed RMB10.2 million of its commitment, which shall be due on 1 April 2047 pursuant to its memorandum.

On 6 November 2019, the Company invested in the establishment of Shanghai Mingyuan Enterprise Development Co., Ltd. (上海銘苑企業發展有限公司) by holding 24.50% of its equity, and a subsidiary of the Company, Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. (北京快易天地企業管理有限公司) held 51.00% of its equity. As of 31 December 2019, the Company had not fulfilled its contribution commitment, which shall be due on 11 September 2029 pursuant to its memorandum.

(IX) Others

Nil.

XIII. SHARE PAYMENT

The Company had no share-based payments that need to be disclosed during the Reporting Period.

XIV. COMMITMENT AND CONTINGENCIES

(I) Important commitment

As of 31 December 2019, the Company had no important commitment that needs to be disclosed.

(II) Contingencies

As of 31 December 2019, the Company had no important contingency that needs to be disclosed.

XV. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

As of the approval date of the financial statements for issuance, there was no event occurred subsequent to the balance sheet date that would affect the reading and understanding of the financial statements of the Company.

XVI. OTHER IMPORTANT EVENTS

(I) Debt Restructuring

During the reporting period, the Company had no debt restructuring that needs to be disclosed.

(II) Asset Exchange

(1) Exchange of non-monetary assets

During the reporting period, the Company had no exchange of non-monetary assets that needs to be disclosed.

(2) Exchange of other assets

During the reporting period, the Company had no exchange of other assets that needs to be disclosed.

(III) Annuity Plan

During the reporting period, the Company has no annuity plan that needs to be disclosed.

(IV) Discontinuation of Operation

During the reporting period, the Company has no discontinued operation that needs to be disclosed.

(V) Borrowing Costs

(1) The amount of borrowing costs capitalised in the period was RMB2,738,524.31.

(2) In the period, the capitalisation rate used to determine the amount of capitalised borrowing costs was 6.69%.

(VI) Foreign Currency Translation

There was no foreign currency translation that needs to be disclosed during the reporting period.

(VII) Lease

Minimum lease payments of operating lease as lessee

To be expired in	Minimum lease payments
Within 1 year (inclusive)	100,412,594.90
1-2 (inclusive) years	95,758,212.32
2-3 (inclusive) years	98,622,972.42
Over 3 years	203,902,900.20
Total	498,696,679.84

(VIII) Others

1. Major shareholders' equity pledge

Shi Yan (施豔), a shareholder of the Company, pledged 2,204,000 shares, accounting for 14.69% of the Company's total share capital. Among the shares pledged, 2,025,000 shares are subject to trading moratorium and 179,000 shares are not subject to trading moratorium. The pledge period is from 17 September 2019 to 15 August 2021. The pledged shares are used to provide guarantee for the Company's acceptance of the entrusted loan financing of Shanghai Zaidanbao Co., Ltd. (上海市再擔保有限公司) in favor of Shanghai Zaidanbao Co., Ltd.

Wang Fuhun (王輔晗), a shareholder of the Company, pledged 2,700,000 shares, accounting for 18.00% of the Company's total share capital. Among the shares pledged, 2,025,000 shares are subject to trading moratorium and 675,000 shares are not subject to trading moratorium. The pledge period is from 19 September 2019 to 15 August 2021. The pledged shares are used to provide guarantee for the Company's acceptance of the entrusted loan financing of Shanghai Zaidanbao Co., Ltd. in favor of Shanghai Zaidanbao Co., Ltd.

Wang Jianfeng (王建鋒), a shareholder of the Company, pledged 2,700,000 shares, accounting for 18.00% of the Company's total share capital. Among the shares pledged, 2,025,000 shares are subject to trading moratorium and 675,000 shares are not subject to trading moratorium. The pledge period is from 19 September 2019 to 15 August 2021. The pledged shares are used to provide guarantee for the Company's acceptance of the entrusted loan financing of Shanghai Zaidanbao Co., Ltd. in favor of Shanghai Zaidanbao Co., Ltd.

Shanghai Dangxian Business Information Consulting Co., Ltd., (上海當現商務信息諮詢有限公司) a shareholder of the Company, pledged 495,000 shares, accounting for 3.30% of the Company's total share capital. Among the shares pledged, 0 share is subject to trading moratorium and 495,000 shares are not subject to trading moratorium. The pledge period is from 11 September 2019 to 15 August 2021. The pledged shares are used to provide guarantee for the Company's acceptance of the entrusted loan financing of Shanghai Zaidanbao Co., Ltd. in favor of Shanghai Zaidanbao Co., Ltd.

Ying Wen (應文) pledged a property owned by she situated at Room 1201, No. 21, Lane 333, Fangdian Road, to Shanghai Zaidanbao Co., Ltd. as secured guarantee provided by Shanghai KYMS Enterprise Development Co., Ltd. to Shanghai Zaidanbao Co., Ltd. The security was valued at RMB20 million.

2. *Guarantee provided by subsidiaries*

Through the sale and leaseback business, the Company obtained a credit loan of RMB4 million from Chailease International Finance Corporation (仲利國際租賃有限公司), for which Wang Fuhan (王輔晗), Shi Yan (施豔), Zhang Bowei (張博偉), the Company's holding subsidiary Shanghai Kuaijie Enterprise Management Co., Ltd. (上海快頤企業管理有限公司) and its wholly-owned subsidiary Shanghai Kuaiye Enterprise Management Co., Ltd. (上海快也企業管理有限公司) have provided unlimited joint and several liabilities guarantee, with a credit period of 36 months.

The Company's holding subsidiary, Shanghai Kuaijie Enterprise Management Co., Ltd., intends to develop factoring business with Shan Shan Fullin Factoring Co., Ltd. (杉杉富銀商業保理有限公司), with the amount of factoring financing not exceeding RMB15 million. Wang Fuhan, a shareholder of the Company, and his spouse Ying Wen, as well as Shanghai KYMS Enterprise Development Co., Ltd. and Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. (北京快易天地企業管理有限公司), both shareholders of Shanghai Kuaijie Enterprise Management Co., Ltd. (上海快頤企業管理有限公司), have provided joint and several liabilities guarantee for the financing. At the same time, Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. provided equity pledge guarantee with its 49% equity in Shanghai Kuaijie Enterprise Management Co., Ltd.

XVII. NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

(I) Accounts receivable

1. *Disclosure by aging*

Aging	Closing balance
Within 1 year (inclusive)	8,140.15
Total	<u>8,140.15</u>

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2. Disclosure by classification based on provision method for bad debts

Category	Closing balance				Book value
	Book balance		Bad debt provision		
	Amount	Percentage (%)	Amount	Provision percentage (%)	
Bad debt provision made on individual basis					
Bad debt provision made on a collective basis	8,140.15	100.00	407.01		7,733.14
Accounts receivable collectively provided for bad debts based on credit risk characteristics	8,140.15	100.00	407.01	5.00	7,733.14
Total	8,140.15	100	407.01		7,733.14

(Continued)

Category	Opening balance				Book value
	Book balance		Bad debt provision		
	Amount	Percentage (%)	Amount	Provision percentage (%)	
Bad debt provision made on individual basis					
Bad debt provision made on a collective basis	124,403.56	100.00	7,529.79		116,873.77
Accounts receivable collectively provided for bad debts based on credit risk characteristics	124,403.56	100.00	7,529.79	6.05	116,873.77
Total	124,403.56	100	7,529.79		116,873.77

Bad debt provision made on a collective basis:

Item for which provision is made on a collective basis: Accounts receivable collectively provided for bad debts based on credit risk characteristics

Name	Closing balance		
	Accounts receivable	Bad debt provision	Provision percentage (%)
Within 1 year (inclusive)	8,140.15	407.01	5.00
Total	8,140.15	407.01	

APPENDIX II FINANCIAL INFORMATION OF SHANGHAI KYMS

3. *Bad debt provision*

Category	Opening balance	Changes during the Period				Closing balance
		Provision	Recovery or reversal	Resale or written off	Other changes	
Credit risk characteristics portfolio	7,529.79		7,122.78			407.01
Total	7,529.79		7,122.78			407.01

4. *The accounts receivable that has been written-off during the Period*

Nil.

5. *Details of the top five debtors of accounts receivable at the end of the period*

Company	Relationship with the Company	Amount	Year (s)	Percentage of total accounts receivable (%)
China Telecom Corporation Ltd Shanghai Branch (中國電信股份 有限公司上海分公司)	Non-related party	7,476.16	Within 1 year (inclusive)	91.84
Costco (Shanghai) Commercial Management Co., Ltd. (可斯谷(上海)商業管理有限公司)	Non-related party	588.39	Within 1 year (inclusive)	7.23
Japan Senba Sugar Chemical Industry Co., Ltd. Shanghai Representative Office (日本仙波糖化工業株式會社 上海代表處)	Non-related party	75.00	Within 1 year (inclusive)	0.92
Diane (Beijing) Medical Information Consulting Co., Ltd. (迪亞恩(北京) 醫藥信息諮詢有限公司)	Non-related party	0.60	Within 1 year (inclusive)	0.01
Total		8,140.15		100.00

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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(II) Other Receivables

1. *Consolidated statements*

(1) Presentation by classification

Item	Closing balance	Opening balance
Interest receivable	3,158,901.99	40,021.03
Dividend receivable		
Other receivables	<u>78,950,019.60</u>	<u>25,188,790.73</u>
 Total	 <u><u>82,108,921.59</u></u>	 <u><u>25,228,811.76</u></u>

2. *Interest receivable*

(1) Interest receivable by classification

Item	Closing balance	Opening balance
Interest on related party lending and borrowing	<u>3,158,901.99</u>	<u>40,021.03</u>
 Total	 <u><u>3,158,901.99</u></u>	 <u><u>40,021.03</u></u>

(2) Significant overdue interest

None.

3. *Other receivables*

(1) Disclosure by aging

Aging	Closing balance
Within 1 year (inclusive)	62,072,615.63
1-2 (inclusive) years	15,341,774.92
2-3 (inclusive) years	2,800.00
Over 3 years	<u>2,305,366.35</u>
 Total	 <u><u>79,722,556.90</u></u>

(2) Classification by nature of the account

Nature of the account	Closing book balance	Opening book balance
Housing deposit and security deposit	4,025,373.10	10,807,373.10
Current payment	75,545,548.38	14,889,164.55
Reserve fund	151,635.42	48,300.00
Total	<u>79,722,556.90</u>	<u>25,744,837.65</u>

(3) Provision for bad debts

	Stage 1 Next 12-month ECLs	Stage 2 Lifetime ECLs (non-credit impaired)	Stage 3 Lifetime ECLs (credit impaired)	Total
Provision for bad debts				
Balance as at 1 January 2019	556,046.92			<u>556,046.92</u>
Book balance of other receivables as at 1 January 2019 during the period – Transferred to Stage 2 – Transferred to Stage 3 – Reversed to Stage 2 – Reversed to Stage 1				
Provision for the period	555,590.38			<u>555,590.38</u>
Reversal for the period	339,100.00			<u>339,100.00</u>
Write-off for the period Cancellation for the period Other changes				
Balance as at 31 December 2019	772,537.30			<u>772,537.30</u>

(4) Provision for bad debts

Category	Opening balance	Provision	Changes for the period			Other changes	Closing balance
			Recovery or reversal	Write-off or cancellation			
Portfolio of deposit and security	540,368.66		339,100.00				201,268.66
Portfolio of credit risk characteristics	15,678.26	555,590.38					571,268.64
Total	556,046.92	555,590.38	339,100.00				772,537.30

(5) Top five other receivables by closing balance collected by borrowers

Name	Nature	Closing balance	Aging	Proportion in the total of other receivables (%)	Closing balance of provision for bad debts
Shanghai Kuaijie Enterprise Management Co., Ltd. (上海快頤企業管理有限公司)	Account current	33,279,372.12	Less than 1 year, 1 to 2 years	41.74	
Shanghai Kuaizhuo Apartment Management Co., Ltd. (上海快卓公寓管理有限公司)	Account current	19,979,965.24	Less than 1 year	25.06	
Shanghai Kuaming Enterprise Management Co., Ltd. (上海快銘企業管理有限公司)	Account current	7,040,000.00	Less than 1 year, 1 to 2 years	8.83	
Shanghai Kuaiqin Enterprise Management Co., Ltd. (上海快沁企業管理有限公司)	Account current	2,566,185.26	Less than 1 year	3.22	
Shanghai Darun Gongjiang Investment Management Co., Ltd. (上海達潤工匠投資管理有限公司)	Account current	2,255,584.62	Less than 1 year, 1 to 2 years, over 3 years	2.83	
Total		65,121,107.24		81.68	

(III) Long-term Equity Investments

Item	Book balance	Closing balance		Carrying amount	Opening balance		Carrying amount
		Provision for impairment			Provision for impairment		
Investment in subsidiaries	40,350,000.00			40,350,000.00			30,150,000.00
Total	40,350,000.00			40,350,000.00			30,150,000.00

1. Investment in subsidiaries

Investee	Opening balance	Increase during the period	Decrease for the period	Closing balance	Provision for impairment during the period	Closing balance of provision for impairment
Shanghai Weiwo Investment Management Co., Ltd. (上海瑋沃投资管理有限公司)	600,000.00			600,000.00		
Shanghai Darun Gongjiang Investment Management Co., Ltd. (上海達潤工匠投资管理有限公司)	1,000,000.00			1,000,000.00		
Shanghai Kuaichang Maker Space Management Co., Ltd. (上海快長创客空間管理有限公司)	1,020,000.00			1,020,000.00		
Shanghai Kuaiming Enterprise Management Co., Ltd. (上海快銘企業管理有限公司)	1,530,000.00			1,530,000.00		
Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. (北京快易天地企業管理有限公司)	25,500,000.00	10,200,000.00		35,700,000.00		
Shanghai Kuaizhuo Apartment Management Co., Ltd. (上海快卓公寓管理有限公司)	500,000.00			500,000.00		
Shanghai Kuaiye Enterprise Management Co., Ltd. (上海快也企業管理有限公司)						
Shanghai Lanzi Network Technology Co., Ltd. (上海嵐孜網絡科技有限公司)						
Shanghai Kuajie Enterprise Management Co., Ltd. (上海快頤企業管理有限公司)						
Shanghai Kuaiqin Enterprise Management Co., Ltd. (上海快沁企業管理有限公司)						
Shanghai Kuaizheng Decoration Design Co., Ltd. (上海快徵裝飾設計有限公司)						
Shanghai Mingyuan Enterprise Development Co., Ltd. (上海銘苑企業發展有限公司)						
Total	30,150,000.00	10,200,000.00		40,350,000.00		

(IV) Operating Revenue and Operating Cost

Operating revenue and operating cost

Item	Amount for the current period Revenue	Cost	Amount for the prior period Revenue	Cost
Principal business	38,262,591.32	32,882,218.97	58,411,389.74	48,246,934.18
Total	38,262,591.32	32,882,218.97	58,411,389.74	48,246,934.18

XVIII. SUPPLEMENTARY

(I) **Non-recurring profit or loss during the reporting period in accordance with the requirements of “Explanatory Announcement No. 1 on Information Disclosure by Public Issuers-Non-recurring Profit or Loss Items” issued by the CSRC**1. *Breakdown of non-recurring profit or loss during the reporting period*

Breakdown of non-recurring profit or loss	Amount	Note
(1) Profit or loss on disposal of non-current assets	-532.11	
(2) Tax refund or exemption with unauthorised approval or no formal approval document		
(3) Government grants included in profit or loss for the period (excluding those government grants that are closely related to the Group’s business and are received with fixed amounts or with fixed percentage based on unified standards promulgated by government)	1,492,538.99	
(4) Capital use fee received from non-financial enterprises which are included in profit or loss for the period		
(5) Gain on the difference between investment cost of acquiring subsidiaries, associates and joint ventures and the share of the fair value of the investee’s identifiable net assets, where investment cost is less than the share of the fair value		
(6) Gains or losses on exchange of non-monetary assets		
(7) Gains or losses on entrusted investment or management of assets		
(8) Provision for impairment of assets due to force majeure such as natural disasters		
(9) Gains or losses on debt restructuring		
(10) Expenses for reorganization such as expenditure for staffing and integration expenses		
(11) Gains or losses on the excess beyond fair value in the transaction with unfair price		
(12) Current gains or losses of subsidiaries from combination of enterprises under common control from the beginning of the period till the date of combination, net		
(13) Gains or losses on contingencies that is in no connection with the normal operation of the Company		

Breakdown of non-recurring profit or loss	Amount	Note
(14) Gains or losses on changes in fair value arising from trading financial assets, derivative financial assets, trading financial liabilities and derivative financial liabilities held (excluding the valid hedging of the Company in its ordinary course of business), as well as investment gains received from disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other debt investments		
(15) Reversal of provisions for impairment of account receivables and contract assets individually subjected to impairment test		
(16) Gains or losses from external entrusted loans		
(17) Gains or losses on changes in fair value in the investment property that are subsequently measured at fair value		
(18) Effects of one-off adjustments as required by taxation, accounting laws and regulations on the gains or losses for the period		
(19) Trustee fee income from entrusted operations		
(20) Other non-operating income and expenses other than the aforementioned items	-332,093.88	
(21) Other items of gains or losses in accordance with the definition of non-recurring profit or loss		
Total of non-recurring profit or loss	1,159,913.00	
Less: Impact on income tax	416,910.06	
Non-recurring profit or loss after deducting the impact on income tax	743,002.94	
Including: non-recurring profit or loss attributable to shareholders of the parent company	984,195.35	
non-recurring profit or loss attributable to minority shareholders	-241,192.41	

(II) Return on net assets and earnings per share

Profit of the reporting period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	3.32	0.09	0.09
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	0.85	0.02	0.02

3. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF SHANGHAI KYMS FOR THE YEAR ENDED 31 DECEMBER 2020

Audit opinion	Unqualified opinion			
Reference number of auditor's report	Shang Kuai Shi Bao Zi (2021) No. 5127 (上會師報字(2021)第5127號)			
Name of auditor	Shanghai Certified Public Accountants (Special General Partnership) (上會會計師事務所(特殊普通合夥))			
Address of auditor	25/F, No. 755 Weihai Road, Jing'an District, Shanghai			
Date of auditor's report	26 April 2021			
Name of signing certified public accountants and consecutive years of signing	Jiang Yan (江燕)	Hu Wenyu (胡文妤)	–	–
	1 year	1 year	0 year	0 year

AUDITOR'S REPORT

Shang Kuai Shi Bao Zi (2021) No. 5127 (上會師報字 (2021) 第5127號)

The shareholders of Shanghai KYMS Cloud Technology Co., Ltd. (上海快易名商雲科技股份有限公司):

I. OPINION

We have audited the accompanying financial statements of Shanghai KYMS Cloud Technology Co., Ltd. (上海快易名商雲科技股份有限公司) (hereinafter referred to as the "**Company**"), which comprise the consolidated and the parent company's balance sheet as at 31 December 2020, and the consolidated and the parent company's income statement, the consolidated and the parent company's statement of cash flows and the consolidated and the parent company's statement of changes in equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements have been prepared in compliance with the Accounting Standards for Business Enterprises in all material respects and give a true and fair view of the consolidated and the parent company's financial position of the Company as at 31 December 2020 and of its consolidated and the parent's operating results and cash flows for the year then ended.

II. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants (“CSAs”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Certified Public Accountants of China (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.

III. OTHER INFORMATION

The management is responsible for the other information. The other information comprises all of the information included in the 2020 annual report other than the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

IV. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements, the management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

V. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs 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 CSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
4. Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company 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 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.

FINANCIAL STATEMENTS

Consolidated Balance Sheet

Unit: RMB

Item	Note	As at 31 December 2020	As at 31 December 2019
Current assets:			
Cash and bank balances	VI.1	24,118,893.28	11,760,892.66
Settlement deposit			
Loans to other banks and financial institutions			
Held-for-trading financial assets			
Derivative financial assets			
Bills receivable			
Accounts receivable	VI.2	4,108,379.81	732,189.56
Receivables financing			
Prepayments	VI.3	5,237,748.23	4,350,517.31
Premium receivables			
Reinsurance accounts receivable			
Reinsurance contract reserves receivable			
Other receivables	VI.4	17,920,687.24	28,766,996.00
Including: Interest receivable	VI.4		
Dividend receivable	VI.4		
Financial assets purchased under agreements to resell			
Inventory		–	–
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets	VI.5	<u>5,136,771.06</u>	<u>3,994,238.48</u>
Total current assets		<u><u>56,522,479.62</u></u>	<u><u>49,604,834.01</u></u>

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	<i>Note</i>	As at 31 December 2020	As at 31 December 2019
Non-current assets:			
Loans and advances to customers			
Debt investments			
Other debt investments			
Long-term receivables	VI.6	300,000.00	200,000.00
Long-term equity investments	VI.7	4,910,826.11	–
Other equity instrument investments			
Other non-current financial assets			
Investment properties			
Fixed assets	VI.8	1,647,318.12	1,471,429.92
Construction in progress	VI.9	55,259,293.33	55,514,653.94
Productive biological assets			
Oil & gas assets			
Right-of-use assets			
Intangible assets	VI.10	559,150.97	373,684.17
Development expenses	VI.11	2,039,647.37	
Goodwill			
Long-term deferred expenses	VI.12	162,742,551.33	92,716,396.61
Deferred income tax assets	VI.13	1,088,657.69	463,565.04
Other non-current assets	VI.14	8,839,604.02	1,456,214.75
Total non-current assets		237,387,048.94	152,195,944.43
Total assets		293,909,528.56	201,800,778.44

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	Note	As at 31 December 2020	As at 31 December 2019
Current liabilities:		293,909,528.56	201,800,778.44
Short-term borrowings	VI.15	19,239,632.12	4,160,000.00
Borrowings from central bank			
Borrowings from other banks and financial institutions			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Bills payable			
Accounts payable	VI.16	26,428,656.43	9,898,953.33
Receipts in advance	VI.17	3,212,512.47	6,876,938.61
Contract liabilities			
Financial assets sold under agreements to repurchase			
Deposits from customers and other banks and financial institutions			
Accounts payable to brokerage clients			
Proceeds from underwriting securities received on behalf of clients			
Employee benefits payable	VI.18		
Tax payables	VI.19	6,969,534.49	766,919.46
Other payables	VI.20	56,490,519.04	55,884,049.33
Including: Interest payable	VI.20	173,179.31	
Dividend payable	VI.20		
Fees and commission payable			
Reinsurance accounts payable			
Liabilities held for sale			
Non-current liabilities due within one year	VI.21	38,548,480.00	5,970,000.04
Other current liabilities	VI.22	155,604.17	
Total current liabilities		<u>151,044,938.72</u>	<u>83,556,860.77</u>

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	Note	As at 31 December 2020	As at 31 December 2019
Non-current liabilities:			
Insurance contract reserve			
Long-term borrowings	VI.23	24,500,000.00	36,000,000.00
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities			
Long-term payables	VI.24	608,386.62	1,356,666.60
Long-term employee benefits payable			
Estimated liabilities			
Deferred income			
Deferred income tax liabilities			
Other non-current liabilities			
		<hr/>	<hr/>
Total non-current liabilities		<u>25,108,386.62</u>	<u>37,356,666.60</u>
Total liabilities		<u>176,153,325.34</u>	<u>120,913,527.37</u>
 Owners' equity			
(or shareholders' equity):			
Share capital	VI.25	18,475,609.00	14,999,999.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve	VI.26	60,551,992.47	29,731,126.08
Less: Treasury stock			
Other comprehensive income			
Special reserve			
Surplus reserve	VI.27	1,079,709.73	169,608.07
General risk reserve			
Retained profits	VI.28	<u>13,259,433.08</u>	<u>-1,413,259.45</u>
Total equity attributable to owners of the parent company		<u>93,366,744.28</u>	<u>43,487,473.70</u>

Item	Note	As at 31 December 2020	As at 31 December 2019
Minority interests		<u>24,389,458.94</u>	<u>37,399,777.37</u>
Total owners' equity		<u>117,756,203.22</u>	<u>80,887,251.07</u>
Total liabilities and owners' equity		<u>293,909,528.56</u>	<u>201,800,778.44</u>
Legal representative: Shi Yan (施豔)	Accounting principal: Wang Fuhan (王輔晗)	Accounting firm's principal: Wang Fuhan (王輔晗)	

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Balance Sheet of the Parent Company

Unit: RMB

Item	Note	As at 31 December 2020	As at 31 December 2019
Current assets:			
Cash and bank balances		10,289,452.28	1,565,725.77
Held-for-trading financial assets			
Derivative financial assets			
Bills receivable			
Accounts receivable	XIV.1	3,345,005.51	7,733.14
Receivables financing			
Prepayments		2,164,400.78	1,314,708.68
Other receivables	XIV.2	99,796,037.42	82,108,921.59
Including: Interest receivable			3,158,901.99
Dividend receivable			
Financial assets purchased under agreements to resell			
Inventory			
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets			
Total current assets		<u>115,594,895.99</u>	<u>84,997,089.18</u>
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables		200,000.00	200,000.00
Long-term equity investments	XIV.3	42,646,424.63	40,350,000.00
Other equity instrument investments			
Other non-current financial assets			
Investment properties			
Fixed assets		1,131,981.65	995,225.76
Construction in progress		3,547,033.36	3,154,647.45
Productive biological assets			
Oil & gas assets			
Right-of-use assets			
Intangible assets		551,121.18	363,762.70
Development expenses		2,039,647.37	
Goodwill			
Long-term deferred expenses		21,809,520.20	17,700,712.00
Deferred income tax assets		31,959.04	343,438.14
Other non-current assets			
Total non-current assets		<u>71,957,687.43</u>	<u>63,107,786.05</u>
Total assets		<u>187,552,583.42</u>	<u>148,104,875.23</u>

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	<i>Note</i>	As at 31 December 2020	As at 31 December 2019
Current liabilities:			
Short-term borrowings		19,239,632.12	2,200,000.00
Held-for-trading financial liabilities			
Derivative financial liabilities			
Bills payable			
Accounts payable		5,914,690.67	5,539,811.19
Receipts in advance		929,001.23	1,876,715.01
Financial assets sold under agreements to repurchase			
Employee benefits payable			
Tax payables		3,667,319.06	257,648.14
Other payables		31,627,794.66	50,545,593.97
Including: Interest payable			
Dividend payable			168,912.22
Contract liabilities			
Liabilities held for sale			
Non-current liabilities due within one year		37,350,000.04	5,970,000.04
Other current liabilities		93,500.00	
Total current liabilities		<u>98,821,937.78</u>	<u>66,389,768.35</u>
Non-current liabilities:			
Long-term borrowings			36,000,000.00
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities			
Long-term payables		6,666.56	1,356,666.60
Long-term employee benefits payable			
Estimated liabilities			
Deferred income			
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		<u>6,666.56</u>	<u>37,356,666.60</u>
Total liabilities		<u>98,828,604.34</u>	<u>103,746,434.95</u>

Item	Note	As at 31 December 2020	As at 31 December 2019
Owners' equity:			
Share capital		18,475,609.00	14,999,999.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve		60,977,745.38	29,765,283.43
Less: Treasury stock			
Other comprehensive income			
Special reserve			
Surplus reserve		1,079,709.73	169,608.07
General risk reserve			
Retained profits		8,190,914.97	-576,450.22
Total owners' equity		88,723,979.08	44,358,440.28
Total liabilities and owners' equity		187,552,583.42	148,104,875.23

Consolidated Income statement

Unit: RMB

Item	Note	2020	2019
I. Total operating income		124,353,582.96	68,391,339.33
Including: Operating income	VI.29	124,353,582.96	68,391,339.33
Interest income			
Earned premium			
Fee and commission income			
II. Total operating cost		106,863,474.17	66,833,973.30
Including: Operating cost	VI.29	93,913,166.76	58,565,744.61
Interest expenses			
Fee and commission expenses			
Surrenders			
Net claims paid			
Net change in insurance contract reserve			
Policyholder dividend expenses			
Premiums paid for reinsurance contracts			
Taxes and surcharges	VI.30	299,543.16	220,653.45
Marketing expenses	VI.31	20,330.00	21,931.40
Administrative expenses	VI.32	4,452,160.40	6,910,688.20
Research and development expenses			
Financial expenses	VI.33	8,178,273.85	1,114,955.64
Including: Interest expenses		8,150,079.42	1,482,807.83
Interest income		38,632.49	416,811.47
Add: Other income	VI.34	1,364,644.70	1,492,538.99
Investment income			
("-" denotes loss)	VI.35	525,610.28	

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	Note	2020	2019
Including: Income from investments in associates and joint ventures	VI.35	525,610.28	
Gain on derecognition of financial assets at amortised cost through profit or loss ("-" denotes loss)			
Foreign exchange gain ("-" denotes loss)			
Net gain on hedging exposure ("-" denotes loss)			
Gain on change in fair value ("-" denotes loss)			
Credit impairment loss ("-" denotes loss)	VI.36	330,113.74	-510,083.37
Asset impairment loss ("-" denotes loss)			
Gain on disposal of assets ("-" denotes loss)			
III. Operating profit ("-" denotes loss)		19,710,477.51	2,539,821.65
Add: Non-operating income	VI.37	15,801.24	178,719.41
Less: Non-operating expenses	VI.38	312,641.25	511,345.40
IV. Profit before tax ("-" denotes loss before tax)		19,413,637.50	2,207,195.66
Less: Income tax expenses	VI.39	4,587,257.30	420,636.20
V. Net profit ("-" denotes net loss)		14,826,380.20	1,786,559.46
Including: Net profit realised by the acquiree prior to consolidation			
(I) Classified by continuity of operations:		-	-
1. Net profit from continuing operations ("-" denotes net loss)		14,826,380.20	1,786,559.46
2. Net profit from discontinued operations ("-" denotes net loss)			
(II) Classified by ownership of equity:		-	-
1. Profit or loss attributable to minority interest ("-" denotes net loss)		-756,413.99	461,013.71
2. Net profit attributable to owners of the parent company ("-" denotes net loss)		15,582,794.19	1,325,545.75

Item	Note	2020	2019
VI. Other comprehensive income, net of tax			
(I) Other comprehensive income attributable to owners of the parent company, net of tax			
1. Other comprehensive income that will not be reclassified to profit or loss			
(1) Change from re-measurement of defined benefit schemes			
(2) Other comprehensive income that will not be transferred to profit or loss under the equity method			
(3) Change in fair value of other equity instrument investments			
(4) Change in fair value of own credit risk			
(5) Others			
2. Other comprehensive income that may be reclassified to profit or loss			
(1) Other comprehensive income that may be transferred to profit or loss under the equity method			
(2) Change in fair value of other debt investments			
(3) Reclassification of financial assets to other comprehensive income			
(4) Provision for credit impairment of other debt investments			
(5) Cash flow hedge reserve			
(6) Exchange differences on translation of financial statements in foreign currency			
(7) Others			
(II) Other comprehensive income attributable to minority interest, net of tax			

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	<i>Note</i>	2020	2019
VII. Total comprehensive income		14,826,380.20	1,786,559.46
(I) Total comprehensive income attributable to owners of the parent company		15,582,794.19	1,325,545.75
(II) Total comprehensive income attributable to minority interest		-756,413.99	461,013.71
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)		1.02	0.09
(II) Diluted earnings per share (RMB/share)		1.02	0.09
		<u>1.02</u>	<u>0.09</u>

Legal representative:
Shi Yan (施豔)

Accounting principal:
Wang Fuhan (王輔晗)

Accounting firm's principal:
Wang Fuhan (王輔晗)

Income Statement of the Parent Company

Unit: RMB

Item	Note	2020	2019
I. Operating income	XIV.4	44,352,560.38	38,262,591.32
Less: Operating cost	XIV.4	24,768,992.36	32,882,218.97
Taxes and surcharges		174,343.10	180,672.67
Marketing expenses			
Administrative expenses		1,735,571.22	4,887,554.87
Research and development expenses			
Financial expenses		6,851,681.30	299,769.24
Including: Interest expenses		6,842,335.63	342,962.88
Interest income		11,006.29	385,603.67
Add: Other income		351,312.64	492,340.23
Investment income			
("-" denotes loss)	XIV.5	1,020,708.80	
Including: Income from investments in associates and joint ventures	XIV.5	295,924.63	
Gain on derecognition of financial assets at amortised cost through profit or loss			
("-" denotes loss)			
Foreign exchange gain			
("-" denotes loss)			
Net gain on hedging exposure			
("-" denotes loss)			
Gain on change in fair value			
("-" denotes loss)			
Credit impairment loss			
("-" denotes loss)		645,108.15	-209,367.60
Asset impairment loss			
("-" denotes loss)			
Gain on disposal of assets			
("-" denotes loss)			
II. Operating profit ("-" denotes loss)		12,839,101.99	295,348.20
Add: Non-operating income		8,836.50	174,261.96
Less: Non-operating expenses			
III. Profit before tax			
("-" denotes loss before tax)		12,847,938.49	469,610.16
Less: Income tax expenses		3,170,471.64	106,794.30

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	Note	2020	2019
IV. Net profit ("-" denotes net loss)		9,677,466.85	362,815.86
(I) Net profit from continuing operations ("-" denotes net loss)		9,677,466.85	362,815.86
(II) Net profit from discontinued operations ("-" denotes net loss)			
V. Other comprehensive income, net of tax			
(I) Other comprehensive income that will not be reclassified to profit or loss			
1. Change from re-measurement of defined benefit schemes			
2. Other comprehensive income that will not be transferred to profit or loss under the equity method			
3. Change in fair value of other equity instrument investments			
4. Change in fair value of own credit risk			
5. Others			
(II) Other comprehensive income that may be reclassified to profit or loss			
1. Other comprehensive income that may be transferred to profit or loss under the equity method			
2. Change in fair value of other debt investments			
3. Reclassification of financial assets to other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Cash flow hedge reserve			
6. Exchange differences on translation of financial statements in foreign currency			
7. Others			
VI. Total comprehensive income		9,677,466.85	362,815.86
VII. Earnings per share:			
(I) Basic earnings per share (RMB/share)			
(II) Diluted earnings per share (RMB/share)			

Consolidated Statement of Cash Flows

Unit: RMB

Item	Note	2020	2019
I. Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		132,274,523.85	79,174,134.74
Net increase in deposits from customers and other banks and financial institutions			
Net increase in borrowings from central bank			
Net increase in loans from other financial institutions			
Cash received from premiums under original insurance contracts			
Net cash received from reinsurance business			
Net increase in policyholders' deposits and investment contract liabilities			
Cash received from interests, fee and commission			
Net increase in loans from other banks and financial institutions			
Net increase in repo transactions			
Net cash received from securities trading agency services			
Tax rebates received		20,903.92	
Cash received relating to other operating activities	VI.40 (1)	73,106,338.67	111,347,214.83
Subtotal of cash inflow from operating activities		205,401,766.44	190,521,349.57
Cash paid for goods purchased and services received		72,410,959.46	51,077,637.28
Net increase in loans and advances to customers			
Net increase in deposits with central bank and other banks and financial institutions			
Cash paid for claims of original insurance contract			

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	Note	2020	2019
Net increase in financial assets held for trading			
Net increase in loans to other banks and financial institutions			
Cash paid for interest, fee and commission			
Cash paid for policyholder dividend			
Cash paid to and for employees		7,555,431.00	8,820,508.63
Cash paid for taxes and surcharges		2,195,705.99	2,078,257.43
Cash paid relating to other operating activities	VI.40 (2)	61,674,185.09	66,458,102.33
Subtotal of cash outflow from operating activities		143,836,281.54	128,434,505.67
Net cash flow from operating activities		61,565,484.90	62,086,843.90
II. Cash flows from investing activities:			
Cash received from disposal of investments			
Cash received from investment income			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			15.00
Net cash received from disposal of subsidiaries and other business units			
Cash received relating to other investing activities	VI.40 (3)	10,905,195.13	5,000,000.00
Subtotal of cash inflow from investing activities		10,905,195.13	5,000,015.00
Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets		93,940,701.27	76,015,920.39
Cash paid for investments		4,628,000.00	
Net increase in pledged loans			
Net cash paid for acquisition of subsidiaries and other business units			
Cash paid relating to other investing activities	VI.40 (4)	–	15,000,000.00
Subtotal of cash outflow from investing activities		98,568,701.27	91,015,920.39
Net cash flow from investing activities		–87,663,506.14	–86,015,905.39

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	Note	2020	2019
III. Cash flows from financing activities:			
Cash received from capital contributions		15,121,905.98	9,800,000.00
Including: Cash received from capital contributions to subsidiaries by minority shareholders		122,500.00	9,800,000.00
Cash received from borrowings		46,200,000.00	57,200,000.00
Cash received from bond issuance			
Cash received relating to other financing activities	VI.40 (5)	23,303,440.00	35,620,000.00
Subtotal of cash inflow from financing activities		84,625,345.98	102,620,000.00
Cash paid for repayment of debt		23,160,000.00	20,200,000.00
Cash paid for distribution of dividend and profit or interest payment		8,307,324.12	3,881,421.53
Including: Distribution of dividend and profit by subsidiaries to minority shareholders		490,000.00	
Cash paid relating to other financing activities	VI.40 (6)	14,702,000.00	57,340,000.00
Subtotal of cash outflow from financing activities		46,169,324.12	81,421,421.53
Net cash flow from financing activities		38,456,021.86	21,198,578.47
IV. Effect of foreign exchange rate fluctuation on cash and cash equivalents			
V. Net increase in cash and cash equivalents		12,358,000.62	-2,730,483.02
Add: Cash and cash equivalents at the beginning of the period		11,760,892.66	14,491,375.68
VI. Cash and cash equivalents at the end of the period		24,118,893.28	11,760,892.66

Legal representative:
Shi Yan (施豔)

Accounting principal:
Wang Fuhan (王輔晗)

Accounting firm's principal:
Wang Fuhan (王輔晗)

Statement of Cash Flows of the Parent Company

Unit: RMB

Item	Note	2020	2019
I. Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		42,484,851.41	41,142,674.71
Tax rebates received			
Cash received relating to other operating activities		29,722,237.87	52,375,081.92
Subtotal of cash inflow from operating activities		72,207,089.28	93,517,756.63
Cash paid for goods purchased and services received		18,143,921.89	24,889,419.38
Cash paid to and for employees		3,152,702.85	3,025,041.43
Cash paid for taxes and surcharges		1,560,704.53	1,761,933.52
Cash paid relating to other operating activities		81,077,829.70	42,423,799.70
Subtotal of cash outflow from operating activities		103,935,158.97	72,100,194.03
Net cash flow from operating activities		-31,728,069.69	21,417,562.60
II. Cash flows from investing activities:			
Cash received from disposal of investments		12,750,000.00	
Cash received from investment income		510,000.00	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		-	
Net cash received from disposal of subsidiaries and other business units		-	
Cash received relating to other investing activities		10,905,195.13	5,419,391.04
Subtotal of cash inflow from investing activities		24,165,195.13	5,419,391.04
Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets		12,114,189.14	3,400,403.85
Cash paid for investments		4,750,500.00	10,200,000.00
Net cash paid for acquisition of subsidiaries and other business units		-	
Cash paid relating to other investing activities		-	20,419,391.04
Subtotal of cash outflow from investing activities		16,864,689.14	34,019,794.89
Net cash flow from investing activities		7,300,505.99	-28,600,403.85

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	Note	2020	2019
III. Cash flows from financing activities:			
Cash received from capital contributions		14,999,405.98	
Cash received from borrowings		21,200,000.00	57,200,000.00
Cash received from bond issuance			
Cash received relating to other financing activities		20,000,000.00	20,620,000.00
Subtotal of cash inflow from financing activities		56,199,405.98	77,820,000.00
Cash paid for repayment of debt		8,200,000.00	20,200,000.00
Cash paid for distribution of dividend and profit or interest payment		6,628,115.77	2,755,580.59
Cash paid relating to other financing activities		8,220,000.00	57,340,000.00
Subtotal of cash outflow from financing activities		23,048,115.77	80,295,580.59
Net cash flow from financing activities		33,151,290.21	-2,475,580.59
IV. Effect of foreign exchange rate fluctuation on cash and cash equivalents			
V. Net increase in cash and cash equivalents		8,723,726.51	-9,658,421.84
Add: Cash and cash equivalents at the beginning of the period		1,565,725.77	11,224,147.61
VI. Cash and cash equivalents at the end of the period		10,289,452.28	1,565,725.77

Consolidated Statement of Changes in Equity

Unit: RMB

Item	Share capital	Equity attributable to owners of the parent company							Total owners' equity			
		Other equity instruments			Less:		Retained profits	Minority interests				
		Preference shares	Perpetual bonds	Others	Capital reserve	Treasury stock				Other comprehensive income	Special reserve	
I. Balance at the end of last year	14,999,999.00	-	-	-	29,731,126.08	-	-	169,608.07	-	-1,413,259.45	37,399,777.37	80,887,251.07
Add: Effect of changes in accounting policies												-
Effect of correction of prior period errors												-
Business combination under common control												-
Others	-											-
II. Balance at the beginning of the year	14,999,999.00	-	-	-	29,731,126.08	-	-	169,608.07	-	-1,413,259.45	37,399,777.37	80,887,251.07
III. Changes in the period ("-" denotes decrease)	3,475,610.00	-	-	-	30,820,866.39	-	-	910,101.66	-	14,672,692.53	-13,010,318.43	36,868,952.15
(I) Total comprehensive income										15,582,794.19	-756,413.99	14,826,380.20
(II) Owners' contribution and decrease in capital	3,475,610.00	-	-	-	31,212,461.95	-12,155,500.00	22,532,571.95					
1. Common stock capital contribution from shareholders												
2. Capital contribution from holders of other equity instruments	3,475,610.00				31,212,461.95						-12,155,500.00	22,532,571.95
3. Share-based payments recognised in owners' equity												
4. Others												

APPENDIX II

FINANCIAL INFORMATION OF SHANGHAI KYMS

Item	2020											
	Share capital	Other equity instruments			Equity attributable to owners of the parent company						Total owners' equity	
		Preference shares	Perpetual bonds	Others	Capital reserve	Treasury stock	Less: Other comprehensive income	Special reserve	Surplus reserve	General risk reserve		Retained profits
(III) Profit appropriation												
1. Appropriation to surplus reserve								910,101.66	-	-910,101.66	-490,000.00	-490,000.00
2. Appropriation to general risk reserve								910,101.66	-910,101.66			
3. Appropriation to owners (or shareholders)												
4. Others												
(IV) Transfer within owners' equity												-
1. Transfer from capital reserve to capital (or share capital)							-391,595.56				-490,000.00	-490,000.00
2. Transfer from surplus reserve to capital (or share capital)											391,595.56	
3. Making up losses with surplus reserve												
4. Transfer from changes in defined benefit schemes to retained earnings												
5. Transfer from other comprehensive income to retained earnings												
6. Others							-391,595.56				391,595.56	
(V) Special reserve												
1. Appropriation in the period												
2. Utilisation in the period												
(VI) Others												
IV. Balance at the end of the year	18,475,609.00	-	-	-	-	-	60,551,992.47	1,079,709.73	-	13,259,433.08	24,389,458.94	117,756,203.22

Item	Share capital	2019					Equity attributable to owners of the parent company					Total owners' equity
		Preference shares	Other equity instruments	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained profits	Minority interests	
I. Balance at the end of last year	10,000,000.00	-	-	-	-	-	169,608.07	-2,738,805.20	27,138,763.66	34,569,566.53		
Add: Effect of changes in accounting policies												
Effect of correction of prior period errors												
Business combination under common control												
Others												
II. Balance at the beginning of the year	10,000,000.00	-	-	-	-	-	-	169,608.07	-	-2,738,805.20	27,138,763.66	34,569,566.53
III. Changes in the period ("-" denotes decrease)	4,999,999.00	-	-	-	-	-	-	-	-	1,325,545.75	10,261,013.71	46,317,684.54
(I) Total comprehensive income										1,325,545.75	461,013.71	1,786,559.46
(II) Owners' contribution and decrease in capital	4,999,999.00			29,731,126.08							9,800,000.00	44,531,125.08
1. Common stock capital contribution from shareholders												
2. Capital contribution from holders of other equity instruments	4,999,999.00			29,731,126.08							9,800,000.00	44,531,125.08
3. Share-based payments recognised in owners' equity												
4. Others												

Item	2019											Total owners' equity	
	Share capital	Other equity instruments			Equity attributable to owners of the parent company				Surplus reserve	General risk reserve	Retained profits		Minority interests
		Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve					
(III) Profit appropriation													
1. Appropriation to surplus reserve													
2. Appropriation to general risk reserve													
3. Appropriation to owners (or shareholders)													
4. Others													
(IV) Transfer within owners' equity													
1. Transfer from capital reserve to capital (or share capital)													
2. Transfer from surplus reserve to capital (or share capital)													
3. Making up losses with surplus reserve													
4. Transfer from changes in defined benefit schemes to retained earnings													
5. Transfer from other comprehensive income to retained earnings													
6. Others													
(V) Special reserve													
1. Appropriation in the period													
2. Utilisation in the period													
(VI) Others													
IV. Balance at the end of the year	14,999,999.00	-	-	-	29,731,126.08	-	-	-	169,608.07	-	-1,413,259.45	37,399,777.37	80,887,251.07
Legal representative: Shi Yan (施豸)													
Accounting principal: Wang Fuhan (王輔晗)													
Accounting firm's principal: Wang Fuhan (王輔晗)													

Statement of Changes in Equity of the Parent Company

Item	Share capital	2020										Total owners' equity	
		Equity attributable to owners of the parent company						Less:					
		Preference shares	Other equity instruments	Perpetual bonds	Others	Capital reserve	Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve		Retained profits
I. Balance at the end of last year	14,999,999.00	-	-	-	-	29,765,283.43	-	-	-	169,608.07	-576,450.22	44,358,440.28	-
Add: Effect of changes in accounting policies													-
Effect of correction of prior period errors													-
Others													-
II. Balance at the beginning of the year	14,999,999.00	-	-	-	-	29,765,283.43	-	-	-	169,608.07	-576,450.22	44,358,440.28	-
III. Changes in the period ("—" denotes decrease)	3,475,610.00	-	-	-	-	31,212,461.95	-	-	-	910,101.66	8,767,365.19	44,365,538.80	-
(I) Total comprehensive income											9,677,466.85	9,677,466.85	-
(II) Owners' contribution and decrease in capital	3,475,610.00					31,212,461.95						34,688,071.95	-
1. Common stock capital contribution from shareholders	3,475,610.00					31,212,461.95						34,688,071.95	-
2. Capital contribution from holders of other equity instruments													-
3. Share-based payments recognised in owners' equity													-
4. Others													-
(III) Profit appropriation													-
1. Appropriation to surplus reserve										910,101.66	-	-	-
2. Appropriation to general risk reserve										910,101.66	-	-	-
3. Appropriation to owners (or shareholders)													-
4. Others													-

Item	2020											
	Equity attributable to owners of the parent company											
	Share capital	Preference shares	Other equity instruments	Others	Capital reserve	Treasury stock	Less: Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained profits	Total owners' equity
			Perpetual bonds									
(IV) Transfers within owners' equity												
1. Transfer from capital reserve to capital (or share capital)												
2. Transfer from surplus reserve to capital (or share capital)												
3. Making up losses with surplus reserve												
4. Transfer from changes in defined benefit schemes to retained earnings												
5. Transfer from other comprehensive income to retained earnings												
6. Others												
(V) Special reserve												
1. Appropriation in the period												
2. Utilisation in the period												
(VI) Others												
IV. Balance at the end of the year	18,475,609.00	-	-	-	60,977,745.38	-	-	-	1,079,709.73		8,190,914.97	88,723,979.08

Item	Share capital	Equity attributable to owners of the parent company					Total owners' equity	
		Preference shares	Other equity instruments	Capital reserve	Less: Treasury stock	Other comprehensive income		
			Perpetual bonds	Others	Special reserve	Surplus reserve	General risk reserve	Retained profits
I. Balance at the end of last year	10,000,000.00	-	-	-	-	169,608.07	-	-
Add: Changes in accounting policies								
Correction of prior period errors								
Others								
II. Balance at the beginning of the year	10,000,000.00	-	-	-	-	169,608.07	-	-
III. Changes in the period								
(“-” denotes decrease)								
(I) Total comprehensive income	4,999,999.00	-	-	-	-	-	-	35,093,940.94
(II) Owners' contribution and decrease in capital	4,999,999.00							362,815.86
1. Common stock capital contribution from shareholders								
2. Capital contribution from holders of other equity instruments								
3. Share-based payments recognised in owners' equity								
4. Others								
(III) Profit appropriation								
1. Appropriation to surplus reserve								
2. Appropriation to general risk reserve								
3. Appropriation to owners (or shareholders)								
4. Others								

Item	2019									
	Equity attributable to owners of the parent company									
	Share capital	Other equity instruments		Less:		Capital reserve	Surplus reserve	General risk reserve	Retained profits	Total owners' equity
		Preference shares	Perpetual bonds	Treasury stock	Other comprehensive income					
(IV) Transfers within owners' equity										
1. Transfer from capital reserve to capital (or share capital)										
2. Transfer from surplus reserve to capital (or share capital)										
3. Making up losses with surplus reserve										
4. Transfer from changes in defined benefit schemes to retained earnings										
5. Transfer from other comprehensive income to retained earnings										
6. Others										
(V) Special reserve										
1. Appropriation in the period										
2. Utilisation in the period										
(VI) Others										
IV. Balance at the end of the year	14,999,999.00	-	-	-	-	29,765,283.43	169,608.07	-	-576,450.22	44,358,440.28

III. NOTES TO FINANCIAL STATEMENTS

NOTES TO 2020 ANNUAL FINANCIAL STATEMENTS

I. BASIC INFORMATION OF THE COMPANY

1. Basic Information

Shanghai KYMS Cloud Technology Co., Ltd. (hereinafter referred to as the “**Company**”) is a company limited by shares registered in Shanghai and approved by the Shanghai Municipal Market Supervision Authority (unified social credit code: 913100007721258903). The Company’s registered address is Room 206, Block 1, No. 150, Lane 2161, Wanyuan Road, Minhang District, Shanghai. The legal representative of the Company is Shi Yan (施豔).

The main business scope of the Company: information technology (including technical consulting, technology development, technology transfer, technical services); software development; enterprise management; property management; information system integration services; office services; self-owned equipment leasing (financial leasing is prohibited); conference services; exhibition and exhibition services. (Except for projects approved according to law, it independently carries out business activities according to the business licenses)

2. History

(1) Establishment on 25 February 2005

The Company was invested and founded by Wang Fuhan (王輔晗) and Zhou Hai (周海) on 25 February 2005. Its name when first established was 上海泰和嘉投資管理有限公司 (Shanghai Taihejia Investment Management Co., Ltd.). The registered capital was RMB10.00 million, which was entirely contributed with cash. Such contribution was verified by Shanghai Jiarui Certified Public Accountants Co., Ltd. (上海佳瑞會計師事務所有限公司) and a capital verification report (Jiarui Yan Zi (2005) No. 21260) was issued.

The Company was registered in Shanghai Administration of Industry and Commerce Jiading Branch in February 2005 and received a corporate legal person business licence with a registration number 3101142098281.

Shareholders’ contribution amounts and percentages when the Company was established:

Shareholders’ names	Contribution amounts (RMB)	Contribution percentages
Wang Fuhan (王輔晗)	9,500,000.00	95.00%
Zhou Hai (周海)	500,000.00	5.00%
Total	10,000,000.00	100.00%

(2) *Equity transfer in November 2005*

An equity transfer agreement was signed on 8 November 2005, pursuant to which, Wang Fuhan (王輔哈) transferred 95% shareholding to Ying Wen (應文) at a consideration of RMB9.50 million.

The shareholding structure after such equity transfer was:

Shareholder's name	Contribution amount before the transfer (RMB)	Contribution percentage before the transfer	Contribution amount after the transfer (RMB)	Contribution percentage after the transfer
Wang Fuhan (王輔哈)	9,500,000.00	95.00%	–	–
Zhou Hai (周海)	500,000.00	5.00%	500,000.00	5.00%
Ying Wen (應文)	–	–	9,500,000.00	95.00%
Total	10,000,000.00	100.00%	10,000,000.00	100.00%

(3) *Equity transfer in September 2006*

An equity transfer agreement was signed on 18 September 2006, pursuant to which, Zhou Hai (周海) transferred 5% shareholding to Ying Wen (應文) at a consideration of RMB0.50 million.

The shareholding structure after such equity transfer was:

Shareholder's name	Contribution amount before the transfer (RMB)	Contribution percentage before the transfer	Contribution amount after the transfer (RMB)	Contribution percentage after the transfer
Zhou Hai (周海)	500,000.00	5.00%	–	–
Ying Wen (應文)	9,500,000.00	95.00%	10,000,000.00	100.00%
Total	10,000,000.00	100.00%	10,000,000.00	100.00%

(4) *Change of company name in July 2007*

In July 2007, as approved by Shanghai Administration of Industry and Commerce Jiading Branch, the Company's name changed from 上海泰和嘉投資管理有限公司 (Shanghai Taihejia Investment Management Co., Ltd.) to 上海達潤投資管理有限公司 (Shanghai Darun Investment Management Co., Ltd.).

(5) *Equity transfer in June 2009*

An equity transfer agreement was signed on 29 June 2009, pursuant to which, Ying Wen (應文) transferred 40% shareholding to Shen Hai (沈海) at a consideration of RMB4.00 million and transferred 30% shareholding to Wang Jianfeng (王建鋒) at a consideration of RMB3.00 million.

Shareholder' s name	Contribution amount before the transfer (RMB)	Contribution percentage before the transfer	Contribution amount after the transfer (RMB)	Contribution percentage after the transfer
Ying Wen (應文)	10,000,000.00	100.00%	3,000,000.00	30.00%
Shen Hai (沈海)	–	–	4,000,000.00	40.00%
Wang Jianfeng (王建鋒)	–	–	3,000,000.00	30.00%
Total	10,000,000.00	100.00%	10,000,000.00	100.00%

(6) *Equity transfer in December 2010*

On 7 December 2010, according to a property division agreement, the natural person Shen Hai (沈海) transferred his 40% shareholding to his wife Shi Yan (施豔) and 10% to his son Shen Yang (沈洋) after his death.

Shareholder' s name	Contribution amount before the transfer (RMB)	Contribution percentage before the transfer	Contribution amount after the transfer (RMB)	Contribution percentage after the transfer
Ying Wen (應文)	3,000,000.00	30.00%	3,000,000.00	30.00%
Shen Hai (沈海)	4,000,000.00	40.00%	–	–
Wang Jianfeng (王建鋒)	3,000,000.00	30.00%	3,000,000.00	30.00%
Shi Yan (施豔)	–	–	3,000,000.00	30.00%
Shen Yang (沈洋)	–	–	1,000,000.00	10.00%
Total	10,000,000.00	100.00%	10,000,000.00	100.00%

(7) *Equity transfer in April 2014*

In April 2014, according to an equity transfer agreement, Ying Wen (應文) transferred 27% shareholding to Wang Fuhua (王輔哈), and Ying Wen (應文) transferred 3% shareholding, Shi Yan (施豔) transferred 3% shareholding, Wang Jianfeng (王建鋒) transferred 3% shareholding and Shen Yang (沈洋) transferred 1.00% shareholding to Shanghai Qiangao Investment Management Partnership, L.P (上海謙高投資管理合夥企業(有限合夥))。

The shareholding structure after such equity transfers was:

Shareholder's name	Contribution amount before the transfer (RMB)	Contribution percentage before the transfer	Contribution amount after the transfer (RMB)	Contribution percentage after the transfer
Ying Wen (應文)	3,000,000.00	30.00%	—	—
Wang Jianfeng (王建鋒)	3,000,000.00	30.00%	2,700,000.00	27.00%
Shi Yan (施豔)	3,000,000.00	30.00%	2,700,000.00	27.00%
Shen Yang (沈洋)	1,000,000.00	10.00%	900,000.00	9.00%
Wang Fuhua (王輔哈)	—	—	2,700,000.00	27.00%
Shanghai Qiangao Investment Management Partnership, L.P (上海謙高投資管理合夥 企業(有限合夥))	—	—	1,000,000.00	10.00%
Total	<u>10,000,000.00</u>	<u>100.00%</u>	<u>10,000,000.00</u>	<u>100.00%</u>

(8) *Capital increase on 22 April 2014*

On 22 April 2014, the Company's shareholders additionally contributed RMB7.80 million based on their respective existing shareholding. Such contribution was credited into capital reserve and would not increase paid-up capital.

(9) *Change of company name in June 2014*

In June 2014, as approved by Shanghai Administration of Industry and Commerce, the Company's name changed from 上海達潤投資管理有限公司 (Shanghai Darun Investment Management Co., Ltd.) to 上海快易名商企業發展股份有限公司 (Shanghai Kuaiyi Mingshang Enterprise Development Co., Ltd.).

(10) *Equity transfer in June 2018*

In June 2018, Shi Yan (施豔) transferred her 4.96% shareholding in the Company to Shanghai Dangxian Business Information Consulting Co., Ltd. (上海當現商務信息諮詢有限公司).

The shareholding structure after such equity transfer was:

Shareholder's name	Contribution amount before the transfer (RMB)	Contribution percentage before the transfer	Contribution amount after the transfer (RMB)	Contribution percentage after the transfer
Wang Jianfeng (王建鋒)	2,700,000.00	27.00%	2,700,000.00	27.00%
Shi Yan (施豔)	2,700,000.00	27.00%	2,204,000.00	22.04%
Shen Yang (沈洋)	900,000.00	9.00%	900,000.00	9.00%
Wang Fuhan (王輔晗)	2,700,000.00	27.00%	2,700,000.00	27.00%
Shanghai Qiangao Investment Management Partnership, L.P (上海謙高投資管理 合夥企業(有限合夥))	1,000,000.00	10.00%	1,000,000.00	10.00%
Shanghai Dangxian Business Information Consulting Co., Ltd. (上海當現商務信息諮詢 有限公司)	—	—	496,000.00	4.96%
Total	10,000,000.00	100.00%	10,000,000.00	100.00%

(11) Capital increase on 2 January 2019

On 23 December 2018, the proposal of the Company's Stock Issue Plan has been passed in 9th Extraordinary General Meeting in 2018 held by the Company, of which Beijing Dayuan Tiandi Real Estate Brokerage Co., Ltd. (北京大苑天地房地產經紀有限責任公司), Shanghai Huifan Enterprise Management Center (Limited Partnership) (上海惠番企業管理中心(有限合夥)) and natural person, Shi Wei (施偉) have been approved to subscribe for the shares issued by the Company by way of debt-to-equity swap.

The shareholding structure after such debt-to-equity swap was:

Shareholder's name	Contribution amount before the subscription (RMB)	Contribution percentage before the subscription	Contribution amount after the subscription (RMB)	Contribution percentage after the subscription
Wang Jianfeng (王建鋒)	2,700,000.00	27.00%	2,700,000.00	18.00%
Shi Yan (施豔)	2,204,000.00	22.04%	2,204,000.00	14.69%
Shen Yang (沈洋)	900,000.00	9.00%	900,000.00	6.00%
Wang Fuhao (王輔哈)	2,700,000.00	27.00%	2,700,000.00	18.00%
Shanghai Qiangao Investment Management Partnership, L.P (上海謙高投資管理合夥企業(有限合夥))	1,000,000.00	10.00%	1,000,000.00	6.67%
Shanghai Dangxian Business Information Consulting Co., Ltd. (上海當現商務信息諮詢有限公司)	496,000.00	4.96%	496,000.00	3.31%
Beijing Dayuan Tiandi Real Estate Brokerage Co., Ltd. (北京大苑天地房地產經紀有限責任公司)	—	—	1,428,571.00	9.52%
Yifeng (Shanghai) Investment Management Co., Ltd (翌峰(上海)投資管理有限公司 - Shanghai Huifan Enterprise Management Center (Limited Partnership) (上海惠番企業管理中心(有限合夥)))	—	—	1,571,428.00	10.48%
Shi Wei (施偉)	—	—	2,000,000.00	13.33%
Total	10,000,000.00	100.00%	14,999,999.00	100.00%

(12) *Equity transfer in June 2019*

In June 2019, Shi Wei (施偉) transferred all of his shares to Shanghai Zhayuan Enterprise Management Partnership (Limited Partnership) (上海札遠企業管理合夥企業(有限合夥)), a company controlled by his spouse Liu Xuan (劉璇).

The shareholding structure after such equity transfer was:

Shareholder's name	Contribution amount before the transfer (RMB)	Contribution percentage before the transfer	Contribution amount after the transfer (RMB)	Contribution percentage after the transfer
Wang Jianfeng (王建鋒)	2,700,000.00	18.00%	2,700,000.00	18.00%
Shi Yan (施豔)	2,204,000.00	14.69%	2,204,000.00	14.69%
Shen Yang (沈洋)	900,000.00	6.00%	900,000.00	6.00%
Wang Fuhan (王輔晗)	2,700,000.00	18.00%	2,700,000.00	18.00%
Shanghai Qiangao Investment Management Partnership, L.P (上海謙高投資管理 合夥企業(有限合夥))	1,000,000.00	6.67%	1,000,000.00	6.67%
Shanghai Dangxian Business Information Consulting Co., Ltd. (上海當現商務信 息諮詢有限公司)	496,000.00	3.31%	496,000.00	3.31%
Beijing Dayuan Tiandi Real Estate Brokerage Co., Ltd. (北京大苑天地房地產 經紀有限責任公司)	1,428,571.00	9.52%	1,428,571.00	9.52%
Yifeng (Shanghai) Investment Management Co., Ltd (翌峰(上海)投資管 理有限公司- Shanghai Huifan Enterprise Management Center (Limited Partnership) (上海惠番企業管理中心 (有限合夥))	1,571,428.00	10.48%	1,571,428.00	10.48%
Shi Wei (施偉)	2,000,000.00	13.33%	-	-
Shanghai Zhayuan Enterprise Management Partnership (Limited Partnership) (上海札遠企業 管理合夥企業(有限合夥))	-	-	2,000,000.00	13.33%
Total	14,999,999.00	100.00%	14,999,999.00	100.00%

(13) *Change of registered address in September 2020*

On 29 September 2020, the registered address of the Company has been changed from Room 2299, Block 5, No. 1630, Yecheng Road, Jiading Industrial Zone, Shanghai to Room 206, Block 1, No. 150, Lane 2161 Wan Yuan Road, Minhang District, Shanghai.

(14) Capital increase in September 2020

On 11 September 2020, the Company convened the sixth extraordinary general meeting in 2020, at which the resolution of Prospectus of Non-public Offering of the Company was considered and approved, and particulars of the non-public offering are as follows:

Name of Subscriber	Number of Shares Subscribed	Subscription price (RMB/share)	Subscription amount	Method of Subscription
Shanghai Qixun Enterprise Management Partnership L.P. (上海起尋企業管理合夥企業 (有限合夥))	1,489,572.00	10.07	14,999,990.04	Debt-to-equity swap
Shanghai Da'an Jiaming Investment Management Co., Ltd. (上海達安嘉銘投資管理有限公司)	993,000.00	10.07	9,999,510.00	Debt-to-equity swap
Wang Jianfeng (王建鋒)	496,524.00	10.07	4,999,996.68	Debt-to-equity swap
Wang Jianfeng (王建鋒)	297,914.00	10.07	2,999,993.98	Cash
Mou Shanbo (牟善勃)	198,600.00	10.07	1,999,902.00	Cash
Total	3,475,610.00		34,999,392.70	

On 17 November 2020, the Company obtained from the subscribers, Shanghai Qixun Enterprise Management Partnership L.P. (上海起尋企業管理合夥企業(有限合夥)) and Wang Jianfeng (王建鋒), the confirmation documents for transfer of the creditor's assets which used to subscribe for the shares in the issue to the Company. The Company has completed the accounting process and informed the the subscribers of the successful subscription.

As of 19 November 2020, subscription proceeds from the subscribers, Shanghai Da'an Jiaming Investment Management Co., Ltd. (上海達安嘉銘投資管理有限公司), Wang Jianfeng (王建鋒) and Mou Shanbo (牟善勃), has deposited to the Company's designated account, and the Company has confirmed and informed the the subscribers of the successful subscription.

On 28 December 2020, upon the approval of the Shanghai Municipal Administration for Market Regulation, the registered capital of the Company was changed from RMB14,999,999 to RMB18,475,609.

The shareholding structure after such debt-to-equity swap was as follow:

Shareholder's name	Contribution amount before the subscription (RMB)	Contribution percentage before the subscription	Contribution amount after the subscription (RMB)	Contribution percentage after the subscription
Wang Jianfeng (王建鋒)	2,700,000.00	18.00%	3,494,438.00	18.91%
Shi Yan (施豔)	2,204,000.00	14.69%	2,204,000.00	11.93%
Shen Yang (沈洋)	900,000.00	6.00%	900,000.00	4.87%
Wang Fuhao (王輔哈)	2,700,000.00	18.00%	2,700,000.00	14.61%
Shanghai Qiangao Investment Management Partnership L.P. (上海謙高投資管理合夥企業 (有限合夥))	1,000,000.00	6.67%	1,000,000.00	5.41%
Shanghai Dangxian Business Information Consulting Co., Ltd. (上海當現商務信 息諮詢有限公司)	496,000.00	3.31%	496,000.00	2.68%
Beijing Dayuan Tiandi Real Estate Brokerage Co., Ltd. (北京大苑天地房地產經紀有 限責任公司)	1,428,571.00	9.52%	1,428,571.00	7.73%
Yifeng (Shanghai) Investment Management Co., Ltd. (翌峰(上海)投資 管理有限公司) – Shanghai Huifan Enterprise Management Center L.P. (上海惠番企業管理中心 (有限合夥))	1,571,428.00	10.48%	1,571,428.00	8.51%
Shi Wei (施偉)	–	–	2,000,000.00	10.83%
Shanghai Zhayuan Enterprise Management Partnership L.P. (上海札遠 企業管理合夥企業 (有限合夥))	2,000,000.00	13.33%	1,489,572.00	8.06%
Shanghai Da'an Jiaming Investment Management Co., Ltd (上海達安嘉銘投資 管理有限公司)	–	–	993,000.00	5.37%
Mou Shanbo (牟善勃)	–	–	198,600.00	1.07%
Total	14,999,999.00	100.00%	18,475,609.00	100.00%

(15) *Change of company name in December 2020*

On 28 December 2020, upon the approval of the Shanghai Municipal Administration for Market Regulation, the Company name was changed from Shanghai Kuaiyi Mingshang Enterprise Development Co., Ltd. (上海快易名商企業發展股份有限公司) to Shanghai KYMS Cloud Technology Co., Ltd. (上海快易名商雲科技股份有限公司).

3. The financial report was resolved for publication by the Board of the Company on 26 April 2021.

II. SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR CURRENT YEAR

As of 31 December 2020, the subsidiaries within the consolidated financial statements of the Company are as follows:

Name of subsidiaries	Shareholding (%)	
	Direct	Indirect
Shanghai Darun Gongjiang Enterprise Management Co., Ltd. (上海達潤工匠企業管理有限公司)	100.00	—
Shanghai Weiwo Enterprise Management Co., Ltd. (上海瑋沃企業管理有限公司)	100.00	—
Shanghai Kuaichang Chuangke Space Management Co., Ltd. (上海快長創客空間管理有限公司)	51.00	—
Shanghai Kuaijie Enterprise Management Co., Ltd. (上海快頤企業管理有限公司)	—	51.00
Shanghai Kuaiming Enterprise Management Co., Ltd. (上海快銘企業管理有限公司)	51.00	—
Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. (北京快易天地企業管理有限公司)	51.00	—
Shanghai Kuaizhuo Apartment Management Co., Ltd. (上海快卓公寓管理有限公司)	100.00	—
Shanghai Kuaiye Enterprise Management Co., Ltd. (上海快也企業管理有限公司)	100.00	—
Shanghai Lanzi Network Technology Co., Ltd. (上海嵐孜網絡科技有限公司)	100.00	—
Shanghai Kuaiqin Enterprise Management Co., Ltd. (上海快沁企業管理有限公司)	100.00	—
Shanghai Kuaizheng Decoration Design Co., Ltd. (上海快徵裝飾設計有限公司)	51.00	—
Shanghai Mingyuan Enterprise Development Co., Ltd. (上海銘苑企業發展有限公司)	24.50	26.01
Shanghai Kuailing Enterprise Management Co., Ltd. (上海快菱企業管理有限公司)	100.00	—
Shanghai Kuaizhe Enterprise Management Co., Ltd. (上海快喆企業管理有限公司)	100.00	—
Shanghai Kuafeng Office Technology Co., Ltd. (上海快豐辦公科技有限公司)	100.00	—
Shanghai Kuaihui Commercial Management Co., Ltd. (上海快惠商業管理有限公司)	100.00	—

III. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

1. Basis of preparation

The Company has prepared the financial statements on a going concern basis and also adopted the accrual basis of accounting. The items of the financial statements are generally measured at historical cost, and replacement cost, net realizable value, present value and fair value would be applied in measurement on basis of the availability and reliable measurement on the items of the financial statements.

2. Going concern

As of 31 December 2020, current assets and current liabilities included in the consolidated balance sheet were RMB56,522,500 (including bank balances and cash of RMB24,118,900) and RMB151,044,900 (including short-term borrowings of RMB19,239,600 and non-current liabilities due within one year of RMB38,548,500) respectively. The Company has assessed its ability to continue operations within 12 months from the end of the reporting period. The outstanding financing from financial institutions at the end of the reporting period was mainly used for pre-development of new projects. Based on years of practical business experience and sound credit history, the Company expects to apply for extension before the maturity of debts. At the same time, the Company expects to complete a non-public offering in 2021 to obtain equity financing.

In light of the above commitments, the financial statements of the Company are still prepared based on a going concern basis.

IV. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Statement on compliance with the Accounting Standards for Enterprises

The financial statements and notes, prepared in accordance with the requirements of the Accounting Standards for Business Enterprises, the Implementation Guidance and the Interpretation to the Accounting Standards for Business Enterprises issued by the Ministry of Finance, as well as No. 15 Reporting Regulation on the Information Disclosure for Public Share Offering Companies – Ordinary Reporting Regulation [revised in 2014] published by China Securities Regulatory Commission and relevant supplementary provisions, have given a true and complete view of the related information about the financial positions, operating results, changes in shareholders' equity and cash flow of the Company.

2. Accounting period

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

3. Business cycle

The business cycle is 12 months.

4. Functional currency

RMB.

5. Accounting for business combination under common control and not under common control

- (1) In a business combination under common control in which the company acquires control over other combining companies as an acquirer, if the acquirer makes payment in cash, transfers non-cash assets or bears debts as the consideration for the business combination, the share in book value of the owners' equity of the acquiree in the consolidated financial statements of the ultimate controller is recognised as the initial investment cost of the long-term equity investment on the combination date. Capital reserves should be adjusted according to the difference between the initial investment cost of the long-term equity investment and the book value of the paid cash, the non-cash assets transferred and the debts assumed; if capital reserves are not enough, the retained earnings shall be adjusted. If equity securities are issued as the consideration for the business combination, the share in book value of the owners' equity of the acquiree in the consolidated financial statements of the ultimate controller is recognised as the initial investment cost of the long-term equity investment on the combination date. Capital reserves should be adjusted according to the difference between the initial investment cost of the long-term equity investment and the total nominal value of the shares issued, with the total nominal value of the shares issued as the capital stock; in case the capital reserves are not enough, the retained earnings shall be adjusted. The intermediary service charges, including audit, legal service, evaluation and consultancy fees and other relevant administrative expenses incurred for business combination shall be charged to the profit and loss for the current period when incurred. The handling charges, and commissions paid for bonds issued or other debts assumed in business combination shall be included in the initial recognition amount of those bonds issued and other debts. The handling charges and commissions incurred for the issuance of equity securities in business combination should be offset against the premium income from equity securities; if the premium income is insufficient, the retained earnings shall be wrote down.

- (2) If the external merger of the Company is the business combination not under common control, the initial investment cost of long-term equity investment shall be determined in accordance with the following circumstances:
1. For the business combination realized via single transaction, the initial investment cost of long-term equity investment shall be assets paid, and liabilities incurred or borne by the acquirer for acquiring the control right of the acquiree (acquirees) on the acquisition date and fair value of the issued equity securities;
 2. For business combination realized through multiple transactions in steps, the initial investment cost of long-term equity investment shall be the sum of each single transaction cost;
 3. The intermediary service charges, including audit, legal service, evaluation and consultancy fees and other relevant administrative expenses incurred for business combination shall be charged to current profit and loss when they are incurred; Transaction expenses incurred for issuance of equity or debt securities as consideration for business combination shall be included in the initial recognition amount of those equity securities or debt securities;
 4. Where future events with possible impact on the merger cost are specified in the merger contract or agreement, and future events are likely to occur as estimated on the acquisition date and the amount of the impact on the merger cost measured reliably shall be included in the initial investment cost of long-term equity investment.
- (3) If the external merger of the Company is the business combination not under common control, the Company recognises the difference from the initial investment cost of long-term equity investment above the share of fair value of identifiable assets acquired from the acquiree (acquirees) in the merger as goodwill.

The Company treats the difference from the initial investment cost of long-term equity investment below the share of fair value of identifiable assets acquired from the acquiree (acquirees) in accordance with the following manners:

1. The measurement of fair value of all identifiable assets, liabilities and contingent liabilities acquire from the acquiree (acquirees) and the merger cost shall be reviewed;
2. Where the merger cost subsequent to review is still below the share of fair value of identifiable assets acquired from the acquiree (acquirees), its difference shall be recorded into the current profit and loss.

6. Preparation method of consolidated financial statements

The consolidation scope of consolidated financial statements is determined on the basis of control. Control means that the investor has the power over the investee and enjoys the variable return through participating in activities related to the investee, and has the ability to affect its return by using the power over the investee.

The parent company shall incorporate all of its subsidiaries into the scope of consolidated financial statements. Subsidiaries refers the separate entities controlled by the Company, including the enterprises, divisible part in the investees and structured entities under the Company's control.

If the parent company is the investment entity, the parent company shall incorporate its subsidiaries (if any) which provide services in support of the parent company's investment activities into the consolidation scope and prepares the consolidated financial statements; the other subsidiaries shall not be combined, the parent company's investment in other subsidiaries shall be measured at fair value and its changes shall be recognised in profit or loss for the period. The parent company is the investment entity if meeting the following conditions at the same time:

- (1) the parent company provides investment management services to investors for the purpose of obtaining funds from one or more investors;
- (2) the parent company's sole operating purpose is to allow investors to obtain returns through capital appreciation, investment income, or both;
- (3) the parent company considers and evaluates the performance of almost all investments according to fair value.

The Company and subsidiaries acquired adopt the uniform accounting policies and accounting periods in preparing the consolidated statements. The consolidated financial statements are based on the financial statements of the Company and its subsidiaries and prepared by the Company after the effect of all intra-group transactions between the Company and its subsidiaries and among subsidiaries on the consolidated financial statements is eliminated on consolidation. For acquisition of subsidiaries due to merger of enterprises under common control during the reporting period, the opening balance of the Company's consolidated balance sheet shall be adjusted in its preparation. For acquisition of subsidiaries not arising from merger of enterprises under common control, the opening balance of consolidated balance sheet needs not adjustment in its preparation. For acquisition of subsidiaries due to merger of enterprises under common control during the reporting period, the revenue, expense, profit and cash flows of such subsidiaries from the beginning to the end of the reporting period when the merger occurs are included into the consolidated income statement and the cash flow statement. For acquisition of subsidiaries not arising from merger of enterprises under common control, the revenue, expense, profit and cash flows of such subsidiaries from the date of acquisition to the end of the reporting period are included into the consolidated income statement and the cash flow statement. For disposal of subsidiaries during the reporting period, the revenue, expense, profit and cash flows of such subsidiaries from the period beginning to the date of disposal are included into the consolidated income statement and the cash flow statement.

When the parent company acquires a subsidiary's equity owned by the subsidiary's minority shareholders, the difference between the newly obtained long-term equity investment due to acquisition of minority equity and the share of the subsidiary's net assets continuously calculated based on the newly increased shareholding ratio from the acquisition date or combination date shall be offset against the capital reserve (capital premium or share capital premium) in the consolidated financial statements. In case the capital reserve is insufficient for offset, retained earnings will be adjusted.

In respect of disposal of long-term equity investment in subsidiaries by the parent company without losing control, the difference between disposal consideration and the net assets of subsidiaries attributable to the long-term equity investment continually calculated since the date of acquisition or combination date shall be adjusted to capital reserve (capital premium or share capital premium) in the consolidated financial statements. In case the capital reserve is insufficient for offset, retained earnings will be adjusted.

When the control over the investee is lost due to reasons such as disposal of part of the equity investment, remaining shareholding will be remeasured based on the fair value on the date of loss of control when preparing the consolidated financial statements. The difference between the sum of disposal consideration and fair value of the remaining equity less the net assets attributable the original shareholdings calculated from the date of acquisition or combination shall be recorded into the investment income for the period when the control is lost, and goodwill will be written off at the same time. Other comprehensive income related to the original equity investment in the subsidiary will be transferred to investment income for the period when control is lost, except for other comprehensive income arising from the changes in net liabilities or net assets due to the remeasurement of defined beneficiary plans by the investee.

7. Recognition criteria of cash and cash equivalents

Cash refers to the cash on hand and the deposits available for payment at any time. Cash equivalents refer to the short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

8. Financial instruments

(applicable from 1 January 2019)

A financial instrument is a contract that forms the financial assets of a party and forms the financial liabilities or equity instruments of other parties. The Company recognises the relevant financial asset or a financial liability when it becomes a party to a financial instrument contract.

(1) Financial assets

1. Classification and initial measurement

The Company classifies financial assets into different categories depending on the business model for managing the financial assets and the contractual terms of cash flows of the financial assets:

Financial assets measured at amortised cost;

Financial assets measured at fair value through other comprehensive income;

Financial assets measured at fair value through profit or loss.

Financial assets are measured at fair value at initial recognition. For financial assets measured at fair value through profit or loss, the related transaction costs are directly included in the current profit or loss, and other types of financial assets related transaction costs are included in the initial recognition amount. Accounts receivables or bills receivables arising from sales of goods or rendering services, without significant financing component, are initially recognised based on the transaction price expected to be entitled by the Company.

1) Debt instruments

Debt instruments held by the Company refer to the instruments that meet the definition of financial liabilities from the perspective of the issuer. There are three categories into which the Company classifies its debt instruments:

<1> At amortised cost:

The Company's business model for managing such financial assets is to collect the contractual cash flows, and the contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangements. That is, the cash flows generated on a specific date, represent solely payment of the principal and interest on the outstanding principal amount. The Company recognises interest income for such financial assets in accordance with the effective interest method. Such financial assets mainly include cash and bank balances, bills and accounts receivables, contract assets, other receivables, debt investments, rental receivables and long-term receivables. The debt investments and long-term receivables of the Company that mature within one year since the balance sheet date (including one year) are presented as non-current assets that mature in one year, while debt investments of which the period is within one year (including one year) are presented as other current assets.

<2> At fair value through other comprehensive income:

The Company's business model for managing such financial assets is achieved both by collecting contractual cash flows and selling of these assets. The contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangements. Such financial assets are measured at fair value through other comprehensive income, but impairment losses or gains, exchange gains and losses, and interest income calculated by effective interests method are recognised in the profit and loss. Such financial assets are presented as other debt investments, and other debt investments mature within one year since the balance sheet date (including one year) are presented as non-current assets that mature in one year, and other debt investments that have a period of one year (including one year) are presented as other current assets.

<3> At fair value through profit or loss:

If the financial asset does not meet the criteria for amortised cost or fair value through other comprehensive income, it is measured at fair value through profit or loss and presented as financial assets held for trading. In the initial recognition, the Company designates some financial assets as financial assets at fair value through profit or loss in order to eliminate or significantly reduce the accounting mismatch. For those mature and are expected to be held more than one year from the balance sheet date, they are presented as other non-current financial assets.

2) Equity instruments

Investments in equity instruments that the Company has no control, jointly control or significant influence are measured at fair value through profit or loss and presented as financial assets held for trading. For those mature and are expected to be held more than one year from the balance sheet date are presented as other non-current financial assets.

Besides, the Company designates part of financial assets which are not held for trading at fair value through other comprehensive income and presents as other equity instruments investments. The relevant dividends of such financial assets are recognised in profit or loss. The designation is not revocable once made. The financial assets that are recognised in the business combination not under common control of the Company or form consideration are classified as financial assets at fair value through profit or loss.

For investments in non-trading equity instruments, the Company may, at the time of initial recognition, irrevocably designate it as a financial asset at fair value through other comprehensive income. The designation is made based on a single investment and the relevant investment is in line with the definition of the equity instrument from from the perspective of the issuer.

2. Impairment

The Company recognises a loss allowance for expected credit losses on a financial asset that is measured at amortised cost, debt instrument investments that are measured at fair value through other comprehensive income, rental receivable, contract assets and financial guarantee contracts. Based on reasonable and valid information such as past events, current conditions and economic forecasts, the Company calculate the default-risk-weighted present value of the difference between the agreed and expected cash flow to project the default loss of our contracts.

At each balance sheet date, the Company measures expected credit losses for financial instruments at different stages respectively. At Phase I, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses; At Phase II, the credit risk on a financial instrument has increased significantly but not to the point that it is considered credit-impaired, the Company measure the loss allowance for that financial instrument at an amount equal to full lifetime expected credit losses. At Phase III, financial instrument is considered credit-impaired, the Company measure the loss allowance for that financial instrument at an amount equal to full lifetime expected credit losses.

For financial instruments with lower credit risk on the balance sheet date, the Company assumes that its credit risk has not increased significantly since its initial recognition, and the loss allowance recognised during the period was therefore limited to 12 months expected losses.

The Company calculates interest income for financial instruments that are in Phase I and Phase II, as well as for lower credit risk, in accordance with their book balances and effective interest rates, which are not deducted from the impairment value. For financial instruments in phase III, interest income is calculated on the basis of the amount of the surplus cost and the actual interest rate after the book balance has been reduced.

For bills and accounts receivable, rental receivables and contract assets, the Company will measure the loss reserves according to the expected credit loss of the whole duration, regardless of whether there is significant financing component.

1) Criteria for judging significant increases in credit risk

The Company evaluates on each balance sheet date whether the credit risk of the relevant financial instruments has increased significantly since the initial recognition.

In determining whether the credit risk has increased significantly since the initial recognition, the Company considers reasonable and valid information that can be obtained without unnecessary additional costs or efforts. This includes qualitative and quantitative analysis based on the Company's historical data, external credit risk ratings and forward-looking information. Based on a single financial instrument or a portfolio of financial instruments with similar credit risk characteristics, the Company compares the default risk of financial instruments on the balance sheet date with the default risk on the initial confirmation date to determine the change of default risk of financial instruments during their expected duration.

The Company considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative or qualitative criteria have been met:

- <1> Quantitative criteria mainly comprise the circumstance that at the reporting date, the increase in remaining lifetime probability of default is considered significant comparing with that at initial recognition.
- <2> Qualitative criteria mainly comprise significant adverse change in debtor's operation or financial status, and being listed on the watch-list, etc.
- <3> The upper limit indicator is that the debtor's contract payment (including principal and interest) is generally overdue for more than 30 days and up to 90 days.

2) Definition of credit-impaired assets

The standard adopted by the Company to determine whether a credit impairment occurs is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Company assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- <1> significant financial difficulty of the issuer or debtor;
- <2> breach of contract by the debtor: such as delinquency or default in interest and principal payments;
- <3> the creditor (s), for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession (s) that the creditor (s) would not otherwise consider;
- <4> it becomes probable that the debtor will enter bankruptcy or other financial reorganization;
- <5> the disappearance of active markets for that financial asset because of financial difficulties of the issuer or debtor;
- <6> a substantial discount during acquisition or sourcing of a financial asset reflects the fact the occurrence of credit losses.

The credit impairment of financial assets may be caused by the joint impacts of multiple events, which may not be necessarily caused by separate identifiable events.

3) Parameters of ECL measurement

Depending on whether there is a significant increase in credit risk and whether there is an impairment of assets, the Company measures the impairment loss for different assets with ECLs of 12 months or the entire lifetime respectively. The key measuring parameters of ECLs include the probabilities of default, losses given default and exposures at default. The Company takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collateral and repayments) and forward-looking information in order to establish the model of probability of default, loss given default and exposure at default.

Relative definitions are listed as follows:

- <1> Probability of default refers to the possibility that a debtor fails to fulfill its repayment obligations in the next 12 months or the entire remaining lifetime. The Company's probability of default is adjusted based on the results of the historical credit loss model, taking into account the forward-looking information to reflect the debtor's probability of default under the current macroeconomic environment;
- <2> Loss given default refers to the Company's expectation of the extent of the loss resulting from the default exposure. Depending on the type of the counterparty, the method and priority of the recourse, and the type of collateral, the loss given default varies. Loss given default is the percentage of loss of risk exposure at the time of default, calculated over the next 12 months or over the entire remaining lifetime;
- <3> Exposure at default refers to the amount that the Company should be reimbursed at the time of default in the next 12 months or the entire remaining lifetime.

4) Forward-looking information

The assessment of a significant increase in credit risk and the calculation of ECLs both involve forward-looking information. Through the analysis of historical data, the Company identifies the key economic indicators that affect the credit risk and ECLs of various business types.

When the expected credit loss of a single financial asset cannot be assessed at a reasonable cost, the Company divides receivables into groups according to the credit risk characteristics and calculate the expected credit loss on a group basis. The grouping basis is as follows:

<1> Accounts receivable grouping:

1> Specific group and expected credit loss calculation approach

Item	Grouping basis	Expected credit loss calculation approach
Accounts receivable –grouping by age	Age	A reconciliation table of the age of accounts receivable and the lifetime expected credit loss rate is prepared to calculate the expected credit loss, with reference to historical credit loss experience, in consideration of current conditions and prediction of future economic conditions
Accounts receivable –group of related dealings within the scope of combination	Grouping by related parties of the Company within the scope of combination	The expected credit loss rate for related party transactions in the consolidated statements is zero

2> A reconciliation table of the age of accounts receivable – grouping by age and the lifetime expected credit loss rate

Ageing	Expected credit loss rate of accounts receivable
Within 1 year (inclusive)	5%
1 to 2 years	10%
2 to 3 years	50%
Over 3 years	100%

<2> Other receivables grouping:

Item	Grouping basis	Expected credit loss calculation approach
Other receivables – grouping by age	Age	The expected credit loss is calculated, with reference to historical credit loss experience, in consideration of current conditions and prediction of future economic conditions, and based on the default risk exposure and the next 12-month or lifetime expected credit loss rate.
Other receivables – deposits, security deposits	Group of security deposits	
Other receivables – group of related dealings within the scope of combination	Grouping by related parties of the Company within the scope of combination	The expected credit loss rate for related party transactions in the consolidated statements is zero

In order to reflect the changes in the credit risk of financial instruments since its initial recognition, the Company and its subsidiaries re-measure the expected credit loss on each balance sheet date, and the increase or reversal of the loss provision resulting therefrom shall be deemed as impairment loss or gain to be included in profit or loss in the current period. For a financial asset at amortised cost, the loss provision reduces the carrying amount of the financial asset as shown in the balance sheet; for a debt instrument investment at fair value through other comprehensive income, the loss provision is recognised in other comprehensive income by the Company and its subsidiaries without reducing the carrying amount of the financial asset.

3. Derecognition

A financial asset is derecognised when any of the below criteria is met:

- 1) the contractual rights to receive the cash flows from the financial asset expire;
- 2) the financial asset has been transferred and the Company transfers substantially all the risks and rewards of ownership of the financial asset to the transferee;
- 3) the financial asset has been transferred and the Company has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

On derecognition of other equity instruments, the difference between the carrying amount and the sum of the consideration received and the cumulative changes in fair value that had been recognised directly in other comprehensive income, is recognised in retained earnings. On derecognition of other financial assets, the difference between the carrying amount and the sum of the consideration received and the cumulative changes in fair value that had been recognised directly in other comprehensive income, is recognised in profit or loss in the current period.

4. Write-off

When the Company and its subsidiaries no longer reasonably expects that the contractual cash flow of financial assets can be fully or partially recovered, the book value of the financial asset is directly written off. Such write-off constitutes the derecognition of related financial assets. This is generally the case when the Company and its subsidiaries 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, in accordance with the Company and its subsidiaries's procedures for recovering amounts due, the write-off of financial assets may still be affected by implementation activities.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment loss in profit or loss in the period in which the recovery occurs.

(2) *Financial liability*

Financial liabilities are classified into financial liabilities at amortised cost and financial liabilities at fair value through profit or loss at initial recognition.

Except for the following items, the Company classifies financial liabilities as financial liabilities measured at amortized cost:

1. Financial liabilities at fair value through profit or loss, including financial liabilities held for trading (including derivatives that are financial liabilities) and financial liabilities designated as at fair value through profit or loss.
2. Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition or continuing involvement in the transferred financial assets.
3. Financial guarantee contracts that are not in the item 1 or 2 of this article, and loan commitment for loans to be granted at an interest rate below the market rate which is in the item 1 of this article. If a financial liability arises from contingent consideration recognised by the Company as the acquirer in a business combination not under common control, the financial liability is measured at fair value through profit or loss.

In the initial recognition, in order to provide more relevant accounting information, the Company can designate financial liabilities as financial liabilities measured at fair value through profit or loss. The designation should meet one of the following conditions:

- 1) Can eliminate or significantly reduce accounting mismatches.
- 2) According to the enterprise risk management or investment strategy specified in the official written documents, manage and evaluate the financial liability portfolio or financial assets and financial liabilities portfolio based on fair value, and report to key managers on the basis of this within the Company. The designation is not revocable once made.

The Company's financial liabilities are mainly financial liabilities measured at amortised cost, including bills payable and accounts payable, other payables, borrowings and bonds payable, etc. These financial liabilities are initially measured at the amount of their fair value after deducting transaction costs and use the effective interest rate method for subsequent measurement. Financial liabilities with maturities within 1 year (inclusive) are presented as current liabilities. Financial liabilities with maturities more than 1 year but are due within 1 year (inclusive) at the balance sheet date are presented as non-current liabilities due within 1 year. Others are presented as non-current liabilities.

Where the present obligations of financial liabilities are completely or partially discharged, the Company derecognises these financial liabilities or discharged parts of obligations. The differences between the carrying amounts and the consideration paid are included in profit or loss.

Once the present obligation of financial liabilities (or parts of them) has been discharged, financial liabilities (or parts of them) of the Company has been derecognised.

(3) *Determination of fair value of financial instruments*

If there is an active market for financial instruments, the quoted price in the active market is used to measure fair values of the financial instruments. If no active market exists for financial instruments, valuation techniques are used to measure its fair values. In valuation, the Company adopts valuation techniques that are applicable in the current situation and have sufficient available data and other information to support it, and selects input values that are consistent with the asset or liability characteristics considered by market participants in the transaction of relevant assets or liabilities, and gives priority to relevant observable input values. Use of unobservable input values where relevant observable input values cannot be obtained or are not practicable.

(4) *Subsequent measurement*

Subsequent to initial recognition, the Company's financial assets of various categories are subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss, respectively.

Subsequent to initial recognition, the Company's financial assets of various categories are subsequently measured at amortized cost, fair value through profit or loss or by other appropriate methods, respectively.

The amortised cost of the financial asset or financial liability is determined by the following adjustment to the initial recognition amount of the financial asset or financial liability:

1. minus the principal repaid.
2. plus or minus the cumulative amortization using the effective interest method of any difference between that initial recognition amount and the maturity amount.
3. minus the cumulative loss allowance (only applicable to financial assets).

The interest income on a financial asset is recognised by the Company based on the effective interest rate method. The Interest income is calculated and determined by multiplying the book value of a financial asset by the effective interest rate, except the following situations:

- 1) For purchased or generated financial assets with credit impairment, the Company shall calculate and determine the interest income based on the amortized cost of the financial assets and the credit-adjusted effective interest rate since the initial recognition.
- 2) For financial assets purchased or generated without credit impairment but have undergone credit impairment in subsequent periods, the Company shall calculate and determine the interest income according to the amortized cost and effective interest rate of the financial assets in subsequent periods. If there is no credit impairment on the financial instruments due to its credit risk improvement in the subsequent period, and such improvement is linked to an event occurring after the application of the above provisions (such as an improvement in the debtor's credit rating), the Company shall calculate and determine the interest income by multiplying the effective interest rate by the book value of the financial asset.

9. Accounts receivable

Details of the determination and accounting treatment of the ECL of accounts receivable are set forth in 8. Financial instruments under IV of these financial statements.

10. Other receivables

Details of the determination and accounting treatment of the ECL of other receivables are set forth in 8. Financial instruments under IV of these financial statements.

11. Contract costs

- (1) *Determination methods for the amount of assets related to contract costs*

The assets related to contract costs comprise contract performance cost and contract acquisition cost.

The cost incurred from performing a contract is regarded as the contract performance cost and recognised as an asset in the event that such cost is beyond the scope of other accounting standards for business enterprises other than the Accounting Standard for Business Enterprises No. 14 – Revenue (2017 revision) and the following conditions are met:

1. such cost directly relates to an existing or expected contract, including direct labour, direct materials, manufacturing cost (or similar cost) or other costs expressly to be borne by customers and incidental only to the contract;
2. such cost increases the resources of the Company for future performance obligations;
3. such cost is expected to be recoverable.

The contract acquisition cost, which is expected to be recovered to obtain the incremental cost of the contract, is recognised as an asset as the acquisition cost of the contract; incremental cost refers to the cost that will not occur if the company does not obtain a contract (such as sales commissions). If the amortization period of the asset is less than one year, it is recognised in the current profit or loss.

Other expenses incurred by the company to obtain the contract in addition to the incremental costs expected to be recovered (such as travel expenses, tender fees and costs relating to the preparation of tender documents incurred regardless of whether the contract is obtained or not) are included in the current profit and loss when incurred but are clearly borne by the customers.

(2) *Method for determining the amount of assets related to contract costs*

The assets related to contract costs are amortized on the same basis as the revenue recognition of the goods related to the assets and are included in the current profit and loss.

(3) *Impairment of assets related to contract costs*

When determining the impairment loss of assets related to contract costs, the company first determines the impairment loss for other assets related to the contract recognised in accordance with other relevant accounting standards; then, if the book value of assets is higher than the difference between following 1 and 2, the excess should be depreciated and recognised as an asset impairment loss:

1. The remaining consideration expected to be attained due to the transfer of the asset-related goods;
2. The cost to be estimated for the transfer of the relevant goods.

If the factors of impairment in the prior period subsequently changed, and the aforesaid difference between 1 and 2 is higher than the book value of the asset, the original provision for impairment of assets should be reversed and included in the profit and loss of that period, but the book value of assets after reversal should not exceed the book value of the asset on the reversal date assuming no provision for impairment is made.

12. Long-term equity investment

Long-term equity investments include those that the company is able to exercise controls and significant influence over the investees and also the investments to joint ventures.

(1) Recognition of investment cost

For the long-term equity investments acquired in a manner other than external mergers, their initial investment costs are determined in accordance with the following provisions:

1. The actual purchase considerations are the initial investment costs for the long-term equity investments that are acquired by cash payments. The initial investment costs are the costs directly related to the acquisition of long-term equity investments, taxes and other necessary expenses;
2. The fair value of equity securities at issuance are the initial investment costs for the long-term equity investments that are acquired by issuing equity securities;
3. The initial investment costs of long-term equity investments obtained from exchange of non-monetary assets are determined in accordance with the Accounting Standards for Business Enterprises No. 7 — Exchange of Non-monetary Assets;
4. The initial investment costs of the long-term equity investments obtained from debt restructuring are determined in accordance with the Accounting Standards for Business Enterprises No.12 — Debt Restructuring.

(2) Subsequent measurement and recognition of profit and loss

1. Long-term equity investments that are accounted for using cost method include:

Long-term equity investments where the company is able to exercise controls over the investees.

Long-term equity investment which is accounted for using the cost method is recognised at initial investment cost. When making additional investment or recover investment, cost of long-term equity investments shall be adjusted. Cash dividends or profits declared by the investee are recognised as investment income for the current period.

2. Long-term equity investments where the company has joint control (i.e. joint ventures) or significant influence are accounted for under equity method.

Under the equity method, where the investment cost of a long-term equity investment exceeds the share of the fair values of the investee's identifiable net assets at the time of investment, no adjustment is made to the investment cost of the long-term equity investment. Where the initial investment cost is less than the share of the fair value of the investee's identifiable net assets at the time of investment, the carrying amount of the long-term equity investment is adjusted and the difference shall be charged to profit or loss for the current period.

Under the equity method, after a long-term equity investment is acquired, investment gains or losses and other comprehensive income shall be recognised in accordance with the share of net profit or loss and other comprehensive income of the investee entitled or assumed by the company, respectively, and the book value of the long-term equity investment shall be adjusted. The book value of long-term equity investments shall be decreased according to investing company's share of profit or cash dividends declared by the investee. The book value of long-term equity investments shall be adjusted and included in owners' equity in line with the change in owners' equity other than net profit or loss, other comprehensive income and profit distribution of the investee.

Net losses incurred by an investee are recognised to the extent that the book value of the long-term equity investment and other long-term interests that in substance constitute the net investment in the investee are written down to zero, except where the company has an obligation for additional losses of the investee. If the investee subsequently realises a net profit, the investor regains recognition of the share of revenue after its share of revenue has made up for the share of unrecognised loss.

The book value of long-term equity investments shall be adjusted and included in owners' equity in line with the change in owners' equity other than net profit or loss, other comprehensive income and profit distribution of the investee.

When recognizing investment gains or losses of long-term equity investments under the equity method, net profit of the investee should be first adjusted for the fair value of the investee's identifiable assets at the time when the investment is acquired, accounting policies and accounting periods, accounting policies and the accounting period, and then the investment gains or losses for the current period should be recognised in line with the share of the investee's net profit or loss.

The investment gains or losses are recognised on an offsetting basis for the portion of unrealized profit or loss of internal transactions with associates and joint ventures that are attributable to the Company based on the percentage of shareholding.

(3) *The basis for determination of joint control or significant influence over an investee*

Joint control refers to control over an arrangement that is shared in accordance with the relevant agreement and where the relevant activities of the arrangement can only be decided upon with the unanimous consent of the participants sharing control. In determining whether there is a joint control, we first determine whether the relevant arrangement is controlled collectively by all participants or a group of participants. If all participants or a group of participants must act consistently to make decisions about the relevant activities of an arrangement, it is considered that all participants or a group of participants collectively control the arrangement. Secondly, we determine whether the decisions about activities related to the arrangement must be made by the unanimous consent of those participants who collectively control the arrangement. If two or more participants can collectively control an arrangement, it shall not be considered as joint control. Protective rights are not considered in determining whether there is joint control.

Significant influence refers to the power to take part in making decisions about the financial and operating policies of a company, but not controlling or jointly controlling with other parties the formulation of those policies. When determining whether significant influence can be exercised over an investee, the investor's direct or indirect holding of voting shares in the investee and the effect of the current executable potential voting rights held by the investor and other parties upon their assumed conversion into equity interests in the investee, including the effect of convertible warrants for the current period, share options and convertible corporate bonds issued by the investee, are considered.

13. Fixed assets

(1) *Conditions for recognition of fixed assets*

Fixed assets are tangible assets that are held for use in production or supply of goods or services, for rental to others, or for administrative purposes, and have a useful life of more than one accounting year. Fixed asset is recognised when it meets the following conditions:

1. it is probable that the economic benefits associated with the fixed asset will flow to the enterprise;
2. its cost can be reliably measured.

(2) *Depreciation methods for each category of fixed assets*

Depreciation is provided using the straight-line method over the following useful lives, estimated net residual value rates and depreciation rates for each category of fixed assets:

Category	Depreciation methods	Useful live (years)	Estimated net residual value rate	Annual depreciation rate
Office equipment	Straight-line -method	5	5.00%	19.00%
Electronic equipment	Straight-line -method	3	5.00%	31.67%

(3) *The judgment basis and depreciation method for the fixed assets obtained through financial lease*

The judgment basis for the fixed assets obtained through financial lease: the nature of this kind of lease is a transfer of all risk and all economic related to the ownership of assets. The judgment basis should be accounted when one or more conditions satisfied as follows:

1. the ownership of the leased asset is transferred to the lessee when the term of lease expires ;
2. the lessee has the option to buy the leased asset at a price which is expected to be far lower than the fair value of the leased asset at the date when the option is exercised. Thus, on the lease beginning date, it can be reasonably determined that the option will be exercised by the lessee;
3. even if the ownership of the asset is not transferred, the lease term covers the major part of the use life of the leased asset;
4. in the case of the lessee, the present value of the minimum lease payments on the lease beginning date amounts to substantially all of the fair value of the leased asset on the lease beginning date;
5. the leased assets are of a specialized nature that only the lessee can use them without making major modifications.

Measurement of fixed assets obtained through financial lease : the initial amount of fixed assets obtained through financial lease should be recorded as the lower of fair value of the leased asset at the beginning date of lease term and the present value of minimum lease payment.

Subsequent measurement of fixed assets obtained through financial lease should be in accordance with the accounting policies of depreciation method and provision of impairment of fixed assets.

14. Construction in Progress

- (1) Includes expenditures incurred by the Company for infrastructure, renewal and renovation, which include engineering supplies;
- (2) Construction in progress is transferred to fixed assets when it is ready for its intended use;
- (3) At the balance sheet date, impairment is provided for based on the excess of the carrying amount over the recoverable amount when there is evidence that the construction in progress is impaired.

15. Borrowing costs

- (1) *Criteria for recognition of capitalised borrowing costs*

For borrowing costs incurred by the Company that are directly attributable to the acquisition, construction or production of assets qualified for capitalisation, the costs will be capitalised and included in the costs of the related assets. Other borrowing costs shall be recognised as expense in the period in which they are incurred and included in profit or loss for the current period.

- (2) *Capitalisation period of borrowing costs*

- 1. Borrowing costs shall be capitalised when: 1) capital expenditures; 2) borrowing costs have been incurred; 3) activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced.
- 2. Capitalisation of borrowing costs should be suspended during a period in which abnormal interruption has lasted for more than three months during the process of acquisition, construction or production of assets eligible for capitalisation. The borrowing costs incurred during interruption is recognised as current expenses until the acquisition, construction or production activities of assets resume.
- 3. The capitalisation of borrowing costs ceases when the assets acquired, constructed or produced and qualified for capitalisation are ready for their intended use or sale.

(3) *Capitalisation amount of borrowing costs*

For specific borrowings used to acquire, construct or produce assets eligible for capitalisation, the amount of interest expenses (including amortisation of discount or premium determined using the effective interest method) actually incurred on such borrowings for the period shall be capitalised after deducting any interest earned from depositing the unused borrowings in bank or any investment income arising from the temporary investment of those borrowings during the capitalisation period. For general borrowings used to acquire, construct or produce assets eligible for capitalisation, the capitalised amount of interests on general borrowings shall be determined on the basis that the weighted average (of the excess of cumulative assets expenditures over the specific borrowings) times capitalisation rate (of used general borrowings).

16. Intangible assets

- (1) An intangible asset is an identifiable non-monetary asset without physical substance owned or controlled by the Company. Intangible assets are initially measured at cost. The Company shall make judgement to determine the useful life of intangible assets upon acquisition based on its analysis.
- (2) The consideration factors for the company to identify the useful life of intangible assets are:
 1. General useful life of products of such asset and information on the useful life of similar assets can be acquired;
 2. Current technology and procedural conditions and estimates on future growth trends;
 3. Market demand for the products produced or the services provided by the assets;
 4. Action expected to be taken by existing or potential competitors;
 5. Estimated maintenance expenses required to maintain the ability to generate economic benefits of such asset and the company's estimated ability to settle such expenses;
 6. Relevant legal provisions or similar restrictions for the control of such asset, such as franchised period and lease period;
 7. Relationship with the useful life of other assets held by the company.

If the term of economic benefit the intangible asset can bring to the company cannot be estimated, it is deemed to be an intangible asset with indefinite life.

- (3) An intangible asset with a finite useful life is amortised on a systematic basis (or using the straight-line method) over its useful life. For an intangible asset with a finite useful life, the company reviews the useful life and the amortisation method at least at each financial year-end and changes the amortisation period and the amortisation method if they are different from those previously estimated.

For intangible assets with finite useful lives, the useful life and estimated net residual value of each intangible asset for the purpose of calculating amortization using the straight-line method are as follows:

Name	Useful life (years)	Estimated net residual value rate
Software	10	–

17. Development expenditure

Expenditure incurred during the research stage of internal research and development projects is included in profit or loss for the current period as incurred. Expenditure incurred during the development stage of internal research and development projects that simultaneously satisfy the following conditions are recognised as intangible assets: (1) it is technically feasible to complete the intangible asset so that it will be available for use or sale; (2) there is the intention to complete the intangible asset for use or sales; (3) how the intangible asset will generate economic benefits, including the evidence indicating that market exist for the products using the intangible asset to produce or the intangible asset itself has a market; if the intangible asset is for internal use, the evidence indicating its usability; (4) the availability of adequate technical, financial and other resources to support the completion of the development and the ability to use or sell the intangible assets; (5) the expenditure attributable to the development stage of the intangible asset can be reliably measured.

18. Goodwill

The goodwill represents the excess of initial cost of combination over the share of the the fair value of the identifiable net assets of the acquiree under the business combination involving entities not under common control. Goodwill is not amortised and is measured at cost less accumulated impairment allowance, and is presented separately on the consolidated balance sheet.

19. Impairment of long-term assets

At balance sheet date, the Company will assess whether there are any indications of impairment on non-current and non-financial assets such as fixed assets, construction in progress, intangible asset with finite useful life, investment properties accounted for using cost model, long-term equity investments in subsidiaries, joint ventures and associates. If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated and impairment test will be performed. Impairment test will be performed on goodwill, intangible asset with infinite useful life and intangible asset which are not yet ready for use each year, regardless of whether any indications for impairment exist.

If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, provision for impairment would be made at an amount equivalent to the difference and included in impairment loss. The recoverable amount is the higher of an asset's fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. Fair value of an asset is determined based on the prices stipulated in a sales agreement in arm's length transaction; when there are no sales agreement but has an active market for the asset, the fair value is determined based on the bid price in the market; when there are no sales agreement and active market for the asset, the fair value is estimated based on the best information available. Costs of disposal are expenses attributable to disposal of the asset, including legal fee, relevant tax and surcharges, transportation fee and direct expenses incurred to prepare the asset for its intended sale. The present value of the expected future cash flows of an asset is determined by discounting the expected future cash flows derived from continuing use of the asset and from its ultimate disposal using appropriate discount rate. Provision for assets impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

For the purpose of impairment test on goodwill, the Company allocate the carrying amount of the goodwill arising on the business combination to the relevant asset group with a reasonable method at the date of acquisition; if it is difficult to allocate the goodwill to the relevant asset group, it shall be allocated to the relevant portfolio of asset group. The related asset group or portfolio of asset group is the asset group or portfolio of asset group that can benefit from the synergies of business combination but is not larger than the reportable segment determined by the Company.

When conducting an impairment test on a related asset group or portfolio of asset group that contains goodwill, if there are impairment indicators for the asset group or portfolio of asset group related to goodwill, the asset group or portfolio of asset group that does not contain goodwill should be tested for impairment first, by calculated their recoverable amount and recognise the impairment loss accordingly. For impairment test on the asset group or portfolio of asset group that contains goodwill, by comparing their recoverable amount with carrying amount, if the recoverable amount is lesser than the carrying amount, the impairment loss is allocated to reduce the carrying amount of the asset group or portfolio of asset group that contain goodwill, and then allocate to other asset group or portfolio of asset group that does not contain goodwill on a pro-rata basis based on their carrying amount. However, the carrying amount of an impaired asset will not be reduced below the highest of its fair value less costs of disposal (if determinable), the present value of the future cash flows expected to be derived from it (if determinable) and zero.

Once the above assets impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

20. Long-term deferred expenses

The long-term deferred expenses of the Company represent expenditures incurred which should be recognised as expenses over one year (excluding one year) and should be allocated in current and subsequent periods. The long-term deferred expenses will be amortized evenly during its beneficial period, if the long-term deferred expenses are no longer beneficial to the subsequent accounting periods, the unamortized balance is then fully transferred to profit or loss for the period.

21. Contract liabilities

(Applicable from 1 January 2020)

Contract liabilities reflect the Company's obligations to transfer goods to the customer due to customer consideration received or receivable. If the customer has paid the contract consideration or the Company has obtained the right to receive the contract consideration unconditionally before the transfer of the goods to the customer, contract liabilities shall be recognised according to the amount received or receivable when the customer actually makes the payment and payment due (whichever earlier). Contract assets and contract liabilities under the same contract are presented on a net basis, and contract assets and contract liabilities under different contracts are not offset.

22. Employee Benefits*(1) Scope of employee benefits*

Employee benefits refer to all kinds of remunerations or reimbursements given by the Company in exchange for service rendered by employees or the termination of employment, including short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. The benefits that the Company provides to the spouses, children and dependents of employees, the late employees' family and other beneficiaries also shall be deemed as employee benefits.

(2) Short-term employee benefits refer to the employee benefits which are required to be fully paid by the Company within 12 months after the end of the annual reporting period in which the employees rendered relevant services.

Short-term employee benefits include staff salaries, bonuses, allowances and subsidies, staff welfare payments, social insurance premiums including medical insurance premiums, work injury insurance premiums and maternity insurance premiums, housing provident fund, labour union expenses and staff education expenses, short-term paid leaves, short-term benefits sharing scheme, non-monetary welfare and other short-term employee benefits.

During an accounting period when employees render services to the Company, the amount of short-term employee benefits actually incurred should be recognised as a liability and be recognised in profit or loss for the current period or in cost of related assets.

- (3) *Post-employment benefits refer to all kinds of remunerations and benefits other than short-term employee benefits and termination benefits that are provided by the Company after the retirement of the employees or termination of employment relation with the enterprises in exchange for services rendered by employees.*

The post-employment benefit plan includes defined contribution plan and defined benefit scheme. In which, defined contribution plan refers to the post-employment benefit plan under which the Company assumes no obligation of making further payment after depositing fixed amount to independent funds; defined benefit scheme refers to the post-employment benefit plan other than defined contribution plan.

Defined contribution plan includes basic pension insurance and unemployment insurance etc. The amount payable according to the defined contribution plan in the accounting period in which the employee provides service will be recognised as liability and recognised in the profit and loss for the current period or the relevant asset cost.

At the end of reporting period, the Company shall recognise the following components of employee benefit cost arising from defined benefit scheme:

1. Service costs, comprising current service costs, past service costs and any gains or losses on settlement.
2. Net interest on the net defined benefit scheme assets or liabilities, including interest income on plan assets, interest cost on the defined benefit scheme obligation and interest on the effect of the asset ceiling.
3. Changes as a result of remeasurements of the net defined benefit scheme assets or liabilities.

Unless other accounting standards requires or permits the inclusion of employee benefit costs in the cost of assets, item 1 and 2 above should be recognised in profit or loss for the current period; item 3 should be recognised in other comprehensive income. These amounts recognised in other comprehensive income are irreversible to profit or loss in subsequent accounting periods, but are transferrable within equity.

Under the defined benefit scheme, the past service costs are recognised as expenses for the current period at the earlier of the following dates when:

- 1) the defined benefit scheme is modified.
- 2) the enterprise recognises relevant restructuring costs or termination benefits.

The gains or losses from settlement will be recognised when settle the defined benefit scheme.

(4) *Termination benefits*

Refer to the compensation to employees when the Company terminates the employment relationship with employees before the expiry of the employment contracts or as an offer to encourage employees to accept voluntary redundancy.

When termination benefits are provided, the Company recognises the employee compensation liabilities from termination benefits, with a corresponding charge to the profit or loss for the current period, at the earlier of the following dates when: the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; and the Company recognises costs or expenses related to a restructuring that involves the payment of termination benefits.

(5) *Other long-term employee benefits*

Refer to all employee compensation except for short-term compensation, post-employment benefits and termination benefits, including long-term paid absence, long-term disability benefits and long-term profit-sharing plan, etc.

Relevant accounting treatments for defined contribution plan are adopted for other long-term employment benefits qualified for defined contribution plan.

Except for the satisfaction of the conditions of the defined contribution plan, net liabilities or assets of other long-term employment benefits are recognised and measured in accordance with the relevant requirements of the defined benefit scheme. At the end of reporting period, the enterprise should recognise the employee compensation costs from other long-term employment benefits as the following components:

1. costs of service.
2. net interests on the net liabilities or assets of other long-term employment benefits.
3. changes from remeasurement of net liabilities or assets of other long-term employment benefits.

To simplify the relevant accounting treatments, the total net amount of the above items will be included in profit or loss for the current period or costs to related assets.

23. Revenue

(Applicable from 1 January 2020)

(1) *Principle of revenue recognition*

When the contract with the customer satisfies the following conditions at the same time, the revenue will be recognised when the customer obtains control of the relevant goods:

1. the parties to the contract have approved the contract and promised to fulfill their respective obligations;
2. the contract specifies the rights and obligations of the parties to the contract in relation to the goods transferred or the provision of labor services;
3. the contract specifies the payment terms in relation to the goods transferred;
4. the contract has commercial substance, that is, fulfilling the contract will change the risk, time distribution or amount of future cash flow of the Group;
5. the consideration entitled to obtain due to the transfer of goods to customers is likely to be recovered.

From the effective date of the contract, the Company assesses the contract, identifies each individual performance obligations involved in the contract and allocates the transaction price to each individual performance obligation based on the relative proportion of the individual selling price of the goods promised by each individual performance obligation. When determining the transaction price, the impact of variable consideration, major financing components in the contract, non-cash consideration, consideration payable to a customer and other factors are considered. Then determine whether the individual performance obligation is performed within a certain period of time or at a certain point in time, and recognise the revenue separately when each individual performance obligation is performed.

If one of the following conditions is met, it is a performance obligation performed within a certain period of time; otherwise, it is a performance obligation performed at a certain point in time:

- 1) the customer acquires and consumes the economic benefits brought by the performance of the enterprise while fulfilling the contract;
- 2) the customer can control the products under construction during the performance of the enterprise;
- 3) the goods produced during the performance of the enterprise have irreplaceable use, and the enterprise has the right to collect funds for the part of the performance that has been completed so far throughout the contract period.

For performance obligations performed within a certain period of time, revenue shall be recognised within that period according to the progress of performance. The progress of performance shall be determined based on the nature of the goods transferred by virtue of the input method or the output method. When the progress of performance cannot be determined reasonably, if it is predicted that the incurred cost can be compensated, the revenue shall be recognised based on the amount of the cost incurred until the progress of performance can be determined reasonably.

If one of the above conditions cannot be met, the transaction price amortised to the individual performance obligation at the time when the customer obtains the control of relevant goods is recognised as revenue. The following indications should be considered in determining whether the customer has obtained control of the goods:

- <1> the enterprise has the right of current collection of goods, that is, the customer has a current payment obligation for the goods;
- <2> the enterprise has transferred the legal title of the goods to the customer, that is, the customer has the legal title to the goods;
- <3> the enterprise has transferred the goods in kind to the customer, that is, the customer has possessed the goods in kind;
- <4> the enterprise has transferred the significant risks and rewards of ownership of the goods to the customer, that is, the customer has obtained the significant risks and rewards of ownership of the goods;
- <5> the customer has accepted the goods;
- <6> other indications that the customer has obtained control of the goods.

(2) *The specific principles of revenue recognition*

Revenue from the Company's principle activities comprises of rental income and value-added services income, and the specific principles of revenue recognition are as follows:

1. Rental income recognition and cost carry forward: Revenue is recognised on a monthly basis and costs are carried forward at the same time, in accordance with the rental rates and lease terms stipulated in the contracts entered into between the Company and its customers.
2. Value-added services income recognition and cost carry forward: Value-added services mainly include overtime charges for meeting rooms and printer service charges, etc. Such income is recognised on an accrual basis when it actually incurs, and costs are carried forward at the same time.

(The recognition principles and measurement methods of the Company's revenue for 2019 are as follows:)

- (1) Operating income include revenue from sale of goods, provision of labor services and transference of right to use assets.

- (2) Recognition of revenue from sale of goods

Revenue from sale of goods is recognised if the following conditions are all satisfied:

1. the enterprise has transferred the significant risks and rewards of ownership of the goods to the buyer;
2. the enterprise retains neither continuing managerial involvement of ownership nor effective control over the goods sold;
3. the amount of revenue can be measured reliably;
4. it is probable that the related economic benefits will flow to the enterprise;
5. the related costs incurred or to be incurred can be measured reliably.

- (3) *Recognition of revenue from provision of labor services*

If the result of the labor service transaction provided on the balance sheet date can be reliably estimated, the percentage of completion method shall be adopted to recognise the revenue from provision of labor services.

The result of the labor service transaction can be reliably estimated, which means that the following conditions are all satisfied:

1. the amount of revenue can be measured reliably;
2. it is probable that the related economic benefits will flow to the enterprise;
3. the completion schedule of the transaction can be reliably determined;
4. the costs incurred and to be incurred in the transaction can be measured reliably.

The following methods were applied to determine the progress of completion of the labor service transaction:

- 1) the measurement of the completed work;
- 2) the proportion of labor services provided to the total labor services to be provided;
- 3) the proportion of costs incurred to the estimated total costs.

On the balance sheet date, the total revenue from provision of labor services is multiplied by the completion progress after subtracting the accumulated revenue from provision of labor services recognised in the previous accounting period to recognise the revenue from provision of labor services in the current period; at the same time, the estimated total costs from provision of labor services is multiplied by the completion progress after subtracting the accumulated labor costs recognised in the previous accounting period to carry forward the labor costs for the current period.

If the results of labor services provided on the balance sheet date cannot be reliably estimated, the following situations shall be handled respectively:

- <1> If the labor cost incurred is expected to be compensated, the labor service income shall be recognised according to the amount of labor cost incurred, and the labor cost shall be carried forward at the same amount;
- <2> If the labor cost incurred is not expected to be compensated, the labor cost incurred shall be included in the current profit and loss, and the labor service income is not recognised.

Revenue from the provision of labor services is recognised as follows:

- 1> As for the installation fees, revenue is recognised on the balance sheet date based on the completion progress of the installation. If the installation is incidental to the sale of goods, the installation fees are recognised as revenue when the realization of the sale of goods is confirmed.
- 2> As for the fees charged for the publicity media, revenue is recognised when relevant advertisements or commercial activities begin to appear in the public. The production cost of advertisements is recognised as revenue on the balance sheet date based on the completion progress of the production of advertisements.
- 3> As for the fees charged for developing software for specific customers, revenue is recognised on the balance sheet date based on the completion progress of the development.
- 4> As for distinguishable service fees included in selling prices of the goods, revenue is recognised in installments during the period of service provision.

- 5> As for the charges for artistic performances, receptions and other special events, revenue is recognised when the relevant events occur. If the charges involve several activities, receipts in advance shall be reasonably allocated to each event, and revenue shall be recognised separately.
- 6> As for the fees for the application for membership and members where it is only allowed to obtain membership and all other services or products have to be charged separately, revenue is recognised when there is no major uncertainty in the recovery of the funds. As for the fees for the application for membership and members where members can get various services or goods during the membership period, or goods are sold or services are provide at a price lower than that of non-members, revenue is recognised in installments throughout the benefit period.
- 7> As for the royalties for the provision of equipment and other tangible assets, revenue is recognised when the assets are delivered or the ownership of the assets is transferred; for the royalties for the provision of initial and subsequent services, revenue is recognised when the services are provided.
- 8> As for the labor service fees charged for providing customers with repeated labor services for a long time, revenue is recognised when the relevant labor service activities occur.

(4) *Recognition of income from transfer of asset use rights*

Income from transfer of asset use rights includes interest income and royalty income, etc. It may not be recognised unless the following conditions are met simultaneously:

- 1. The relevant economic benefits are probably to flow into the enterprise;
- 2. A reliable measurement can be made to the amount of the income.

Income from transfer of asset use rights is recognised as follows:

- 1) Interest income is determined on the basis of the period of use of the Company's monetary funds by others and the effective interest rate.
- 2) Royalty income is determined on the basis of the timing and method of charging fees as agreed in the relevant contract or agreement.

24. Government Grants

Government grants are monetary assets or non-monetary assets transferred from the government to the Company at no consideration, and are divided into government grants related to assets and government grants related to income.

(1) The basis for determining government grants related to assets and accounting treatments

Government grants related to assets refer to the government grants obtained by the Company for purchasing or constructing or otherwise originating long-term assets.

Government grants related to assets shall be recognised as deferred income and recognised in profit or loss by stages on a reasonable and systematic basis over the useful life of the related assets. Government grants measured at nominal amount are directly recognised in current profit and loss.

If the related assets are sold, transferred, scrapped or destroyed before the end of their useful lives, the unallocated balance of the related deferred revenue shall be transferred to profit or loss in the period in which the assets are disposed of.

Government grants related to the Company's ordinary activities shall be included in other income in accordance with the substance of the economic activity; those not related to the Company's ordinary activities shall be included in non-operating income and expenses.

(2) The basis for determining government grants related to income and accounting treatments

Government grants related to income refer to government grants other than government grants related to an asset.

For government grants for comprehensive projects, a company needs to divide them into asset-related component and income-related component, and then perform accounting treatment separately; those that are difficult to distinguish shall be classified as government grants related to income as a whole.

Government grants related to income is used to compensate relevant expenses or losses incurred during subsequent periods and recognised as deferred income, and will be recorded in the profit or loss during the period when relevant expenses and losses are recognised. A grant that compensates the relevant expenses or losses incurred is recognised in profit or loss immediately.

A government grant related to the company's daily activities is recognised in other income based on the nature of economic activities; a government grant not related to the company's daily activities is recognised in non-operating income and expenses.

(3) *Recognition time point of government grants*

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount that is received. Government grant measured in accordance with the amount receivable, is recognised at the end of the period when there is conclusive evidence showing that it can meet the relevant conditions stipulated by the financial support policy and is expected to receive financial support funds. If a government grant is in the form of a transfer of a non-monetary asset, it is recognised when all the risks and rewards of ownership of non-monetary asset are transferred. A non-monetary asset is measured at its fair value. If its fair value cannot be obtained in a reliable way, it shall be measured at its nominal amount.

When the recognised government grant needs to be returned, if there is a relevant deferred income balance, the book balance of the relevant deferred income shall be offset, and the excess part shall be included in the profit or loss of the period; if there is no relevant deferred income, it shall be directly included in the profit or loss of the period.

25. Deferred income tax assets

Income tax is calculated using the balance sheet debt method. The carrying amount of assets and liabilities and their tax basis are analysed and compared at the balance sheet date, and deferred income tax assets, deferred income tax liabilities and corresponding deferred income tax expenses (or income) are recognised for any difference. On the basis of calculating and determining the current income tax (i.e. the current income tax payable) and deferred income tax expenses (or income), the sum of the two is recognised as the income tax expenses (or income) in the income statement, excluding the income tax impact of transactions or events directly included in owner's equity.

The carrying amount of deferred income tax assets is reviewed at the balance sheet date and written down to the extent that it is no longer probable that sufficient taxable profit will be available against which the deferred income tax asset can be utilised.

26. Operating leases and finance leases (before the adoption of new standard of leases)(1) *Accounting of operating leases as a lessee*

1. Accounting of rent

Under operating leases, the rent paid or payable shall be included in the relevant asset cost or current profit or loss.

2. Accounting of initial direct expenses

The initial direct expenses incurred by the lessee under the operating lease shall be included in the current profit or loss.

3. Accounting of contingent rent

Under operating leases, the lessee's contingent rent is included in the profit or loss in the period when it actually occur.

4. Accounting of incentives provided by lessor

Where a rental-free period is provided by lessor, the lessee allocates the total rent over the entire lease term without deducting the rent-free period on a straight-line method or other applicable basis, and recognises rental income and the correspond liability in the rent-free period. If the lessor bears certain expenses of the lessee, the expenses shall be deducted from the total rental income, and the balance of the rental income after deduction shall be allocated during the lease term.

(2) *Accounting of operating lease as a lessor*

1. Accounting of rentals

The lessor shall use the straight-line method to recognise lease receipts as rental income over the lease term.

2. Accounting of initial direct costs

The initial direct costs incurred by the lessor in operating leases refer to the procedure charges, counsel fees, travel expenses and stamp duty attributable to the lease item incurred in the process of negotiating and signing lease contracts and are included in the current profit and loss. The larger amount shall be capitalised and charged to the current profit and loss in installments over the lease term on the same basis as the rental income.

3. Accounting of depreciation provided on leasehold assets

For the fixed assets under leases assets, the lessor adopts the depreciation policies for similar assets to provide for depreciation.

4. Accounting of contingent rentals

Contingent rentals included in the current profit and loss when they are actually incurred.

5. Accounting of incentives provided by lessor in respect of operating leases

Where a rental-free period is provided by lessor, the lessor allocates the total rent over the entire lease term without deducting the rent-free period on a straight-line method or other reasonable basis, and recognises rental income in the rent-free period. If the lessor bears certain expenses of the lessee, the expenses shall be deducted from the total rental income, and the balance of the rental income after deduction shall be allocated during the lease term.

6. Accounting of operating lease assets in the financial statements

The principal risks and rewards associated with ownership of the asset are attributable to the lessor under an operating lease, therefore the lessor presents the leased assets as self-owned assets in the balance sheet. In case the leased assets are fixed assets, presented as fixed assets or as current assets (in case of current assets) in the balance sheet.

27. Changes in critical accounting policies and accounting estimates

(1) *Changes in critical accounting policies*

On 5 July 2017, the Ministry of Finance enacted the Accounting Standards for Business Enterprises No. 14 – Revenue (Revised in 2017) (Caikuai [2017] No. 22) (hereinafter referred to as the “**New Revenue Standard**”). The Company began to adopt the new revenue standard from 1 January 2020.

The New Revenue Standard establishes a new revenue recognition model for regulating revenue generated from contracts with customers. For the implementation of the New Revenue Standard, the Company reassessed the recognition, measurement, accounting, presentation, etc. on the main revenue from contracts. Pursuant to the requirements of the New Revenue Standard, the Company selected to only make adjustment to the cumulatively affected amount under contracts that remained outstanding as of 1 January 2020. For changes to contracts that occurred before the beginning of initial comparative period (1 January 2019) or 1 January 2020, the Company adopted a simplified treatment method according to the final arrangement of the changes to contract to identifies the performance obligations that have been and have not been fulfilled, determines the transaction price, and apportions the transaction price between the fulfilled and outstanding performance obligations. Based on the cumulatively affected amount due to the first implementation thereof, adjustments would be made at the beginning of the period of the first implementation (i.e. 1 January 2020). There is no impact on the items of the underlying balance sheet at the beginning of the 2020 in respect of the implementation of the new revenue standard.

(2) *Changes in critical accounting estimates*

There was no significant change in the Company’s accounting estimates during the Reporting period.

28. Critical accounting judgements and estimates

The Company needs to make judgments, estimates and assumptions as to the carrying amount of statement items which cannot be accurately measured in applying its accounting policies due to inherent uncertainties of operation activities. Such judgments, estimates and assumptions are made based on the historical experience of the Company's management and taking into account other relevant factors, and may affect the reported amount of revenue, expenses, assets and liabilities and disclosure of contingent liabilities at the balance sheet date. However, the actual results derived from the uncertainties of such estimates may differ from the current estimation of the Company's management, which may cause critical adjustment to the carrying amount of assets or liabilities which may be affected in the future.

The Company regularly reviews the aforesaid judgments, estimates and assumptions on a going concern basis. A revision to accounting estimate is recognised in the period in which the estimate is revised if it only affects that period; a revision is recognised in the period of the current and future periods if it affects both current and future periods.

At the balance sheet date, the critical areas where the Company needs to make judgments, estimates and assumptions as to the amount of items in the financial statements are set out below:

(1) *Impairment of financial instruments*

The Company uses the expected credit loss model to assess the impairment of financial assets. The application of the expected credit loss model requires significant judgements and estimations, and all reasonable and evidenced information, including forward-looking information, should be considered. In making such judgements and estimations, the Company infers the expected changes in the debtor's credit risk based on the historical data in combination with economic policies, macroeconomic indicators and industry risks.

(2) *Classification of leases*

The Company classifies its leases as operating lease and financing lease in accordance with "Accounting Standards for Business Enterprises No. 21 – Leases". When classifying leases, the management needs to analyse and judge whether all risks and returns relating to the ownership of leased out assets have substantially transferred to the leasee, or whether the Company has obliged to all risks and returns relating to the ownership of leased assets.

(3) *Provision for impairment of long term assets*

At the balance sheet date, the Company makes its judgment as to whether there is any evidence indicating potential impairment of non-current assets other than financial assets. Intangible assets with indefinite useful life shall be tested for impairment when there is any indication of impairment in addition to the annual impairment testing. Other non-current assets other than financial assets shall be tested for impairment if there is any evidence indicating that their carrying amount cannot be recovered.

When the carrying amount of an asset or asset group is higher than the recoverable amount, which is the higher of net amount of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset, it indicates impairment.

The net amount of the fair value less costs of disposal is determined by making reference to the sales price in the similar assets in an arm's length transaction or the observable market price less the incremental costs directly attributable to such assets disposal.

In projecting the present value of the future cash flows, critical judgments shall be made to the output, selling price and relevant operating costs of such asset (or asset group) and the discount rate applied in calculating the discount. In estimating the recoverable amount, the Company may adopt all relevant materials including the projections as to the output, selling price and relevant operating costs based on reasonable and supportive assumptions.

(4) *Depreciation and amortisation*

The Company shall provide depreciation and amortisation for investment properties, fixed assets and intangible assets using straight-line method over their useful lives after taking into account of their residual values. The Company shall regularly review the useful lives to determine the amount depreciated and amortised to be accounted for in each reporting period. The useful life is determined by the Company according to its previous experience on similar assets and estimated technical updates. If there is any material change in the estimate previously made, the amount of depreciation and amortisation will be adjusted over the future period.

(5) *Deferred income tax assets*

The deferred income tax assets will be recognised for all unused tax losses to the extent that it is probable there will be sufficient taxable profits against which the loss is utilised. This requires the Company's management to apply numerous judgments to estimate the timing and amount of the future taxable profits, so as to determine the amount of deferred income tax assets to be recognised with reference to the tax planning strategy.

(6) *Income tax*

There are some uncertainties in final tax treatment and calculation for some transactions of the Company during its ordinary course of business. The approval from the tax authority is required for pre-tax expensing of some items. Any difference between the final determined outcome of such tax matters and the initially estimated amount will exert an effect on the current income tax and deferred income tax during the period in which the final amount is determined.

V. TAXATION

1. Principal tax types and tax rates

Tax types	Tax basis	Tax rate
VAT	Sales of goods or rendering of taxable services	5%, 6%, 9%, 13%
Urban maintenance and construction tax	Amount of payable turnover tax	5%, 7%
Education surcharge	Amount of payable turnover tax	3%
Local education surcharge	Amount of payable turnover tax	2%
Corporate income tax	Amount of taxable income	For details, please see the table below

Name of tax payer	Income tax rate
Shanghai Darun Gongjiang Enterprise Management Co., Ltd. (上海達潤工匠企業管理有限公司)	20%
Shanghai Weiwo Enterprise Management Co., Ltd. (上海瑋沃企業管理有限公司)	20%
Shanghai Kuaichang Chuangke Space Management Co., Ltd. (上海快長創客空間管理有限公司)	20%
Shanghai Kuaijie Enterprise Management Co., Ltd. (上海快頤企業管理有限公司)	25%
Shanghai Kuaiming Enterprise Management Co., Ltd. (上海快銘企業管理有限公司)	20%
Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. (北京快易天地企業管理有限公司)	25%
Shanghai Kuaizhuo Apartment Management Co., Ltd. (上海快卓公寓管理有限公司)	25%
Shanghai Kuaiye Enterprise Management Co., Ltd. (上海快也企業管理有限公司)	20%
Shanghai Lanzi Network Technology Co., Ltd. (上海嵐孜網絡科技有限公司)	20%
Shanghai Kuaiqin Enterprise Management Co., Ltd. (上海快沁企業管理有限公司)	25%
Shanghai Mingyuan Enterprise Development Co., Ltd. (上海銘苑企業發展有限公司)	20%
Shanghai Kuailing Enterprise Management Co., Ltd. (上海快菱企業管理有限公司)	20%
Shanghai Kuaizhe Enterprise Management Co., Ltd. (上海快喆企業管理有限公司)	20%
Shanghai Kuafeng Office Technology Co., Ltd. (上海快豐辦公科技有限公司)	20%

2. Tax concession and approvals

(1) Pursuant to the Notice of the Ministry of Finance and the State Taxation Administration on Implementation of Inclusive Tax Relief Policy for Small Low-profit Enterprises (Cai Shui [2019] No. 13) (《財政部稅務總局關於實施小微企業普惠性稅收減免政策的通知》(財稅[2019]13號)), from 1 January 2019 to 31 December 2021, a small low-profit enterprise with an annual taxable income no more than RMB1,000,000 is entitled to a preferential tax treatment of 25% exemption of taxable income and subjected to corporate income tax rate of 20%. Certain subsidiaries of the Company are qualified small low-profit enterprises and shall be entitled to such income tax concession.

VI. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

Items	Closing balance	Opening balance
Cash on hand	29,000.70	39,782.26
Bank deposits	24,089,892.58	11,721,110.40
Other monetary funds	—	—
	<hr/>	<hr/>
Total	24,118,893.28	11,760,892.66
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
Including: total amount deposited abroad	—	—
Total amount restricted to use due to mortgages, pledges or freezes	—	—

2. Accounts receivables

(1) *Disclosure by aging*

Aging	Closing balance
Within 1 year	4,324,610.33
Less: bad debt provision	216,230.52
	<hr/>
Total	4,108,379.81
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APPENDIX II FINANCIAL INFORMATION OF SHANGHAI KYMS

(2) *Classified disclosure by the method of bad debt provision*

Category	Book balance	Percentage	Closing balance Bad debt provision	Provision percentage	Carrying amount
Bad debt provision on individual basis	–	–	–	–	–
Bad debt provision on group basis	4,324,610.33	100.00%	216,230.52	5.00%	4,108,379.81
Total	<u>4,324,610.33</u>		<u>216,230.52</u>		<u>4,108,379.81</u>

(Continued)

Category	Book balance	Percentage	Closing balance Bad debt provision	Provision percentage	Carrying amount
Bad debt provision on individual basis	–	–	–	–	–
Bad debt provision on group basis	770,725.85	100.00%	38,536.29	5.00%	732,189.56
Total	<u>770,725.85</u>		<u>38,536.29</u>		<u>732,189.56</u>

Bad debt provision on group basis:

Provision on group basis: accounts receivable – ageing group

Aging	Book balance	Closing balance Bad debt provision	Provision percentage
Within 1 year	4,324,610.33	216,230.52	5.00%

(3) *Provision for bad debts*

Category	Opening balance	Provision	Changes during the period Recovery or reversal	Transfer or write-off	Other changes	Closing balance
Accounts receivable	38,536.29	177,694.23	–	–	–	216,230.52

APPENDIX II FINANCIAL INFORMATION OF SHANGHAI KYMS

(4) No accounts receivable actually written off during the reporting period

(5) Details of the top five debtors with the largest closing balance of accounts receivables

Name	Relationship with the Company	Book balance	Bad debt provision	Term	Percentage of total amount
Chengdu Zhangwo Enterprise Management Co., Ltd. (成都漲沃企業管理有限公司)	Non-related party	3,670,000.00	183,500.00	Within 1 year	84.86%
Alcatel-Lucent Shanghai Bell Software Co., Ltd. (上海諾基亞貝爾軟件有限公司)	Non-related party	448,889.51	22,444.48	Within 1 year	10.38%
Shanghai Mengshu Education Technology Co., Ltd. (上海檬舒教育科技有限公司)	Non-related party	86,100.87	4,305.04	Within 1 year	1.99%
EnterArt Co., Ltd. (上海眾入藝術諮詢有限公司)	Non-related party	50,338.88	2,516.94	Within 1 year	1.16%
ZF (China) Investment Company Limited (采埃孚(中國)投資有限公司)	Non-related party	21,386.53	1,069.33	Within 1 year	0.49%
Total		<u>4,276,715.79</u>	<u>213,835.79</u>		<u>98.88%</u>

3. Prepayment

(1) Presentation by aging

Aging	Closing balance		Opening balance	
	Amount	Percentage	Amount	Percentage
Within 1 year	5,237,748.23	100.00%	4,350,517.31	100.00%

(2) *Top five prepayments of closing balance by prepayment object*

Name	Relationship with the Company	Closing balance	Percentage of total amount	Year of prepayment	Reasons
China National Publications Import & Export Shanghai Co., Ltd.(Pudong Branch) (中國圖書進出口上海公司浦東分公司)	Non-related party	2,059,811.40	39.33%	Within 1 year	Prepayments for rental
Shanghai Yuyuan (Group) Co., Ltd. (上海豫園(集團)有限公司)	Non-related party	1,259,582.03	24.05%	Within 1 year	Prepayments for rental
Shanghai Xin Xuhui (Group) Company Limited (上海新徐匯(集團)有限公司)	Non-related party	687,570.00	13.13%	Within 1 year	Prepayments for rental
Shanghai Shaowansheng Commerce & Food Ltd. (上海邵萬生商貿有限公司)	Non-related party	440,077.47	8.40%	Within 1 year	Prepayments for rental
Shanghai Runtong Furniture Co., Ltd. (上海潤瞳家具有限公司)	Non-related party	312,077.50	5.96%	Within 1 year	Not yet delivered
Total		<u>4,759,118.40</u>	<u>90.87%</u>		

4. **Other receivables**

Items	Closing balance	Opening balance
Interest receivable	—	—
Dividends receivable	—	—
Other receivables	<u>17,920,687.24</u>	<u>28,766,996.00</u>
Total	<u>17,920,687.24</u>	<u>28,766,996.00</u>

(1) *Other receivables*

1. Disclosure by aging

Aging	Closing balance
Less than 1 year	5,854,054.04
1 to 2 years	1,255,584.00
2 to 3 years	9,714,433.13
Over 3 years	<u>2,130,273.10</u>
Subtotal	<u>18,954,344.27</u>
Less: bad debt provision	<u>1,033,657.03</u>
Total	<u><u>17,920,687.24</u></u>

2. Presentation by nature

Nature	Book balance at the end of the period	Book balance at the beginning of the period
Rent pledges and deposits	18,655,512.64	19,107,259.49
Current accounts	153,350.92	10,858,698.64
Contingency provision	143,500.00	339,035.22
Others	<u>1,980.71</u>	<u>3,467.65</u>
Total	<u><u>18,954,344.27</u></u>	<u><u>30,308,461.00</u></u>

3. Provision of bad debts

Provision for bad debts	Stage 1	Stage 2	Stage 3	Total
	Next 12-month ECLs	Lifetime ECLs (non-credit impaired)	Lifetime ECLs (credit impaired)	
Opening balance	1,541,465.00	-	-	1,541,465.00
Opening balance during the period that	-	-	-	-
- Transfer to stage 2	-	-	-	-
- Transfer to stage 3	-	-	-	-
- Reverse to stage 2	-	-	-	-
- Reverse to stage 1	-	-	-	-
Provision for the period	-	-	-	-
Reversal for the period	507,807.97	-	-	507,807.97
Transfer for the period	-	-	-	-
Write-off for the period	-	-	-	-
Other changes	-	-	-	-
Closing balance	1,033,657.03	-	-	1,033,657.03

4. Bad debts provision

Category	Opening balance	Provision	Changes during the period			Closing balance
			Recovery or reversal	Transfer or write-off	Other changes	
Deposits, security deposit	955,362.97	-	22,587.34	-	-	932,775.63
Aging portfolios	586,102.03	-	485,220.63	-	-	100,881.40
Total	<u>1,541,465.00</u>	<u>-</u>	<u>507,807.97</u>	<u>-</u>	<u>-</u>	<u>1,033,657.03</u>

5. There was no other receivables actually written off during the reporting period

6. Top five other receivables by closing balance collected by borrowers

Name	Nature	Closing balance	Aging	Proportion in the total closing balance of other receivables	Closing balance of bad debt provision
Shanghai Wantong Xindi Real Estate Co., Ltd. (上海萬通新地置業 有限公司)	Rent pledges and deposits	8,984,839.21	2-3 years	47.40%	449,241.96
Alcatel-Lucent Shanghai Bell Software Co., Ltd. (上海諾基亞貝爾軟件 有限公司)	Rent pledges and deposits	4,251,807.26	Within 1 year	22.43%	212,590.36
Shanghai Da'an Enterprise Co., Ltd. (上海達安企業股份 有限公司)	Rent pledges and deposits	1,686,789.00	1-2 years, 2-3 years	8.90%	84,339.45
Shanghai Jianling Industry and Trade Industry Co., Ltd. (上海建嶺工貿實業 有限公司)	Rent pledges and deposits	1,519,200.00	Over 3 years	8.02%	75,960.00
Shanghai Chenguang Prawn Slice Food Co., Ltd. (上海晨光蝦片食品 有限公司)	Rent pledges and deposits	700,000.00	Within 1 year	3.69%	35,000.00
Total		<u>17,142,635.47</u>		<u>90.44%</u>	<u>857,131.77</u>

5. Other current assets

Item	Closing balance	Opening balance
Credit tax available for deduction	5,136,771.06	3,986,414.97
Prepayment of income tax	—	7,823.51
Total	<u>5,136,771.06</u>	<u>3,994,238.48</u>

6. Long-term receivables

Category	Book balance	Proportion	Closing balance		Carrying amount
			Bad debts provision	Discount rate	
Performance bond of Lingling Road and Wuding Road Project	200,000.00	66.67%	—	—	200,000.00
Performance bond of Huizhan Street Project	<u>100,000.00</u>	<u>33.33%</u>	<u>—</u>	<u>—</u>	<u>100,000.00</u>
Total	<u>300,000.00</u>	<u>100.00%</u>	<u>—</u>	<u>—</u>	<u>300,000.00</u>

Category	Book balance	Proportion	Opening balance		Carrying amount
			Bad debts provision	Discount rate	
Performance bond of Lingling Road and Wuding Road Project	200,000.00	100%	—	6.25%	200,000.00

7. Long-term Equity Investments

Investees	Opening balance	Additional investment	Reduce investment	Change during the period Gains or losses on investments recognised under the equity method	Adjustments to other comprehensive income	Other changes to equity
Associated companies						
Shanghai Xinyinzhou Investment Management Co., Ltd. (上海新銀洲投資管理有限公司)	-	4,600,000.00	-	310,826.11	-	-

(Continued)

Investee	Declaration of cash dividends or profits	Change during the period Provision for impairment	Others	Closing balance	Closing balance of impairment provision
Associated companies					
Shanghai Xinyinzhou Investment Management Co., Ltd. (上海新銀洲投資管理有限公司)	-	-	-	4,910,826.11	-

Note: On 22 July 2020, the Company entered into the “Equity Transfer Agreement between Shanghai Kuaiyi Mingshang Enterprise Development Co., Ltd. (上海快易名商企業發展股份有限公司) and Mr. Qian Jiangang (錢建鋼) concerning to Shanghai Xinyinzhou Investment Management Co., Ltd. (上海新銀洲投資管理有限公司)” with Mr. Qian Jiangang (錢建鋼), a natural person, pursuant to which the Company acquired 46% equity interest in Shanghai Xinyinzhou Investment Management Co., Ltd. (上海新銀洲投資管理有限公司) at a consideration of RMB4.6 million. The Company signed the Equity Pledge Contract with Mr. Qian Jiangang (錢建鋼) on the same day, pursuant to which the Company pledged 46% of the equity interest in Shanghai Xinyinzhou Investment Management Co., Ltd. (上海新銀洲投資管理有限公司) acquired by the Company to Mr. Qian Jiangang (錢建鋼) for a provisional consideration of RMB20 million. On 28 July 2020, the industrial and commercial registration modification procedures were completed.

8. Fixed assets

Item	Closing balance	Opening balance
Fixed assets	1,647,318.12	1,471,429.92
Disposal of fixed assets	—	—
Total	<u>1,647,318.12</u>	<u>1,471,429.92</u>

(1) Fixed assets

Item	Electronic equipment	Office equipment	Total
1. Original book value			
Opening balance	2,130,242.38	2,596,362.26	4,726,604.64
Increment for the period	151,538.89	636,642.96	788,181.85
Including: purchase	151,538.89	636,642.96	788,181.85
Decrement for the period	—	—	—
Including: disposal or scrap	—	—	—
Closing balance	2,281,781.27	3,233,005.22	5,514,786.49
2. Accumulated depreciation			
Opening balance	1,162,153.81	2,093,020.91	3,255,174.72
Increment for the period	242,387.79	369,905.86	612,293.65
Including: provision	242,387.79	369,905.86	612,293.65
Decrement for the period	—	—	—
Including: disposal or scrap	—	—	—
Closing balance	1,404,541.60	2,462,926.77	3,867,468.37
3. Provision for impairment	—	—	—
Opening balance	—	—	—
Increment for the period	—	—	—
Decrement for the period	—	—	—
Closing balance	—	—	—
4. Carrying amount			
Carrying amount of the end of period	877,239.67	770,078.45	1,647,318.12
Carrying amount of the opening of period	968,088.57	503,341.35	1,471,429.92

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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9. Construction in progress

Item	Closing balance	Opening balance
Construction in progress	55,259,293.33	55,514,653.94
Construction material	—	—
	<hr/>	<hr/>
Total	55,259,293.33	55,514,653.94
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(1) Construction in progress

Item	Book balance	Closing balance Provision for impairment	Net book value	Book balance	Opening balance Provision for impairment	Net book value
Project in Wuding Road, Lingling Road	—	—	—	3,154,647.45	—	3,154,647.45
Hongqiao Wantong Project	—	—	—	371,362.78	—	371,362.78
Project in Anyuan Road	—	—	—	13,917,791.45	—	13,917,791.45
Improvement Project in Huizhan Street	—	—	—	22,331,437.35	—	22,331,437.35
Kuaiye Improvement Project	—	—	—	1,771.65	—	1,771.65
Project in Xizangbei Road	42,528,848.72	—	42,528,848.72	15,737,643.26	—	15,737,643.26
Project in Eshan Road	9,183,411.25	—	9,183,411.25	—	—	—
Project in Chengdu Backyard	3,547,033.36	—	3,547,033.36	—	—	—
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	55,259,293.33	—	55,259,293.33	55,514,653.94	—	55,514,653.94
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1. Changes in significant construction in progress during the period

Item	Budget	Opening balance	Increment for the period	Transferred into Long-term deferred expenses of the period	Other decrement for the period	Proportion of accumulative investment of project in the budget
Project in Wuding Road, Lingling Road	9,000,000.00	3,154,647.45	5,751,119.00	8,905,766.45	-	100.00%
Hongqiao Wantong Project	75,000,000.00	371,362.78	2,522,984.10	2,894,346.88	-	100.00%
Project in Anyuan Road	15,000,000.00	13,917,791.45	765.00	13,918,556.45	-	100.00%
Project in Huizhan Street	25,000,000.00	22,331,437.35	3,296,852.25	25,628,289.60	-	100.00%
Kuaiye Improvement Project	-	1,771.65	-	-	1,771.65	-
Project in Xizangbei Road	90,000,000.00	15,737,643.26	64,697,715.38	37,906,509.92	-	89.37%
Project in Eshan Road	57,000,000.00	-	9,183,411.25	-	-	16.11%
Project in Ningbo Road	-	-	178,217.82	178,217.82	-	100.00%
Project in Chengdu Backyard	3,600,000.00	-	3,547,033.36	-	-	98.53%
Total		55,514,653.94	89,178,098.16	89,431,687.12	1,771.65	

(Continued)

Item	Project progress (%)	Accumulative amount of interest capitalisation	Including: amount of interest capitalisation for current period	Interest capitalisation rate for current period	Fund source	Closing balance
Project in Wuding Road, Lingling Road	100.00%	-	-	-	-	-
Hongqiao Wantong Project	100.00%	733,505.45	-	-	Loan	-
Project in Anyuan Road	100.00%	445,501.69	-	-	Loan	-
Project in Huizhan Street	100.00%	1,435,926.98	-	-	Loan	-
Kuaiye Improvement Project	-	-	-	-	-	-
Project in Xizangbei Road	55.67%	379,811.23	194,116.35	7.89%	Loan	42,528,848.72
Project in Eshan Road	15.00%	72,000.00	72,000.00	12.00%	Loan	9,183,411.25
Project in Ningbo Road	100.00%	-	-	-	-	-
Project in Chengdu Backyard	95.00%	-	-	-	-	3,547,033.36
Total		3,066,745.35	266,116.35			55,259,293.33

10. Intangible asset

(1) *Intangible asset*

Item	Software
1. Original book value	
Opening balance	379,696.66
Increment for the period	187,358.48
Including: purchase	187,358.48
Decrement for the period	–
Including: disposal	–
Reclassification	–
Closing balance	567,055.14
2. Accumulated amortisation	
Opening balance	6,012.49
Increment for the period	1,891.68
Including: provision	1,891.68
Decrement for the period	–
Including: disposal	–
Reclassification	–
Closing balance	7,904.17
3. Provision for impairment	
Opening balance	–
Increment for the period	–
Decrement for the period	–
Closing balance	–
4. Carrying amount	
Carrying amount of the end of period	559,150.97
Carrying amount of the opening of period	373,684.17

11. Development expenses

Item	Opening balance	Increment for the period	
		Internal development expenses	Others
Office Intelligent System Development Project	–	2,039,647.37	–

(Continued)

Item	Recognised as Intangible assets	Decrement for the period		Closing balance
		Transfer into profit or loss for current period	Reduction in scope of consolidation	
Office Intelligent System Development Project	–	–	–	2,039,647.37

12. Long-term deferred expenses

Item	Opening balance	Increment for the period	Amortisation amount for the period	Other decrement for the period	Closing balance
Project in Wuding Road, Lingling Road	17,700,712.00	8,905,766.45	4,796,958.25	-	21,809,520.20
Improvement Project in Ningbo Road	3,401,543.00	178,217.82	705,768.36	-	2,873,992.46
Hongqiao Wantong Project	68,497,326.08	2,894,346.88	8,746,928.07	-	62,644,744.89
Project in Anyuan Road	3,106,815.53	13,918,556.45	1,830,666.08	-	15,194,705.90
Project in Huizhan Street	-	25,628,289.60	2,751,283.89	-	22,877,005.71
Project in Xizangbei Road	-	37,906,509.92	563,927.75	-	37,342,582.17
Water purification services	10,000.00	-	10,000.00	-	-
Total	<u>92,716,396.61</u>	<u>89,431,687.12</u>	<u>19,405,532.40</u>	<u>-</u>	<u>162,742,551.33</u>

13. Deferred income tax assets

(1) Deferred income tax assets before offsetting

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Credit impairment provision	1,095,795.63	236,641.53	1,321,784.20	313,362.98
Deductible loss	<u>3,408,064.63</u>	<u>852,016.16</u>	<u>600,808.22</u>	<u>150,202.06</u>
Total	<u>4,503,860.26</u>	<u>1,088,657.69</u>	<u>1,922,592.42</u>	<u>463,565.04</u>

(2) Breakdown of unrecognised deferred income tax assets

Item	Closing balance	Opening balance
Credit impairment provision	154,091.92	258,217.09
Deductible loss	<u>2,888,837.87</u>	<u>1,486,785.66</u>
Total	<u>3,042,929.79</u>	<u>1,745,002.75</u>

(3) *Deductible loss for unrecognised deferred income tax will become due in the following years*

Year	Closing balance	Opening balance
2020	—	198,595.45
2021	43,396.33	43,396.43
2022	1,161.40	1,194.77
2023	307,237.97	307,237.97
2024	936,361.04	936,361.04
2025	1,600,681.13	—
Total	2,888,837.87	1,486,785.66

14. Other non-current assets

Items	Book balance	Closing balance	Carrying amount	Book balance	Opening balance	Carrying amount
		Provision for impairment			Provision for impairment	
Payment for improvement project	8,839,604.02	—	8,839,604.02	1,456,214.75	—	1,456,214.75

15. Short-term borrowings

(1) *Classification of short-term borrowings*

Items	Closing balance	Opening balance
Credit loans	—	1,960,000.00
Guaranteed borrowings	19,200,000.00	2,200,000.00
Interest payable not yet due	39,632.12	—
Total	19,239,632.12	4,160,000.00

Notes:

- (1) The Company entered into a working capital loan agreement with the contract number of (310101721191016) Zhe Tai Shang Yin (Liu Jie) Zi No. (0103090390) (浙泰商銀(流借)字第(0103090390)號) with Zhejiang Tailong Commercial Bank Co., Ltd. (Shanghai Zhabei Branch) (浙江泰隆商業銀行股份有限公司上海閘北支行) on 16 October 2019, with a loan amount of RMB2.20 million and an interest rate of 9.852% per annum for a term of 12 months commencing from 16 October 2019 to 15 October 2020. As of 31 December 2021, such loan was fully repaid.

- (2) The Company entered into a working capital loan agreement with the contract number of (310101721201013) Zhe Tai Shang Yin (Liu Jie) Zi No. (0103090382) (浙泰商銀(流借)字第(0103090382)號) with Zhejiang Tailong Commercial Bank Co., Ltd. (Shanghai Zhabei Branch) (浙江泰隆商業銀行股份有限公司上海閘北支行) on 13 October 2020, with a loan amount of RMB2.20 million and an interest rate of 9.18% per annum for a term of 12 months commencing from 13 October 2020 to 13 October 2021. According to the maximum corporate guarantee contract with number of (310101721201013) Zhe Tai Shang Yin (Gao Bao) Zi No. (0103090446) (浙泰商銀(高保)字第(0103090446)號), Shi Yan (施豔), Wang Jianfeng (王建鋒), Zhang Bowei (張博偉) and Wang Fuhua (王輔哈) shall undertake the joint guarantee liability for the loan, with a maximum principal of guaranteed debt of RMB4.30 million.
- (3) The Company entered into a working capital loan agreement for small business with the contract number of 212200004 with Bank of Shanghai Co., Ltd. (Jing'an Branch) (上海銀行股份有限公司靜安支行) on 19 January 2020, with a loan amount of RMB5.00 million and an interest rate of 5.22% per annum for a term of 12 months commencing from 22 January 2020 to 22 January 2021. On 20 January 2020, the Company entered into the Letter of Undertaking for Entrusted Guarantee with Shanghai Administration Center of Policy Financing Guarantee Funds for SMEs, which provided guarantee for such loan of the Company with a guaranteed amount of RMB4.25 million. Meanwhile, according to the loan guarantee contracts for inclusive finance and small business with contract number of No. DB21220000401 and No. DB21220000402, such loan was guaranteed by Wang Fuhua (王輔哈), Ying Wen (應文) and Shanghai Kuaijie Enterprise Management Co., Ltd. (上海快頤企業管理有限公司) (the controlled subsidiary of the Company), and the scope of guarantee includes the loan principal, interest, default interest, default penalty, compensation and expenses for execution of the creditor's rights.

In light of that the loan of the Company was guaranteed by Shanghai Administration Center of Policy Financing Guarantee Funds for SMEs as mentioned above, on 20 January 2020, Wang Fuhua (王輔哈) and Ying Wen (應文) provided counter guarantee to Shanghai Administration Center of Policy Financing Guarantee Funds for SMEs.

- (4) The Company entered into a working capital loan agreement for small business with contract number of No. 212200251 with Bank of Shanghai Co., Ltd. (Jing'an Branch) (上海銀行股份有限公司靜安支行) on 17 December 2020, with a loan amount of RMB5.00 million and an interest rate of 4.85% per annum for a term of 12 months commencing from 17 December 2020 to 17 December 2021. On 18 December 2020, the Company entered into the Letter of Undertaking for Entrusted Guarantee with Shanghai Administration Center of Policy Financing Guarantee Funds for SMEs, which provided guarantee for such loan of the Company with a guaranteed amount of RMB4.25 million. Meanwhile, according to the loan guarantee contracts for inclusive finance and small business with contract number of No. DB21220025101 and No. DB21220025102, such loan was guaranteed by Wang Fuhua (王輔哈), Ying Wen (應文) and Shanghai Kuaijie Enterprise Management Co., Ltd. (上海快頤企業管理有限公司) (the controlled subsidiary of the Company), and the scope of guarantee includes the loan principal, interest, default interest, default penalty, compensation and expenses for execution of the creditor's rights.

- (5) The Company entered into a working capital loan agreement with the contract number of No. 8531231220200049 with Shanghai Baoshan Yangzi Village Bank (上海寶山揚子村鎮銀行) on 20 May 2020, with a loan amount of RMB3.00 million and an interest rate of 5.5% per annum for a term of 12 months commencing from 20 May 2020 to 20 May 2021. According to the maximum corporate guarantee contract with number of No. 34021585312020000094, No. 34021585312020000095, No. 34021585312020000096 and No. 34021585312020000097, Shi Yan (施豔), Wang Fuhuan (王輔晗), Zhang Bowei (張博偉) and Wang Jianfeng (王建鋒) shall undertake the joint guarantee liability for the loan, with a maximum principal of guaranteed debt of RMB4.50 million.
- (6) The Company entered into a loan agreement with the contract number of No. A2020019 with Shanghai Minhang Chuangye Jieli Microfinance Co., Ltd. (上海閔行創業接力小額貸款股份有限公司) on 5 March 2020, with a loan amount of RMB2.00 million and an interest rate of 12% per annum for a term of 6 months commencing from 25 March 2020 to 30 September 2020. As of 31 December 2020, such loan was fully repaid.

The Company entered into a loan agreement with the contract number of No. A2020150 with Shanghai Minhang Chuangye Jieli Microfinance Co., Ltd. (上海閔行創業接力小額貸款股份有限公司) on 14 September 2020, with a loan amount of RMB2.00 million and an interest rate of 12% per annum for a term of 3 months commencing from 18 September 2020 to 16 December 2020. On 11 December 2020, the Company entered into the loan extension agreement with the contract number of No. B2020150 with Shanghai Minhang Chuangye Jieli Microfinance Co., Ltd. (上海閔行創業接力小額貸款股份有限公司), to extend the term of the loan to 16 March 2021, and the extended term commencing from 17 December 2020 to 16 March 2021 with an interest rate of 14.4% per annum.

According to the maximum corporate guarantee contracts with number of No. E202001901, No. E202001902, No. E202001903, No. E202001904 and No. E202001906, Wang Jianfeng (王建鋒), Xia Wei (夏薇), Wang Fuhuan (王輔晗), Ying Wen (應文), Zhang Bowei (張博偉), Xu Lihong (徐麗虹), Shi Yan (施豔) and Shanghai Kuaijie Enterprise Management Co., Ltd. (上海快頤企業管理有限公司) (the controlled subsidiary of the Company) shall undertake the joint guarantee liability for the loan, with a maximum principal of guaranteed debt of RMB3.00 million.

- (7) The Company entered an online working capital loan agreement with Bank of Ningbo (Shanghai Branch) (寧波銀行上海分行) on 11 August 2020, with a loan amount of RMB2.00 million and an interest rate of 5% per annum for a term of 12 months commencing from 11 August 2020 to 11 August 2021. According to the maximum corporate guarantee contract with number of No. 07001KB209NDMHK, Shanghai Chuangye Jieli Financing Guarantee Co., Ltd. (上海創業接力融資擔保有限公司) shall provide guarantee to Bank of Ningbo (Shanghai Branch) (寧波銀行上海分行) for the loan in favour of the Company.

In light of that the loan of the Company was guaranteed by Shanghai Chuangye Jieli Financing Guarantee Co., Ltd. (上海創業接力融資擔保有限公司) as mentioned above, Wang Jianfeng (王建鋒), Xia Wei (夏薇), Wang Fuhuan (王輔晗), Ying Wen (應文), Zhang Bowei (張博偉), Xu Lihong (徐麗虹), Shi Yan (施豔) and Shanghai Kuaijie Enterprise Management Co., Ltd. (上海快頤企業管理有限公司) (the controlled subsidiary of the Company) provided counter guarantee to Shanghai Chuangye Jieli Financing Guarantee Co., Ltd. (上海創業接力融資擔保有限公司).

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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16. Trade payables

Items	Closing balance	Opening balance
Within 1 year	25,513,005.68	9,798,700.23
1-2 years	901,321.75	81,579.26
2-3 years	14,329.00	18,673.84
	<hr/>	<hr/>
Total	26,428,656.43	9,898,953.33
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

17. Receipts in advance

Items	Closing balance	Balance at the end of last year
Rent received in advance	3,212,512.47	6,876,938.61

18. Employee benefits payable

(1) Breakdown of employee benefits payable

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
Short-term benefits	-	7,435,676.71	7,435,676.71	-
Post-employment benefits (the liability of defined contribution plan)	-	141,035.41	141,035.41	-
Termination benefits	-	136,549.15	136,549.15	-
Other benefits due within one year	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	-	7,713,261.27	7,713,261.27	-
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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(2) *Breakdown of short-term benefits*

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
Wages, bonuses, allowances and subsidies	–	6,605,368.71	6,605,368.71	–
Employee welfare benefits	–	73,566.31	73,566.31	–
Social insurance	–	447,187.69	447,187.69	–
Including: Medical insurance	–	435,998.90	435,998.90	–
Work-related injury insurance	–	2,477.38	2,477.38	–
Maternity insurance	–	8,711.41	8,711.41	–
Housing provident fund	–	293,769.00	293,769.00	–
Union and education funds	–	15,785.00	15,785.00	–
Others short-term benefits	–	–	–	–
	–	–	–	–
Total	–	7,435,676.71	7,435,676.71	–

(3) *Breakdown of defined contribution plan*

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
Basic pension insurance	–	136,694.50	136,694.50	–
Unemployment insurance	–	4,340.91	4,340.91	–
	–	–	–	–
Total	–	141,035.41	141,035.41	–

19. Taxes payable

Items	Closing balance	Opening balance
Corporate income tax	5,439,674.50	394,670.94
Value-added Tax (“VAT”)	1,416,696.02	317,678.87
Urban maintenance and construction tax	21,317.28	8,688.79
Education surcharge	12,277.60	7,890.37
Local education surcharge	8,185.07	–
Individual income tax	1,460.00	1,062.07
Stamp duty	69,924.02	36,928.42
	–	–
Total	6,969,534.49	766,919.46

20. Other payables

Items	Closing balance	Opening balance
Interest payable	–	173,179.31
Dividend payable	–	–
Other payables	56,490,519.04	55,710,870.02
Total	<u>56,490,519.04</u>	<u>55,884,049.33</u>

(1) Interest payable

Items	Closing balance	Opening balance
Interest of long-term borrowings with interest payable by installments and principal payable on maturity	–	103,888.90
Interest payable on short-term borrowings	–	69,290.41
Total	<u>–</u>	<u>173,179.31</u>

(2) Other payables

1. Other payables by nature

Items	Closing balance	Opening balance
Housing deposit and security deposit	28,892,368.83	26,459,109.04
Capital borrowings (Note)	25,491,504.58	27,000,000.00
Individual borrowings	2,000,000.00	2,000,000.00
Others	106,645.63	251,760.98
Total	<u>56,490,519.04</u>	<u>55,710,870.02</u>

Note:

- In 2019, the Company's holding subsidiary Shanghai Kuaijie Enterprise Management Co., Ltd. (上海快頤企業管理有限公司) entered into a recourse factoring contract (Contract No.: 19BJ009) with Shan Shan Fullin Factoring Co., Ltd. (杉杉富銀商業保理有限公司), pursuant to which, Shanghai Kuaijie Enterprise Management Co., Ltd. (上海快頤企業管理有限公司) pledged its right to receivables from customers to Shan Shan Fullin Factoring Co., Ltd. (杉杉富銀商業保理有限公司), to obtain a credit borrowing of RMB15.00 million from Shan Shan Fullin Factoring Co., Ltd. (杉杉富銀商業保理有限公司) at an interest rate of 13% per annum, for a term of 2 years commencing from 20 November 2019 to 19 November 2021. RMB3.50 million was repaid on 25 March 2020 and 28 September 2020, respectively. As of the end of the reporting period, the amount of remaining outstanding principal was RMB8.00 million.

- 2) In 2019, the Company entered into a recourse factoring contract (Contract No.: 19BJ014) with Shan Shan Fullin Factoring Co., Ltd. (杉杉富銀商業保理有限公司), pursuant to which, the Company pledged its right to receivables from customers to Shan Shan Fullin Factoring Co., Ltd. (杉杉富銀商業保理有限公司) to obtain a credit borrowing of RMB10.00 million from Shan Shan Fullin Factoring Co., Ltd. (杉杉富銀商業保理有限公司) at an interest rate of 13% per annum, for a term of 2 years commencing from 4 November 2019 to 3 November 2021. RMB1.00 million was repaid on 25 March 2020, 27 April 2020, 30 September 2020 and 22 October 2020, respectively. As of the end of the reporting period, the amount of remaining outstanding principal amount was RMB6.00 million.
- 3) On 8 July 2020, the Company entered into a borrowing agreement of RMB5.00 million with Dongguan Zhansheng Industrial Investment Co., Ltd. (東莞市展生實業投資有限公司). As of the end of the reporting period, the amount of remaining outstanding principal was RMB5.00 million.
- 4) The Company's holding subsidiary Shanghai Kuaiming Enterprise Management Co., Ltd. (上海快銘企業管理有限公司) entered into several borrowing agreements with Shanghai Da'an Jiaming Investment Management Co., Ltd. (上海達安嘉銘投資管理有限公司). Please see note (5) Borrowings with lending from/to related parties of X. 4. Information on connected transactions to this financial statements for details.

2. *There was no material other payables aged over one year at the end of the reporting period*

21. Non-current liabilities due within one year

Items	Closing balance	Opening balance
Long-term borrowings due within one year	36,500,000.00	4,000,000.00
Long-term payables due within one year	2,048,480.00	1,970,000.04
Total	<u>38,548,480.00</u>	<u>5,970,000.04</u>

22. Other current liabilities

Items	Closing balance	Opening balance
Interest payable on long-term borrowings	155,604.17	–

23. Long-term borrowings

Classification of long-term borrowings

Items	Closing balance	Opening balance
Secured and pledged loans	61,000,000.00	36,000,000.00
Less: Long-term borrowings due within one year	<u>36,500,000.00</u>	<u>–</u>
Total	<u>24,500,000.00</u>	<u>36,000,000.00</u>

Notes:

- (1) On 15 May 2019, the Company entered into a Bank of Shanghai unit entrusted loan contract (Contract No.: 201190535) with Bank of Shanghai, Pudong Branch for a borrowing of RMB40.00 million in principal with Shanghai Zaidanbao Co., Ltd. (上海市再擔保有限公司) as the entruster and Bank of Shanghai, Pudong Branch as the lender. Pursuant to which, the borrowing was at an interest rate of 8.5% per annum for a term of 2 years commencing from 15 August 2019 to 15 August 2021. The borrowing shall be repayable in three instalments, specifically, RMB4.00 million, RMB6.00 million and RMB30.00 million should be paid on 15 August 2020, 15 February 2021 and 15 August 2021, respectively. The following parties provided counter-guarantees to Shanghai Zaidanbao Co., Ltd. (上海市再擔保有限公司) regarding to such borrowing, with details as the following:
1. According to real estate mortgage (guarantee) contract (Contract No.: TZ[2019]005-DY), Ying Wen (應文) pledged an owned property with a valuation RMB20.00 million, located at Room 1201, No. 21, Lane 333, Fangdian Road, to Shanghai Zaidanbao Co., Ltd. (上海市再擔保有限公司).
 2. According to the security and guarantee contracts (Contract No.: TZ[2019]001-BZ, TZ[2019]002-BZ, TZ[2019]003-BZ and TZ[2019]004-BZ), Shi Yan (施豔), Wang Fuhai (王輔哈), Ying Wen (應文), Wang Jianfeng (王建鋒), Zhang Bowei (張博偉) and Xu Lihong (徐麗虹) provided counter-guarantees to Shanghai Zaidanbao Co., Ltd. (上海市再擔保有限公司) regarding to this borrowing.
 3. According to the pledge and guarantee contract (Contract No.: TZ[2019]006-ZY), Shanghai Dangxian Business Information Consulting Co., Ltd., (上海當現商務信息諮詢有限公司), a shareholder of the Company, pledged its shares in the Company to Shanghai Zaidanbao Co., Ltd. (上海市再擔保有限公司). Shanghai Dangxian Business Information Consulting Co., Ltd., (上海當現商務信息諮詢有限公司) pledged 495,000 shares, accounting for 3.30% of the Company's total share capital. Among the shares pledged, 0 share was subject to trading moratorium and 495,000 shares were not subject to trading moratorium. The pledge period was from 11 September 2019 to 15 August 2021.
 4. According to the pledge and guarantee contract (Contract No.: TZ[2019]007-ZY), Shi Yan (施豔), a shareholder of the Company, pledged her shares in the Company to Shanghai Zaidanbao Co., Ltd. (上海市再擔保有限公司). She pledged 2,204,000 shares, accounting for 14.69% of the Company's total share capital. Among the shares pledged, 2,025,000 shares were subject to trading moratorium and 179,000 shares were not subject to trading moratorium. The pledge period was from 17 September 2019 to 15 August 2021.
 5. According to the pledge and guarantee contract (Contract No.: TZ[2019]008-ZY), Wang Fuhai (王輔哈), a shareholder of the Company, pledged his shares in the Company to Shanghai Zaidanbao Co., Ltd. (上海市再擔保有限公司). He pledged 2,700,000 shares, accounting for 18.00% of the Company's total share capital. Among the shares pledged, 2,025,000 shares were subject to trading moratorium and 675,000 shares were not subject to trading moratorium. The pledge period was from 19 September 2019 to 15 August 2021.
 6. According to the pledge and guarantee contract (Contract No.: TZ[2019]009-ZY), Wang Jianfeng (王建鋒), a shareholder of the Company, pledged his shares in the Company to Shanghai Zaidanbao Co., Ltd. (上海市再擔保有限公司). He pledged 2,700,000 shares, accounting for 18.00% of the Company's total share capital. Among the shares pledged, 2,025,000 shares were subject to trading moratorium and 675,000 shares were not subject to trading moratorium. The pledge period was from 19 September 2019 to 15 August 2021.

- (2) On 27 September 2020, the subsidiary Shanghai Kuaiqin Enterprise Management Co., Ltd. (上海快沁企業管理有限公司) entered into a working capital loan contract (Contract No.: 31381204010035) with Shanghai Rural Commercial Bank Co., Ltd., Jing'an Branch (上海農村商業銀行股份有限公司靜安支行), for a borrowing of RMB5.00 million in principal at an interest rate of 4.65% per annum for a term of 3 years commencing from 9 October 2020 to 8 October 2023. Pursuant to which, the principal shall be repayable in three instalments, specifically, RMB0.50 million, RMB0.50 million and RMB4.00 million should be repayable on 8 October 2021, 8 October 2022 and 8 October 2023, respectively.

According to the personal liability guarantee letter (Letter No.: 31381204290035), Wang Fuhun (王輔哈), Ying Wen (應文), Shi Yan (施豔), Zhang Bowei (張博偉) and Wang Jianfeng (王建鋒) had provided joint and several liabilities guarantee regarding to this borrowing.

According to the guarantee contract (Contract No.: 31381204070035), the Company had provided joint and several liabilities guarantee regarding to this borrowing.

- (3) On 22 July 2020, the subsidiary Shanghai Kuaiqin Enterprise Management Co., Ltd. (上海快沁企業管理有限公司) entered into a unit entrusted loan contract (Contract No.: 98142020280411) with Shanghai Pudong Development Bank Co., Ltd., Putuo Branch (上海浦東發展銀行股份有限公司普陀支行) for a borrowing of RMB10.00 million in principal with Shanghai Da'an Jiaming Investment Management Co., Ltd. (上海達安嘉銘投資管理有限公司) as the entruster and Shanghai Pudong Development Bank Co., Ltd., Putuo Branch (上海浦東發展銀行股份有限公司普陀支行) as the lender. Pursuant to which, the borrowing was at an interest rate of 9% per annum for a term of 2 years commencing from 23 July 2020 to 22 July 2022.

According to the guarantee contracts (Contract No.: YB9814202028041101, YB9814202028041102 and YB9814202028041103), the Company, Wang Fuhun (王輔哈) and Zhang Bowei (張博偉) had provided joint and several liabilities guarantee regarding to this borrowing.

According to the rights pledge contract (Contract No.: YZ9814202028041101), the Company pledged its 51% equity in Shanghai Kuaiming Enterprise Management Co., Ltd. (上海快銘企業管理有限公司), a holding subsidiary of the Company, to Shanghai Pudong Development Bank Co., Ltd., Putuo Branch (上海浦東發展銀行股份有限公司普陀支行).

On 7 September 2020, the subsidiary Shanghai Kuaiqin Enterprise Management Co., Ltd. (上海快沁企業管理有限公司) entered into a unit entrusted loan contract (Contract No.: 98142020280478) with Shanghai Pudong Development Bank Co., Ltd. Putuo Branch (上海浦東發展銀行股份有限公司普陀支行) for a borrowing of RMB10.00 million in principal with Shanghai Da'an Jiaming Investment Management Co., Ltd. (上海達安嘉銘投資管理有限公司) as the entruster and Shanghai Pudong Development Bank Co., Ltd., Putuo Branch (上海浦東發展銀行股份有限公司普陀支行) as the lender. Pursuant to which, the borrowing was at an interest rate of 9% per annum for a term of 2 years commencing from 7 September 2020 to 6 September 2022.

According to the guarantee contracts (Contract No.: YB9814202028047801, YB9814202028047802 and YB9814202028047803), the Company, Wang Fuhun (王輔哈) and Zhang Bowei (張博偉) had provided joint and several liabilities guarantee regarding to this borrowing.

According to the rights pledge contract (Contract No.: YZ9814202028047801), the Company pledged its 100% equity in Shanghai Kuaiqin Enterprise Management Co., Ltd. (上海快沁企業管理有限公司), a wholly-owned subsidiary of the Company, to Shanghai Pudong Development Bank Co., Ltd., Putuo Branch (上海浦東發展銀行股份有限公司普陀支行).

24. Long-term payables

Items	Closing balance	Opening balance
Long-term payables	2,656,866.62	1,356,666.60
Less: Long-term payables due within one year	2,048,480.00	—
Total	608,386.62	1,356,666.60

(1) Long-term payables

Long-term payables by nature

Items	Closing balance	Opening balance
Finance lease payables	3,234,000.00	3,910,000.00
Less: Unrecognised finance costs	577,133.38	583,333.36
Subtotal	2,656,866.62	3,326,666.64
Less: Long-term payables due within one year	2,048,480.00	1,970,000.04
Total	608,386.62	1,356,666.60

25. Share Capital

Items	Opening balance	Issuance of new shares	Bonus issue	Changes (+,-) Capitalisation of surplus reserve	Others	Subtotal	Closing balance
(1) Shares subject to trading moratorium							
Shares held by other domestic shareholders	6,975,000.00	595,829.00	—	—	—	595,829.00	7,570,829.00
Including: Shares held by domestic natural persons	6,975,000.00	595,829.00	—	—	—	595,829.00	7,570,829.00
(2) Shares not subject to trading moratorium							
Renminbi ordinary shares	8,024,999.00	2,879,781.00	—	—	—	2,879,781.00	10,904,780.00
(3) Total shares	14,999,999.00	3,475,610.00	—	—	—	3,475,610.00	18,475,609.00

Notes:

- i. Please see (14) Capital increase in September 2020 of 2. History in Note 1 to the financial statement for details of changes in share capital for the period.
- ii. As Wang Jianfeng (王建鋒) is a director of the Company, 75% of the 794,438 additional shares, i.e. 595,829 shares, are subject to statutory trading moratorium for this share issue.

26. Capital reserve

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Share premium	29,731,126.08	30,820,866.39	–	60,551,992.47

The increase for the period was due to:

1. The increase in share premium of RMB31,523,782.70 from the private placement for the period;
2. The offset of the issuance costs arising from the private placement for the period against the share premium of RMB311,320.75;
3. Adjustment of the share premium under the capital reserve in the consolidated balance sheet for the difference between the newly acquired long-term equity investment from the purchase of minority interests and the share of net assets of the subsidiary calculated from the date of consolidation in proportion to the new shareholdings of RMB-391,595.56 upon the acquisition of the 39.2% equity interest held by minority shareholders of Shanghai Kuaiqin Enterprise Management Co., Ltd. (上海快沁企業管理有限公司) for the period.

Please see Note (2) of 3. Long-Term equity investment in Note 14 to the financial statements for details.

27. Surplus reserve

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
Statutory surplus reserve	169,608.07	910,101.66	–	1,079,709.73

28. Retained earnings

Items	Current period	Prior period
Retained earnings at the end of prior period before adjustment	–1,413,259.45	–2,738,805.20
Total amount of retained earnings at the beginning of the adjustment period (increase +, decrease -)	–	–
Retained earnings at the beginning of the period after adjustment	–1,413,259.45	–2,738,805.20
Add: Net profits attributable to shareholders of the parent company during the current period	15,582,794.19	1,325,545.75
Less: Appropriation to statutory surplus reserve	910,101.66	–
Retained earnings at the end of the period	13,259,433.08	–1,413,259.45

29. Operating income and operating cost

(1) Operating income and operating cost

Items	Amount for the current period		Amount for the prior period	
	Income	Cost	Income	Cost
Principal operations	124,353,582.96	93,913,166.76	68,391,339.33	58,565,744.61
Other operations	—	—	—	—
Total	<u>124,353,582.96</u>	<u>93,913,166.76</u>	<u>68,391,339.33</u>	<u>58,565,744.61</u>

(2) Principal operations by segment

Items	Amount for the current period		Amount for the prior period	
	Income	Cost	Income	Cost
Rental	119,564,448.90	92,845,031.68	60,701,853.16	55,003,586.70
Service fee	<u>4,789,134.06</u>	<u>1,068,135.08</u>	<u>7,689,486.17</u>	<u>3,562,157.91</u>
Total	<u>124,353,582.96</u>	<u>93,913,166.76</u>	<u>68,391,339.33</u>	<u>58,565,744.61</u>

30. Taxes and surcharges

Items	Amount for the current period	Amount for the prior period
City maintenance and construction tax	116,345.10	97,757.38
Stamp duty	75,576.80	39,718.82
Education surcharge	64,572.75	83,177.25
Local education surcharge	<u>43,048.51</u>	<u>—</u>
Total	<u>299,543.16</u>	<u>220,653.45</u>

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31. Selling expense

Items	Amount for the current period	Amount for the prior period
Advertising and promotion fees	–	21,931.40
Entertainment expenditures	20,330.00	–
	<hr/>	<hr/>
Total	20,330.00	21,931.40
	<hr/> <hr/>	<hr/> <hr/>

32. Management cost

Items	Amount for the current period	Amount for the prior period
Wages and salaries	1,747,039.73	1,967,695.50
Consulting and professional service fees	1,118,473.58	2,998,976.48
Office fees	447,566.55	458,667.07
Insurance fees	351,063.49	338,326.15
Entertainment expenditures	335,847.66	701,547.47
Travel expenses	140,525.79	318,721.89
Depreciation and amortization	102,421.39	72,059.95
Conference fees	2,000.00	52,000.00
Other	207,222.21	2,693.69
	<hr/>	<hr/>
Total	4,452,160.40	6,910,688.20
	<hr/> <hr/>	<hr/> <hr/>

33. Finance costs

Items	Amount for the current period	Amount for the prior period
Interest expenses	8,150,079.42	1,482,807.83
Interest income	–38,632.49	–416,811.47
Commission charges	66,826.92	48,959.28
	<hr/>	<hr/>
Total	8,178,273.85	1,114,955.64
	<hr/> <hr/>	<hr/> <hr/>

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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34. Other Income

Items	Amount for the current period	Amount for the prior period
Special subsidy support project for modern service industry of Hongqiao	1,000,000.00	1,000,000.00
Investment promotion reward from Jiading Industrial Zone	350,000.00	492,340.23
Subsidies for employment stabilization	13,089.00	–
Refund of individual tax handling fees	1,555.70	198.76
	<hr/>	<hr/>
Total	1,364,644.70	1,492,538.99
	<hr/> <hr/>	<hr/> <hr/>

35. Investment income

Items	Amount for the current period	Amount for the prior period
Income from long-term equity investments accounted for under the equity method	310,826.11	–
Interest income	214,784.17	–
	<hr/>	<hr/>
Total	525,610.28	–
	<hr/> <hr/>	<hr/> <hr/>

36. Credit impairment losses

Items	Amount for the current period	Amount for the prior period
Credit impairment losses for accounts receivable	–177,694.23	–31,006.50
Credit impairment losses for other receivables	507,807.97	–479,076.87
	<hr/>	<hr/>
Total	330,113.74	–510,083.37
	<hr/> <hr/>	<hr/> <hr/>

37. Non-operating income

Items	Amount for the current period	Amount for the prior period	Amount included in non-recurring profit or loss
Compensation	7,152.50	177,711.96	7,152.50
Other	8,648.74	1,007.45	8,648.74
	<hr/>	<hr/>	<hr/>
Total	15,801.24	178,719.41	15,801.24
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

38. Non-operating expenses

Items	Amount for the current period	Amount for the prior period	Amount included in non-recurring profit or loss
Penalty and late payment	312,641.25	–	312,641.25
Compensation	–	510,813.09	–
Loss on destruction and retirement of non-current assets	–	532.11	–
Donation	–	0.20	–
	<hr/>	<hr/>	<hr/>
Total	<u>312,641.25</u>	<u>511,345.40</u>	<u>312,641.25</u>

39. Income tax expenses

(1) *Income tax expense statement*

Items	Amount for the current period	Amount for the prior period
Current income tax expense	5,212,349.95	394,670.94
Deferred income tax expense	–625,092.65	25,965.26
	<hr/>	<hr/>
Total	<u>4,587,257.30</u>	<u>420,636.20</u>

(2) *Reconciliation between accounting profits and income tax expenses*

Items	Amount for the current period
Total profits	19,413,637.50
Income tax expenses calculated at statutory/applicable tax rate	4,853,409.36
Effect of different tax rates applicable to subsidiary companies	–351,906.13
Effect of adjusting the income tax of previous period	–112,370.39
Effect of non-taxable income	–77,706.53
Effect of non-deductible costs, expenses and losses	245,672.91
Effect of using deductible losses of previously unrecognised deferred income tax assets	–49,648.86
Effect of deductible temporary difference or deductible losses of unrecognised deferred income tax assets in the period	79,806.94
Income tax expenses	4,587,257.30

40. Notes to the cash flow statement

(1) Other cash received relating to operating activities

Items	Amount for the current period	Amount for the prior period
Government grants received	1,364,644.70	1,492,538.99
Interest income received	38,632.49	416,811.47
Receipts from current accounts	71,703,061.48	109,437,864.37
	<hr/>	<hr/>
Total	73,106,338.67	111,347,214.83
	<hr/> <hr/>	<hr/> <hr/>

(2) Other cash payment relating to operating activities

Items	Amount for the current period	Amount for the prior period
Cash payments for current accounts	58,758,844.56	60,764,806.60
Cash payments for expenses	2,602,699.28	5,182,482.64
Fines	312,641.25	510,813.09
	<hr/>	<hr/>
Total	61,674,185.09	66,458,102.33
	<hr/> <hr/>	<hr/> <hr/>

(3) Other cash received relating to investing activities

Items	Amount for the current period	Amount for the prior period
Repayment of capital loans by related parties	10,905,195.13	5,000,000.00

(4) Other cash paid relating to investing activities

Items	Amount for the current period	Amount for the prior period
Capital loans from related parties	–	15,000,000.00

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(5) *Other cash received relating to financing activities*

Items	Amount for the current period	Amount for the prior period
Finance lease payments	1,343,440.00	3,620,000.00
Borrowings from non-financial institutions	<u>21,960,000.00</u>	<u>32,000,000.00</u>
Total	<u><u>23,303,440.00</u></u>	<u><u>35,620,000.00</u></u>

(6) *Other cash paid relating to financing activities*

Items	Amount for the current period	Amount for the prior period
Payment to minority shareholders by reducing capital	12,250,000.00	–
Finance lease payment	2,452,000.00	840,000.00
Repayment of borrowings from non-financial institutions	<u>–</u>	<u>56,500,000.00</u>
Total	<u><u>14,702,000.00</u></u>	<u><u>57,340,000.00</u></u>

41. Supplementary information to the cash flow statement

(1) Reconciliation of net profits to the cash flow from operating activities

Items	Amount for the current period	Amount for the prior period
1. Reconciliation of net profits to the cash flow from operating activities:		
Net profits	14,826,380.20	1,786,559.46
Add: Provision for asset impairment	—	—
Provision for credit impairment	-330,113.74	510,083.37
Fixed assets depreciation, oil and gas assets consumption and productive biological assets depreciation	612,293.65	525,890.82
Amortization of intangible assets	1,891.68	1,853.96
Amortization of long-term prepaid expenses	19,405,532.40	8,267,722.95
Losses on disposal of fixed assets, intangible assets and other long-term assets ("—" for gains)	—	—
Losses on retirement of fixed assets ("—" for gains)	—	532.11
Losses on changes in fair value ("—" for gains)	—	—
Finance costs ("—" for gains)	8,150,079.42	1,437,807.83
Losses arising from investments ("—" for gains)	-525,610.28	—
Decrease in deferred income tax assets ("—" for increase)	-625,092.65	25,965.26
Increase in deferred income tax liabilities ("—" for decrease)	—	—
Decrease in inventories ("—" for increase)	—	—
Decrease in operating receivables ("—" for increase)	-10,991,809.06	-63,606,280.90
Increase in operating payables ("—" for decrease)	31,041,933.28	113,136,709.04
Others	—	—
Net cash flows from operating activities	61,565,484.90	62,086,843.90
2. Major investment and financing activities irrelevant to cash income and expenses:		
Conversion of debts into capital	19,999,986.72	—
Convertible corporate bonds due within one year	—	—
Fixed assets under finance leases	—	—
3. Net changes in cash and cash equivalents:		
Cash balance at the end of the period	24,118,893.28	11,760,892.66
Less: Cash balances at the beginning of the year	11,760,892.66	14,491,375.68
Add: Balance of cash equivalents at the end of the period	—	—
Less: Balance of cash equivalents at the beginning of the year	—	—
Net increase in cash and cash equivalents	12,358,000.62	-2,730,483.02

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(2) *Composition of cash and cash equivalents*

Item	Closing balance	Opening balance
1. Cash	24,118,893.28	11,760,892.66
Including: Cash on hand	29,000.70	39,782.26
Bank deposits available on demand	24,089,892.58	11,721,110.40
Other cash and cash at banks on demand	—	—
Central bank deposits available for payment	—	—
Deposits in other banks	—	—
Loans to other banks	—	—
2. Cash equivalents	—	—
Including: Bond investment due within 3 months	—	—
3. Closing balance of cash and cash equivalents	24,118,893.28	11,760,892.66
Including: Cash and cash equivalents of the Company or its subsidiaries subject to restrictions on use	—	—

42. Government grant

(1) *Details of the government grant*

Category	Amount	Representation	Amount included in profit or loss of the period
Special subsidy support project for modern service industry of Hongqiao	1,000,000.00	Other income	1,000,000.00
Investment promotion reward from Jiading Industrial Zone	350,000.00	Other income	350,000.00
Total	1,350,000.00		1,350,000.00

VII. CHANGE IN THE SCOPE OF CONSOLIDATION

1. Business combination not under common control

Business combination not under common control did not happen during the period.

2. Business combination under common control

Business consolidation under common control did not happen during the period.

3. Disposal of subsidiaries

No subsidiary was disposed during the period.

4. Other reasons for change in the scope of consolidation

(1) New subsidiaries in this period

Name of subsidiaries	Shareholding (%)		Manner of acquisition
	Direct	Indirect	
Shanghai Kuailing Enterprise Management Co., Ltd. (上海快菱企業管理有限公司)	100.00%	–	Investment in establishment
Shanghai Kuaizhe Enterprise Management Co., Ltd. (上海快喆企業管理有限公司)	100.00%	–	Investment in establishment
Shanghai Kuaifeng Office Technology Co., Ltd. (上海快豐辦公科技有限公司)	100.00%	–	Investment in establishment
Shanghai Kuaihui Business management Co., Ltd (上海快惠商業管理有限公司)	100.00%	–	Investment in establishment

VIII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

Name of subsidiaries	Principal place of business	Place of registration	Business nature	Shareholding (%)		Manner of acquisition
				Direct	Indirect	
Shanghai Darun Gongjiang Investment Management Co., Ltd (上海達潤工匠投資管理有限公司)	Shanghai	Shanghai	Investment management	100.00%		Investment in establishment
Shanghai Weiwo Investment Management Co., Ltd. (上海緯沃投資管理有限公司)	Shanghai	Shanghai	Investment management	100.00%		Investment in establishment
Shanghai Kuaichang Chuangke Space Management Co., Ltd., (上海快創客空間管理有限公司)	Shanghai	Shanghai	Investment management	51.00%		Investment in establishment
Shanghai Kuaijie Enterprise Management Co., Ltd., (上海快韻企業管理有限公司)	Shanghai	Shanghai	Investment management	–	51.00%	Investment in establishment
Shanghai Kuaiming Enterprise Management Co., Ltd. (上海快銘企業管理有限公司)	Shanghai	Shanghai	Investment management	51.00%		Investment in establishment
Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. (北京快易天地企業管理有限公司)	Beijing	Beijing	Investment management	51.00%		Investment in establishment
Shanghai Kuaizhuo Apartment Management Co., Ltd. (上海快卓公寓管理有限公司)	Shanghai	Shanghai	Investment management	100.00%		Investment in establishment
Shanghai Kuaiye Enterprise Management Co., Ltd. (上海快也企業管理有限公司)	Shanghai	Shanghai	Investment management	100.00%		Investment in establishment
Shanghai Lanzi Network Technology Co., Ltd. (上海嵐孜網絡科技有限公司)	Shanghai	Shanghai	Investment management	100.00%		External acquisition
Shanghai Kuaiqin Enterprise Management Co., Ltd. (上海快沁企業管理有限公司)	Shanghai	Shanghai	Investment management	100.00%	–	Investment in establishment
Shanghai Kuaizheng Decoration Design Co., Ltd. (上海快徵裝飾設計有限公司)	Shanghai	Shanghai	Investment management	51.00%		Investment in establishment
Shanghai Mingyuan Enterprise Development Co., Ltd. (上海銘苑企業發展有限公司)	Shanghai	Shanghai	Investment management	24.50%	26.01%	Investment in establishment
Shanghai Kuailing Enterprise Management Co., Ltd. (上海快菱企業管理有限公司)	Shanghai	Shanghai	Investment management	100.00%		Investment in establishment
Shanghai Kuaizhe Enterprise Management Co., Ltd. (上海快喆企業管理有限公司)	Shanghai	Shanghai	Investment management	100.00%		Investment in establishment
Shanghai Kuai Feng Office Technology Co., Ltd. (上海快豐辦公科技有限公司)	Shanghai	Shanghai	Investment management	100.00%		Investment in establishment
Shanghai Kuaihui Business Management Co., Ltd (上海快惠商業管理有限公司)	Shanghai	Shanghai	Investment management	100.00%		Investment in establishment

2. Interests in joint arrangements or associates

(1) Significant joint ventures or associates

Name of associate	Principal place of business	Place of registration	Business nature	Shareholding (%)		Proportion of voting rights	Accounting method for investment in associate
				Direct	Indirect		
Shanghai Xinyinzhou Investment Management Co., Ltd (上海新銀洲投資管理有限公司)	Shanghai	Shanghai	Leasing	46%		46%	Equity method

(2) Main financial information of significant associate

Items	closing balance/current amount Shanghai Xinyinzhou Investment Management Co., Ltd. (上海新銀洲 投資管理 有限公司)
Current assets	9,071,138.68
Non-current assets	49,869.32
Total assets	9,121,008.00
Current liabilities	2,713,618.05
Non-current liabilities	—
Total liabilities	2,713,618.05
Non-controlling interest	—
Equity attributable to owners of parent company	6,407,389.95
Proportionate share in net assets	2,947,399.38
Adjustments	1,963,426.73
Including: Goodwill	1,963,426.73
Unrealized profit of internal trading	—
Others	—
Carrying amount of equity investments in associates	4,910,826.11
Fair value of equity investments in associates with quoted price	—
Operating revenue	4,371,330.50
Net profit	675,708.93
Net profit of discontinued operations	—
Other comprehensive income	—
Total comprehensive income	675,708.93
Dividend from associates received in this year	—

IX. RISKS RELATING TO FINANCIAL INSTRUMENTS

The Company is confronted with various financial risks in its operation: credit risk, market risk and liquidity risk. The Board of the Company is fully responsible for the determination of the overall risk management objectives and policies, and assumes ultimate responsibility for the risk management objectives and policies. However, the Board has authorized the relevant departments of the Company to design and implement procedures that could ensure the effective implementation of risk management objectives and policies. The internal auditors of the Company also conduct audit in respect of the risk management policies and procedures, and report relevant results to Audit Committee.

The overall objective of the Company's risk management is to develop a risk management policy that minimizes risks without undue impact on the Company's competitiveness and resilience.

1. Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligation resulting in financial loss to the other party. The Company is mainly faced with customer credit risk and liquidity credit risk caused by credit sale.

Before accepting new customers, the Company will fully understand and consider the customers' reputation, financial situation, sales qualifications and other relevant information by sending relevant information to the credit management team to review and assess credit rating, informing the Company's sales department and reporting to the general manager for approval. The Company has set a credit limit for each customer, and the credit management team will implement dynamic tracking management of customers. If the situation changes, adjustment will be made to the relevant customer's credit rating and credit limit in a timely manner. The Company ensures that its overall credit risk is within control through monthly audit of the aging analysis of the accounts receivable and regular reconciliation with customers.

The Company's liquid funds are deposited in banks with higher credit ratings, and there is no liquidity loss caused by the counterparty's default, so the relevant liquidity credit risk is relatively low.

2. Market risks

The market risk of financial instruments refers to the risk that the fair value or future cash flow of financial instruments fluctuates due to changes in market prices, including foreign exchange risk, interest rate risk and other price risks.

(1) Interest rate risk

Interest risk is the risk that an enterprise may encounter fluctuation in fair value of financial instruments or future cash flows due to changes in market interest.

The interest rate risk of the Company mainly comes from the bank borrowing. Financial liabilities with floating interest rate expose the Company to interest rate risk in cash flows; financial liabilities with fixed interest rate expose the Company to interest rate risk in fair value. The Company determines the appropriate weightings of the fixed and floating rate interest-bearing contracts based on the then market conditions, and performs regular reviews and monitoring to maintain an appropriate mix of fixed and floating rate instruments.

(2) *Foreign exchange risk*

Exchange risk refers to the risk that the fair value or future cash flows of a financial instrument will be fluctuated due to the changes in foreign currency rates. Foreign currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured.

The principal business of the Company is situated within the PRC and is denominated in RMB. However, foreign exchange risks may still exist for the Company's future foreign currency transactions..

The Company monitors closely the impact of changes in exchange rate on the exchange rate risks the Company is exposed to, and the management is responsible for monitoring exchange rate risks and will consider hedging significant exchange rate risks when necessary.

3. Liquidity risk

Liquidity risk is the risk that an enterprise may encounter deficiency of funds in meeting obligations settled with cash or other financial assets delivery. The Company's policy is to ensure it has sufficient cash to settle the debts when they fall due. The management of the Company are of the view that the Company has sufficient cash and cash equivalents and monitors them to retain and maintain credit. The Company maintained good cooperative relationship with banks to meet the operating needs of the Company and to ensure it has sufficient fund to settle its debts under all reasonable and foreseeable circumstances.

X. RELATED PARTY AND CONNECTED TRANSACTIONS

1. Information on the Company's parent

Shi Yan (施豔), Wang Fuhan (王輔晗) and Wang Jianfeng (王建鋒) hold 11.93%, 14.61% and 18.91% of the Company's shares, respectively, and they are acting in concert.

Shi Yan (施豔), Wang Fuhan (王輔晗) and Wang Jianfeng (王建鋒) are de facto controllers of the Company.

2. Information on subsidiaries of the Company

See Note VIII. 1. Interests in subsidiaries of this Financial Statement for details of the subsidiaries of the Company.

3. Information on other related parties of the Company

Names of other related parties	Relationships between other related parties and the Company
Shi Yan (施豔)	Chairman of the Company
Wang Fuhan (王輔晗)	Director, general manager and chief financial officer of the Company
Zhang Bowei (張博偉)	Board secretary and Directors of the Company
Yang Cheng (羊澄)	Director and deputy general manager of the Company
Huang Jingxuan (黃敬軒)	Chairman of the supervisory committee of the Company
Jin Xiaofeng (金曉鋒)	Director of the Company
Wang Jianfeng (王建鋒)	Director of the Company
Peng Qilei (彭期磊)	Director of the Company
Zhang Jialin (張佳林)	Director of the Company
Shen Jian (沈劍)	Director of the Company
Shen Guangming (沈光明)	Supervisor of the Company
Liu Xuan (劉璇)	Supervisor of the Company
Qian Ziyan (錢子妍)	Shareholder of the Company and associates
Shen Yang (沈洋)	Shareholder, direct relative of the actual controller of the Company
Ying Wen (應文)	Direct relative of the Company's shareholder
Xu Lihong (徐麗虹)	Direct relative of director of Company
Xia Wei (夏薇)	Direct relative of director of Company
Qian Jiangang (錢建鋼)	Shareholder of the associates
Gao Changhui (高長輝)	Shareholder of the associates
Beijing Dayuan Tiandi Real Estate Brokerage Co., Ltd. (北京大苑天地房地產經紀有限責任公司)	Shareholder of the Company
Beijing Mingrun Guangju Investment Co., Ltd. (北京明潤廣居投資有限責任公司)	An invested company of Beijing Dayuan Tiandi Real Estate Brokerage Co., Ltd. (北京大苑天地房地產經紀有限責任公司), a shareholder of the Company
Yifeng (Shanghai) Investment Management Co., Ltd. (翌峰(上海)投資管理有限公司) – Shanghai Huifan Enterprise Management Center (Limited Partnership) (上海惠番企業管理中心(有限合夥))	Shareholder of the Company
Shanghai Zhayuan Enterprise Management Partnership L.P. (上海札遠企業管理合夥企業(有限合夥))	Shareholder of the Company
Shanghai Qixun Enterprise Management Partnership L.P. (上海起尋企業管理合夥企業(有限合夥))	Shareholder of the Company
Shanghai Da'an Jiaming Investment Management Co., Ltd. (上海達安嘉銘投資管理有限公司)	Shareholder of the Company

Shanghai Da'an Enterprise Co., Ltd. (上海達安企業股份有限公司)	The parent company of Shanghai Da'an Jiaming Investment Management Co., Ltd. (上海達安嘉銘投資管理有限公司), a shareholder of the Company
Shanghai Da'an Real Estate Agency Co., Ltd. (上海達安房地產經紀有限公司)	A company controlled by the parent company of Shanghai Da'an Jiaming Investment Management Co., Ltd. (上海達安嘉銘投資管理有限公司), a shareholder of the Company
Shanghai Xinyinzhou Investment Management Co., Ltd. (上海新銀洲投資管理有限公司)	Associate company
Shanghai Qiangao Investment Management Partnership L.P. (上海謙高投資管理合夥企業(有限合夥))	A company invested and controlled by one of joint controllers, Wang Fuhun (王輔晗)
Shanghai Xingmao Construction and Decoration Engineering Limited Company (上海星茂建築裝飾工程有限公司)	A company invested and controlled by one of joint controllers, Wang Jianfeng (王建鋒)
Tian Lai Construction (Shanghai) Limited Company (天萊建設(上海)有限公司)	A company invested and controlled by one of joint controllers, Wang Jianfeng (王建鋒)
Shanghai Dangxian Business Information Consulting Co., Ltd. (上海當現商務信息諮詢有限公司)	A company invested and controlled by a director of the Company, Zhang Bowei (張博偉)

4. Information on connected transactions

(1) *Connected transactions regarding purchase and sales of commodity and receiving of labor services*

Related party	Content of connected transactions	Amount for the current period	Amount for the prior period
Shanghai Xingmao Construction and Decoration Engineering Limited Company (上海星茂建築裝飾工程有限公司)	Receiving of labor services	–	3,306,880.75
Tian Lai Construction (Shanghai) Limited Company (天萊建設(上海)有限公司)	Receiving of labor services	16,182,842.53	10,175,612.02

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(2) *Interest income*

Related party	Content of connected transactions	Amount for the current period	Amount for the prior period
Beijing Dayuan Tiandi Real Estate Brokerage Co., Ltd. (北京大苑天地房地產經紀有限責任公司)	Interest income	214,784.17	–

(3) *Leasing with related parties*

1. The Company as a lessee:

Names of lessor	Type of leased asset	Lease income recognised in the period	Lease income recognised in the prior period
Beijing Mingrun Guangju Investment Co., Ltd. (北京明潤廣居投資有限責任公司),	Immovables	3,089,105.50	–
Shanghai Da'an Enterprise Co., Ltd. (上海達安企業股份有限公司)	Immovables	9,613,094.15	3,415,710.96

2. The Company as a Lessor:

Names of lessee	Type of leased asset	Lease income recognised in the period	Lease income recognised in the prior period
Shanghai Da'an Real Estate Agency Co., Ltd. (上海達安房地產經紀有限公司)	Immovables	3,454,634.89	–
Yifeng (Shanghai) Investment Management Co., Ltd. (翌峰(上海)投資管理有限公司)	Immovables	325,309.97	–

(4) Related party guarantees

1. The Company as a guarantee

Guarantor	Guaranteed amount	Start date	Termination date	Guarantee perform or not
Shi Yan (施豔), Wang Jianfeng (王建鋒), Zhang Bowei (張博偉), Wang Fuhun (王輔哈)	4,300,000.00	2018-10-24	2020-10-24	Yes
Shi Yan (施豔), Wang Jianfeng (王建鋒), Zhang Bowei (張博偉), Wang Fuhun (王輔哈)	4,300,000.00	2020-10-13	2022-10-13	No
Wang Fuhun (王輔哈), Ying Wen (應文)	5,000,000.00	2021-1-22	2024-1-22	No
Wang Fuhun (王輔哈), Ying Wen (應文)	5,000,000.00	2021-12-17	2024-12-17	No
Wang Jianfeng (王建鋒), Xia Wei (夏薇), Zhang Bowei (張博偉), Xu Lihong (徐麗虹), Wang Fuhun (王輔哈), Ying Wen (應文), Shi Yan (施豔)	3,000,000.00	2020-3-25	2023-3-25	No
Shi Yan (施豔), Wang Jianfeng (王建鋒), Wang Fuhun (王輔哈), Zhang Bowei (張博偉)	4,500,000.00	2020-5-20	2023-5-20	No
Zhang Bowei (張博偉), Xu Lihong (徐麗虹), Shi Yan (施豔), Wang Jianfeng (王建鋒), Wang Fuhun (王輔哈), Ying Wen (應文), Xia Wei (夏薇)	2,500,000.00	2020-8-11	2021-8-11	No
Shi Yan (施豔), Wang Jianfeng (王建鋒), Zhang Bowei (張博偉), Wang Fuhun (王輔哈), Ying Wen (應文)	5,000,000.00	2023-10-8	2025-10-8	No
Zhang Bowei (張博偉), Wang Fuhun (王輔哈)	10,000,000.00	2022-7-22	2024-7-22	No
Zhang Bowei (張博偉), Wang Fuhun (王輔哈)	10,000,000.00	2022-9-6	2024-9-6	No

Note: The performed guarantee mentioned above was the guarantee with early termination.

(5) Borrowings with lending from/to related parties

Related party	Borrowing amount	Start date	Termination date	Note
Borrowings to a related party				
Beijing Dayuan Tiandi Real Estate Brokerage Co., Ltd. (北京大苑天地房地產經紀有限公司)	15,000,000.00	2019-11-27	2020-3-26	Repaid RMB5,000,000.00 in 2019 and repaid RMB10,000,000.00 in 2020 and all amount had been repaid
Borrowings from related parties				
Shanghai Qixun Enterprise Management Partnership L.P. (上海起尋企業管理合夥企業(有限合夥))	15,000,000.00	2020-7-1	2020-12-31	Of which RMB14,999,990.04 has been converted from debt into equity and the remaining amount has been fully repaid during this period
Wang Jianfeng (王建鋒)	5,000,000.00	2020-5-18	2021-5-17	Of which RMB4,999,996.68 Debt-to-Equity swap and the remaining proceeds had been fully repaid during this period
Shanghai Da'an Jiaming Investment Management Co., Ltd. (上海達安嘉銘投資管理有限公司)	500,000.00	2020-1-8	2022-1-7	Fully repaid during this period
Shanghai Da'an Jiaming Investment Management Co., Ltd. (上海達安嘉銘投資管理有限公司)	1,000,000.00	2019-4-24	2021-4-23	
Shanghai Da'an Jiaming Investment Management Co., Ltd. (上海達安嘉銘投資管理有限公司)	1,000,000.00	2019-6-24	2021-6-23	
Shanghai Da'an Jiaming Investment Management Co., Ltd. (上海達安嘉銘投資管理有限公司)	1,000,000.00	2019-7-25	2021-7-24	
Shanghai Da'an Jiaming Investment Management Co., Ltd. (上海達安嘉銘投資管理有限公司)	1,500,000.00	2019-4-10	2021-4-9	
Shanghai Da'an Jiaming Investment Management Co., Ltd. (上海達安嘉銘投資管理有限公司)	1,960,000.00	2020-8-25	2022-8-24	

(6) Amount due from/due to related parties

1. Accounts receivable

Items	Related parties	Closing balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Other Receivables	Huang Jingxuan (黃敬軒)	18,500.00	7,250.00	18,500.00	1,600.00
Other Receivables	Duan Xiaoru (段曉茹)	-	-	111,335.22	5,566.76
Other Receivables	Shanghai Qiangao Investment Management Partnership L.P. (上海謙高投資管理合夥企業(有限合夥))	100.00	5.00	-	-
Other Receivables	Beijing Dayuan Tiandi Real Estate Brokerage Co., Ltd. (北京大苑天地房地產經紀有限責任公司)	-	-	10,000,000.00	500,000.00
Prepayments	Tian Lai Construction (Shanghai) Limited Company (天萊建設(上海)有限公司)	-	-	123,853.21	-

2. Accounts payable

Items	Related parties	Closing balance	Opening balance
Trade payables	Tian Lai Construction (Shanghai) Limited Company (天萊建設(上海)有限公司)	151,080.90	37,080.90
Trade payables	Shanghai Xingmao Construction and Decoration Engineering Limited Company (上海星茂建築裝飾工程有限公司)	-	787,500.00
Other payables	Shanghai Da'an Jiaming Investment Management Co., Ltd. (上海達安嘉銘投資管理有限公司)	6,460,000.00	-

XI. COMMITMENTS AND CONTINGENCIES

1. Significant commitment events

On 6 August 2020, the Company entered into a share subscription agreement with Shanghai Da'an Jiaming Investment Management Co., Ltd. (上海達安嘉銘投資管理有限公司) ("Da'an Jiaming"), pursuant to which the Company issued no more than 993,000 ordinary shares of RMB1 each at an issue price of RMB10.07 per share to Da'an Jiaming. At the same day, Zhang Bowei (張博偉) and Wang Fuhan (王輔晗), the natural persons, entered into a cooperation agreement with Da'an Jiaming, pursuant to which Wang Fuhan (王輔晗) and Zhang Bowei (張博偉) promised Da'an Jiaming that the Company will achieve a net profit attributable to the parent in the consolidated financial statement of not less than RMB16 million and RMB20 million in 2020 and 2021, respectively. If the actual profit of KYMS in either of 2020 and 2021 is less than the performance commitment abovementioned, Wang Fuhan (王輔晗) and Zhang Bowei (張博偉) will compensate Da'an Jiaming in cash.

2. Contingencies

The Company had no important contingency that needs to be explained.

XII. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

1. Statements of other events subsequent to the balance sheet

- (1) On 6 April 2021, the Company convened the ninth meeting of the third session of the Board for considering the proposed procurement of air-conditioning equipment by Shanghai Kuaijie Enterprise Management Co., Ltd. (上海快喆企業管理有限公司), a wholly-owned subsidiary of the Company for its business needs from Chailease International Trade (Shanghai) Co., Ltd. (仲利國際貿易(上海)有限公司) with an purchase consideration determined at RMB4,090,000 and payable by instalments in 30 months as agreed. Shi Yan (施豔), Wang Fuhua (王輔哈), Wang Jianfeng (王建鋒) and Zhang Bowei (張博偉), the natural persons, provided personal unlimited joint and several liability guarantee, which was guaranteed by the Company and its holding subsidiary, Shanghai Kuaijie Enterprise Management Co., Ltd..
- (2) On 9 March 2021, Beijing Dayuan Tiandi Real Estate Brokerage Co., Ltd. (北京大苑天地房地產經紀有限責任公司), the original shareholder of the Company, transferred 3,714,285 shares of the Company to Beijing Ruiyuan Chenxing Enterprise Management Development Co., Ltd. (北京瑞苑辰星企業管理發展有限公司) through block trade, which reduced the shareholding of Beijing Dayuan Tiandi Real Estate Brokerage Co., Ltd. from 7.73% to 0, while the shareholding of Beijing Ruiyuan Chenxing Enterprise Management Development Co., Ltd. increased from 0 to 7.73%.
- (3) On 26 December 2020, the Company convened the ninth extraordinary general meeting of 2020, which considered and approved the Resolution on 2020 Semi-Annual Equity Distribution Plan of the Company and proposed to transfer 16 shares for every 10 shares to all shareholders from the capital reserve, which increased the total share capital to 48,036,583 shares after the transfer. The date of record for such equity distribution was 14 January 2021, and the ex-right and ex-dividend date was 15 January 2021. On 9 February 2021, the Company completed the industrial and commercial registration of changes for the above matter with registered capital changed from RMB18,475,609 to RMB48,036,583.
- (4) On 26 March 2021, the Company entered into the Equity Transfer Agreement with Chen Li, a natural person, pursuant to which, the Company transferred all equity interests of Shanghai Kuaizhuo Apartment Management Co., Ltd. (上海快卓公寓管理有限公司), a wholly-owned subsidiary, to Chen Li at nil consideration. After the equity transfer, the transferee entrusts the Company to continue the operation and management of Shanghai Kuaizhuo Apartment Management Co., Ltd., and pay an annual operating management fee of RMB1 million to the Company. Meanwhile, it is also agreed that the Company would be entitled to the 50% of the excess if the annual net income of Shanghai Kuaizhuo Apartment Management Co., Ltd. exceeds RMB4 million.

XIII. OTHERS

1. Major shareholders' equity pledge

Shi Yan (施豔), a shareholder of the Company, pledged 2,204,000 shares, accounting for 14.69% of the Company's total share capital. Among the shares pledged, 2,025,000 shares are subject to trading moratorium and 179,000 shares are not subject to trading moratorium. The pledge period is from 17 September 2019 to 15 August 2021. The pledged shares are used to provide guarantee for the Company's acceptance of the entrusted loan financing of Shanghai Zaidanbao Co., Ltd. (上海市再擔保有限公司) in favor of Shanghai Zaidanbao Co., Ltd.

Wang Fuhan (王輔晗), a shareholder of the Company, pledged 2,700,000 shares, accounting for 18.00% of the Company's total share capital. Among the shares pledged, 2,025,000 shares are subject to trading moratorium and 675,000 shares are not subject to trading moratorium. The pledge period is from 19 September 2019 to 15 August 2021. The pledged shares are used to provide guarantee for the Company's acceptance of the entrusted loan financing of Shanghai Zaidanbao Co., Ltd. in favor of Shanghai Zaidanbao Co., Ltd.

Wang Jianfeng (王建鋒), a shareholder of the Company, pledged 2,700,000 shares, accounting for 18.00% of the Company's total share capital. Among the shares pledged, 2,025,000 shares are subject to trading moratorium and 675,000 shares are not subject to trading moratorium. The pledge period is from 19 September 2019 to 15 August 2021. The pledged shares are used to provide guarantee for the Company's acceptance of the entrusted loan financing of Shanghai Zaidanbao Co., Ltd. in favor of Shanghai Zaidanbao Co., Ltd.

Shanghai Dangxian Business Information Consulting Co., Ltd., (上海當現商務信息諮詢有限公司) a shareholder of the Company, pledged 495,000 shares, accounting for 3.30% of the Company's total share capital. Among the shares pledged, 0 share is subject to trading moratorium and 495,000 shares are not subject to trading moratorium. The pledge period is from 11 September 2019 to 15 August 2021. The pledged shares are used to provide guarantee for the Company's acceptance of the entrusted loan financing of Shanghai Zaidanbao Co., Ltd. in favor of Shanghai Zaidanbao Co., Ltd.

Ying Wen (應文) pledged a property owned by she situated at Room 1201, No. 21, Lane 333, Fangdian Road, to Shanghai Zaidanbao Co., Ltd. as secured guarantee provided by Shanghai KYMS Enterprise Development Co., Ltd. to Shanghai Zaidanbao Co., Ltd. The security was valued at RMB20 million.

2. Guarantee provided by subsidiaries

Through the sale and leaseback business, the Company obtained a credit loan of RMB4 million from Chailease International Finance Corporation (仲利國際租賃有限公司), for which Wang Fuhan (王輔晗), Shi Yan (施豔), Zhang Bowei, the Company's holding subsidiary Shanghai Kuaijie Enterprise Management Co., Ltd. and its wholly-owned subsidiary Shanghai Kuaiye Enterprise Management Co., Ltd. (上海快也企業管理有限公司) have provided unlimited joint and several liabilities guarantee, with a credit period of 36 months.

The Company's holding subsidiary, Shanghai Kuaijie Enterprise Management Co., Ltd., intends to develop factoring business with Shan Shan Fullin Factoring Co., Ltd. (杉杉富銀商業保理有限公司), with the amount of factoring financing not exceeding RMB15 million. Wang Fuhan, a shareholder of the Company, and his spouse Ying Wen, as well as Shanghai KYMS Enterprise Development Co., Ltd. and Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. (北京快易天地企業管理有限公司), both shareholders of Shanghai Kuaijie Enterprise Management Co., Ltd., have provided joint and several liabilities guarantee for the financing. At the same time, Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. provided equity pledge guarantee with its 49% equity in Shanghai Kuaijie Enterprise Management Co., Ltd.

APPENDIX II FINANCIAL INFORMATION OF SHANGHAI KYMS

Through the sale and leaseback business, Shanghai Kuaizhuo Apartment Management Co., Ltd., a wholly-owned subsidiary of the Company, obtained a credit loan of RMB1.5 million from Chailease International Finance Corporation, for which Wang Fuhan (王輔晗), Shi Yan (施豔), Zhang Bowei, the Company's holding subsidiary Shanghai Kuaijie Enterprise Management Co., Ltd. and the Company have provided unlimited joint and several liabilities guarantee, with a credit period of 36 months.

3. Leasing of the Company

Minimum lease payment under operating lease of lessee

Remaining lease term	Minimum lease payment
Within 1 year (inclusive)	94,016,850.65
1 to 2 years (2 years inclusive)	98,157,907.13
2 to 3 years (3 years inclusive)	95,044,532.72
Over 3 years	735,900,589.84
	<hr/>
Total	1,023,119,880.34
	<hr/> <hr/>

XIV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. Accounts receivable

(1) *Disclosure by aging*

Aging	Closing balance
Within 1 year	3,346,055.51
Less:bad debt provision	1,050.00
	<hr/>
Total	3,345,005.51
	<hr/> <hr/>

(2) *Classified disclosure by the method of bad debt provision*

Category	Closing balance				
	Book balance	Percentage (%)	Bad debt provision	Provision percentage (%)	Carrying amount
Bad debt provision on individual basis	-	-	-	-	-
Bad debt provision on group basis	3,346,055.51	100.00%	1,050.00	0.03%	3,345,005.51
	<hr/>	<hr/>	<hr/>		<hr/>
Total	3,346,055.51	100.00%	1,050.00		3,345,005.51
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>		<hr/> <hr/>

(Continued)

Category	Opening balance				
	Book balance	Percentage (%)	Bad debt provision	Provision percentage (%)	Carrying amount
Bad debt provision on individual basis	-	-	-	-	-
Bad debt provision on group basis	8,140.15	100.00%	407.01	5.00%	7,733.14
Total	8,140.15		407.01		7,733.14

Bad debt provision on group basis:

Provision on group basis: accounts receivable – aging group

Disclosure by aging	Closing balance		
	Book balance	Bad debt provision	Provision percentage (%)
Within 1 year	21,000.00	1,050.00	5.00%

(3) *Provision for bad debts*

Category	Changes during the period					
	Opening balance	Provision	Recovery or reversal	Transfer or write-off	Other changes	Closing balance
Provision for bad debt of accounts receivable	407.01	642.99	-	-	-	1,050.00

(4) *There were no actual write-offs of accounts receivables during the period*(5) *Details of the top five debtors of accounts receivables at the end of the period*

Companies	Book balance	Bad debt provision	Percentage of total amount
Shanghai Kuaijie Enterprise Management Co., Ltd. (上海快頤企業管理有限公司)	2,305,439.87	-	68.90%
Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. (北京快易天地企業管理有限公司)	659,189.60	-	19.70%
Shanghai Kuaiming Enterprise Management Co., Ltd. (上海快銘企業管理有限公司)	360,426.04	-	10.77%
L’Oreal (China) Co., Ltd. (歐萊雅(中國)有限公司)	21,000.00	1,050.00	0.63%
Total	3,346,055.51	1,050.00	100.00%

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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2. Other receivables

Items	Closing balance	Opening balance
Interest receivable	–	3,158,901.99
Dividends receivable	–	
Other receivables	99,796,037.42	78,950,019.60
	<hr/>	<hr/>
Total	99,796,037.42	82,108,921.59
	<hr/> <hr/>	<hr/> <hr/>

(1) *Interest receivable*

Item	Closing balance	Opening balance
Interest on related party lending and borrowing	–	3,158,901.99

(2) *Other receivables*

1. Disclosure by aging

Aging	Closing book balance
Within 1 year	97,724,450.48
1 to 2 years	16,000.00
2 to 3 years	52,100.00
Over 3 years	2,130,273.10
Sub-total	99,922,823.58
	<hr/>
Less: provision for bad debts	126,786.16
Total	99,796,037.42
	<hr/> <hr/>

2. Other receivables by nature

Nature	Closing book balance	Opening book balance
Account current	97,633,100.48	75,545,548.38
Rent pledges and deposits	2,253,623.10	4,025,373.10
Contingency provision	36,100.00	151,635.42
	<hr/>	<hr/>
Total	99,922,823.58	79,722,556.90
	<hr/> <hr/>	<hr/> <hr/>

3. Provision of bad debts

Provision of bad debts	Stage 1 Next 12-month ECLs	Stage 2 Lifetime ECLs (non-credit impaired)	Stage 3 Lifetime ECLs (credit impaired)	Total
Opening balance	772,537.30	–	–	772,537.30
Opening balance during the period	–	–	–	–
– Transferred to stage 2	–	–	–	–
– Transferred to stage 3	–	–	–	–
– Reversed to stage 2	–	–	–	–
– Reversed to stage 1	–	–	–	–
Provision for the period	–	–	–	–
Reversal for the period	645,751.14	–	–	645,751.14
Transfer for the period	–	–	–	–
Write-off for the period	–	–	–	–
Other changes	–	–	–	–
Closing balance	126,786.16	–	–	126,786.16

4. Bad debts provision

Category	Opening balance	Changes during the period			Closing balance
		Recovery or Provision	Transfer or write-off	Other changes	
Pledges and deposits	201,268.66	–	88,587.50	–	112,681.16
Grouping by aging	571,268.64	–	557,163.64	–	14,105.00
Total	772,537.30	–	645,751.14	–	126,786.16

5. There were no actual write-offs of other receivables during the period

6. Details of the top five debtors of other receivables at the end of the period

Name	Nature	Closing balance	Aging	Percentage of total amount	Closing balance of bad debt provision
Shanghai Kuaiqin Enterprise Management Co., Ltd. (上海快沁企業管理有限公司)	Account current	43,404,472.88	Within 1 year	43.44%	-
Shanghai Kuaizhuo Apartment Management Co., Ltd. (上海快卓公寓管理有限公司)	Account current	20,499,170.94	Within 1 year	20.52%	-
Shanghai Kuaizhe Enterprise Management Co., Ltd. (上海快喆企業管理有限公司)	Account current	12,240,986.00	Within 1 year	12.25%	-
Shanghai Kuaijie Enterprise Management Co., Ltd. (上海快頤企業管理有限公司)	Account current	11,333,741.59	Within 1 year	11.34%	-
Shanghai Kuaiming Enterprise Management Co., Ltd. (上海快銘企業管理有限公司)	Account current	6,830,081.23	Within 1 year	6.84%	-
Total		<u>94,308,452.64</u>		<u>94.38%</u>	<u>-</u>

3. Long-term equity investments

Items	Book balance	Closing balance Provision for impairment	Carrying amount	Book balance	Opening balance Provision for impairment	Carrying amount
Investment in subsidiaries	37,628,000.00	-	37,628,000.00	40,350,000.00	-	40,350,000.00
Investment in associates	<u>5,018,424.63</u>	<u>-</u>	<u>5,018,424.63</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>42,646,424.63</u>	<u>-</u>	<u>42,646,424.63</u>	<u>40,350,000.00</u>	<u>-</u>	<u>40,350,000.00</u>

(1) Investment in subsidiaries

Investee	Opening balance	Increase during the period	Decrease during the period	Closing balance	Provision for impairment during the period	Closing balance of provision for impairment
Shanghai Weiwo Investment Management Co., Ltd. (上海瑋沃投資管理有限公司)	600,000.00	-	-	600,000.00	-	-
Shanghai Darun Gongjiang Investment Management Co., Ltd. (上海達潤工匠投資管理有限公司)	1,000,000.00	-	-	1,000,000.00	-	-
Shanghai Kuaichang Maker Space Management Co., Ltd. (上海快長創客空間管理有限公司)	1,020,000.00	-	-	1,020,000.00	-	-
Shanghai Kuaiming Enterprise Management Co., Ltd. (上海快銘企業管理有限公司)	1,530,000.00	-	-	1,530,000.00	-	-
Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. (北京快易天地企業管理有限公司) (note 1)	35,700,000.00	-	12,750,000.00	22,950,000.00	-	-
Shanghai Kuaizhuo Apartment Management Co., Ltd. (上海快卓公寓管理有限公司)	500,000.00	-	-	500,000.00	-	-
Shanghai Kuaiqin Enterprise Management Co., Ltd. (上海快沁企業管理有限公司) (note 2)	-	10,028,000.00	-	10,028,000.0	-	-
Total	40,350,000.00	10,028,000.00	12,750,000.00	37,628,000.00	-	-

Note 1: Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. (北京快易天地企業管理有限公司) (hereinafter referred to as “**Kuaiyi Tiandi**”) is a joint venture company jointly funded and established by the Company and the Company’s shareholder Beijing Dayuan Tiandi Real Estate Brokerage Co., Ltd. (北京大苑天地房地產經紀有限公司), with a registered capital of RMB100 million, owned as to 51% by the Company and 49% by Beijing Dayuan Tiandi Real Estate Brokerage Co., Ltd. (北京大苑天地房地產經紀有限公司). On 2 September 2020, the Company held the fifth extraordinary general meeting of shareholders in 2020, and reviewed and approved the Proposal on Capital Reduction of the Company’s Holding Subsidiaries and Related Transactions. According to the Proposal, the Company and Beijing Dayuan Tiandi Real Estate Brokerage Co., Ltd. (北京大苑天地房地產經紀有限公司) reduced the capital of Kuaiyi Tiandi in the same proportion, as a result of which the registered capital of Kuaiyi Tiandi reduced from RMB100 million to RMB75 million, and their shareholding remained unchanged after the capital reduction. The Company recovered RMB12.75 million of capital reduction at a 51% ratio.

Note 2: On 25 May 2018, Shanghai Kuaiqin Enterprise Management Co., Ltd. (上海快沁企業管理有限公司) (hereinafter referred to as “**Kuaiqin Enterprise**”) was funded and established by the Company.

On 28 November 2019, the Company transferred its 80% equity interest in Kuaiqin Enterprise to its holding subsidiary Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. (北京快易天地企業管理有限公司) (hereinafter referred to as “**Kuaiyi Tiandi**”). After the transfer, the Company directly held 20% equity interest in Kuaiqin Enterprise, and Kuaiyi Tiandi held 80% equity interest in Kuaiqin Enterprise.

As of 31 December 2019, the Company directly held 20% equity of Kuaiqin Enterprise, and indirectly held 40.8% equity of Kuaiqin Enterprise through Kuaiyi Tiandi (the Company directly held 51% equity of Kuaiqin Tiandi), totally holding 60.8% equity. In 2019, the Company included Kuaiqin Enterprise into the Company’s consolidated financial statements.

On 12 June 2020, the Company entered into an equity transfer contract with Kuaiyi Tiandi, and Kuaiyi Tiandi transferred its 80% equity of Kuaiqin Enterprise to the Company. Vocation (Beijing) International Asset Valuation Co., Ltd. (沃克森(北京)國際資產評估有限公司) conducted valuation on Kuaiqin Enterprise with 31 December 2019 as the valuation reference date, and issued the Wo Ke Sen Vocation Ping Bao Zi [2020] No. 0857 Valuation Report, confirming that the carrying amount of the net assets of Kuaiqin Enterprise as of 31 December 2019 was RMB-360,800, and the appraised price was RMB35,000. On 18 June 2020, the Company paid equity transfer consideration of RMB28,000 to Kuaiyi Tiandi. Kuaiqin Enterprise completed the industrial and commercial change registration on 14 August 2020. Since 1 July 2020, Kuaiqin Enterprise has been included in the consolidated financial statements as a wholly-owned subsidiary of the Company.

As of 30 June 2020, the registered capital of Kuaiqin Enterprise was RMB10 million, the paid capital was nil, and the net book asset was RMB-927,539.69. The Company’s long-term equity investment in Kuaiqin Enterprise has a book value of RMB28,000, the equity premium in the capital reserve of the consolidated balance sheet was adjusted due to a difference of RMB-391,595.56 between the newly acquired long-term equity investment resulting from the purchase of minority equity and the share of the net assets in Kuaiqin Enterprise accumulated since the consolidation date based on the newly increased shareholding proportion.

As of 31 December 2020, the Company has fulfilled its capital contribution obligations to Kuaiqin Enterprise. The registered capital of Kuaiqin Enterprise was RMB10 million, and the paid capital was RMB10 million.

(2) *Investment in associates*

Investee	Opening balance	Increase or decrease for the period				Change in other equity
		Increase in investment	Decrease in investment	Investment gains/losses recognised under equity method	Other comprehensive income adjustment	
Associates						
Shanghai Mingyuan Enterprise Development Co., Ltd. (上海銘苑企業發展 有限公司) (note 3)	-	122,500.00	-	-14,901.48	-	-
Shanghai Xinyinzhou Investment Management Co., Ltd. (上海新銀洲投資管理 有限公司)	-	4,600,000.00	-	310,826.11	-	-
Total	-	4,722,500.00	-	295,924.63	-	-

(Continued)

Investee	Increase or decrease for the period				Closing balance of provision for impairment
	Distribution of cash dividends or profits declared	Provision for impairment	Others	Closing balance	
Associates					
Shanghai Mingyuan Enterprise Development Co., Ltd. (上海銘苑企業發展有限公司)	-	-	-	107,598.52	
Shanghai Xinyinzhou Investment Management Co., Ltd. (上海新銀洲投資管理有限公司)	-	-	-	4,910,826.11	-
Total	-	-	-	5,018,424.63	-

Note 3: On 6 November 2019, Shanghai Mingyuan Enterprise Development Co., Ltd. (上海銘苑企業發展有限公司) (hereinafter referred to as “**Mingyuan Company**”), a joint venture company, was jointly funded and established by the Company, a holding subsidiary of the Company, i.e. Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. (北京快易天地企業管理有限公司) (hereinafter referred to as “**Kuaiyi Tiandi**”) and Shanghai Da’an Jiaming Investment Management Co., Ltd. (上海達安嘉銘投資管理有限公司) (hereinafter referred to as “**Da’an Jiaming**”). The Company and Da’an Jiaming held 24.5% equity interest in Mingyuan Company, respectively and Kuaiyi Tiandi held 51% equity interest in Mingyuan Company. Since the Company directly held 51% equity interest in Kuaiyi Tiandi, the Company indirectly held 26.01% equity interest in Mingyuan Company through Kuaiyi Tiandi. Therefore, the Company held a total of 50.51% equity interest in Mingyuan Company. Mingyuan Company was thus included in the Company’s consolidated financial statements. In the Company’s individual financial statements, Mingyuan Company was still accounted for by the equity method.

4. Operating revenue and operating cost

(1) Operating revenue and operating cost

Item	Amount for the current period		Amount for the prior period	
	Revenue	Cost	Revenue	Cost
Principal business	44,352,560.38	24,768,992.36	38,262,591.32	32,882,218.97
Other business	—	—	—	—
Total	<u>44,352,560.38</u>	<u>24,768,992.36</u>	<u>38,262,591.32</u>	<u>32,882,218.97</u>

5. Investment Income

Item	Amount for the current period	Amount for the prior period
Long-term equity investment income under cost method (Note)	510,000.00	—
Long-term equity investment income under equity method	295,924.63	—
Interest income	<u>214,784.17</u>	<u>—</u>
Total	<u>1,020,708.80</u>	<u>—</u>

Note: On 6 January 2020, Shanghai Kuaichang Maker Space Management Co., Ltd. (上海快長創客空間管理有限公司) held a general meeting to consider and approve the Profit Distribution Proposal for the year 2019 of the Company, pursuant to which it distributed cash dividends of RMB1 million to the Company and Shanghai Changjiang Asset Management Co., Ltd. (上海長江資產經營有限公司) in cash, and the Company and Shanghai Changjiang Asset Management Co., Ltd. (上海長江資產經營有限公司) were distributed of RMB0.51 million and RMB0.49 million, respectively.

XV. SUPPLEMENTARY

1. Breakdown of extraordinary profit or loss for the period

Items	Amount
Profit or loss on disposal of non-current assets	—
Tax refund or exemption with unauthorised approval or no formal approval document	—
Government grants included in profit or loss for the period (excluding those government grants that are closely related to the Group's business and are received with fixed amounts or with fixed percentage based on unified standards promulgated by government)	1,363,089.00
Capital use fee received from non-financial enterprises which are included in profit or loss for the period	214,784.17
Gain on the difference between investment cost of acquiring subsidiaries, associates and joint ventures and the share of the fair value of the investee's identifiable net assets, where investment cost is less than the share of the fair value	—
Gains or losses on exchange of non-monetary assets	—
Gains or losses on entrusted investment or management of assets	—
Provision for impairment of assets due to force majeure such as natural disasters	—
Gains or losses on debt restructuring	—
Expenses for reorganization such as expenditure for staffing and integration expenses	—
Gains or losses on the excess beyond fair value in the transaction with unfair price	—
Current gains or losses of subsidiaries from combination of enterprises under common control from the beginning of the period till the date of combination, net	—
Gains or losses on contingencies that is in no connection with the normal operation of the Company	—
Gains or losses on changes in fair value arising from trading financial assets, derivative financial assets, trading financial liabilities and derivative financial liabilities held (excluding the valid hedging of the Company in its ordinary course of business), as well as investment gains received from disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other debt investments	—
Reversal of provisions for impairment of account receivables and contract assets individually subjected to impairment test	—
Gains or losses from external entrusted loans	—
Gains or losses on changes in fair value in the investment property that are subsequently measured at fair value	—
Effects of one-off adjustments as required by taxation, accounting laws and regulations on the gains or losses for the period	—
Trustee fee income from entrusted operations	—
Other non-operating income and expenses other than the aforementioned items	-296,840.01
Other items of gains or losses in accordance with the definition of extraordinary profit or loss	3,655.70
Total of extraordinary profit or loss	1,284,688.86
Less: Impact on income tax	396,152.89
Extraordinary profit or loss after deducting the impact on income tax	888,535.97
Including: extraordinary profit or loss attributable to shareholders of the parent company	887,342.83
Extraordinary profit or loss attributable to minority shareholders	1,193.14

2. Return on net assets and earnings per share

Profit of the reporting period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share <i>(RMB per share)</i>	Diluted earnings per share <i>(RMB per share)</i>
Net profit attributable to ordinary shareholders of the Company	28.87	1.02	1.02
Net profit attributable to ordinary shareholders of the Company after deducting extraordinary profit or loss	27.23	0.96	0.96

Shanghai KYMS Cloud Technology Co., Ltd.

26 April 2021

4. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF SHANGHAI KYMS FOR THE SIX MONTHS ENDED 30 JUNE 2021

II. Auditor's Report

Audited or not Not

III. Financial Statements

IX. CONSOLIDATED BALANCE SHEET

Unit: RMB

Item	Note	As at 30 June 2021	As at 31 December 2020
Current assets:			
Cash and bank balances	VI.1	31,918,965.33	24,118,893.28
Settlement deposit			
Loans to other banks and financial institutions			
Held-for-trading financial assets	VI.2	700,000.00	
Derivative financial assets			
Bills receivable			
Accounts receivable	VI.3	8,160,544.75	4,108,379.81
Receivables financing			
Prepayments	VI.4	16,593,321.10	5,237,748.23
Premium receivables			
Reinsurance accounts receivable			
Reinsurance contract reserves receivable			
Other receivables	VI.5	49,165,672.25	17,920,687.24
Including: Interest receivable			
Dividend receivable			
Financial assets purchased under agreements to resell			
Inventory			
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets	VI.6	5,952,684.70	5,136,771.06
Total current assets		<u>112,491,188.13</u>	<u>56,522,479.62</u>

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	Note	As at 30 June 2021	As at 31 December 2020
Non-current assets:			
Loans and advances to customers			
Debt investments			
Other debt investments			
Long-term receivables	VI.7	200,000.00	300,000.00
Long-term equity investments	VI.8	5,892,521.71	4,910,826.11
Other equity instrument investments			
Other non-current financial assets			
Investment properties			
Fixed assets	VI.9	1,398,140.69	1,647,318.12
Construction in progress	VI.10	22,632,037.05	55,259,293.33
Productive biological assets			
Oil & gas assets			
Right-of-use assets	VI.11	538,885,455.40	
Intangible assets	VI.12	609,244.73	559,150.97
Development expenses	VI.13	2,166,132.52	2,039,647.37
Goodwill			
Long-term deferred expenses	VI.14	197,213,294.02	162,742,551.33
Deferred income tax assets	VI.15	712,152.28	1,088,657.69
Other non-current assets	VI.16	5,079,622.00	8,839,604.02
Total non-current assets		<u>774,788,600.40</u>	<u>237,387,048.94</u>
 Total assets		 <u>887,279,788.53</u>	 <u>293,909,528.56</u>

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	Note	As at 30 June 2021	As at 31 December 2020
Current liabilities:			
Short-term borrowings	VI.17	30,239,632.12	19,239,632.12
Borrowings from central bank			
Borrowings from other banks and financial institutions			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Bills payable			
Accounts payable	VI.18	24,846,328.15	26,428,656.43
Receipts in advance	VI.19	2,938,800.04	3,212,512.47
Contract liabilities			
Financial assets sold under agreements to repurchase			
Deposits from customers and other banks and financial institutions			
Accounts payable to brokerage clients			
Proceeds from underwriting securities received on behalf of clients			
Employee benefits payable	VI.20		
Tax payables	VI.21	5,873,533.35	6,969,534.49
Other payables	VI.22	61,455,208.52	56,490,519.04
Including: Interest payable			
Dividend payable			
Fees and commission payable			
Reinsurance accounts payable			
Liabilities held for sale			
Non-current liabilities due within one year	VI.23	30,995,000.02	38,548,480.00
Other current liabilities	VI.24	155,604.17	155,604.17
		<u>156,504,106.37</u>	<u>151,044,938.72</u>
Total current liabilities		<u>156,504,106.37</u>	<u>151,044,938.72</u>

Item	Note	As at 30 June 2021	As at 31 December 2020
Non-current liabilities:			
Insurance contract reserve			
Long-term borrowings	VI.25	35,500,000.00	24,500,000.00
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities	VI.26	619,235,110.70	
Long-term payables	VI.27	6,666.56	608,386.62
Long-term employee benefits payable			
Estimated liabilities			
Deferred income			
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		<u>654,741,777.26</u>	<u>25,108,386.62</u>
Total liabilities		<u>811,245,883.63</u>	<u>176,153,325.34</u>

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	Note	As at 30 June 2021	As at 31 December 2020
Owners' equity (or shareholders' equity):			
Share capital	VI.28	51,959,527.00	18,475,609.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve	VI.29	42,445,385.54	60,551,992.47
Less: Treasury stock			
Other comprehensive income			
Special reserve			
Surplus reserve	VI.30	1,079,709.73	1,079,709.73
General risk reserve			
Retained profits	VI.31	-29,358,184.00	13,259,433.08
Total equity attributable to owners of the parent company		66,126,438.27	93,366,744.28
Minority interests		9,907,466.63	24,389,458.94
Total owners' equity (or shareholders' equity)		<u>76,033,904.90</u>	<u>117,756,203.22</u>
 Total liabilities and owners' equity (or shareholders' equity)		 <u>887,279,788.53</u>	 <u>293,909,528.56</u>
Legal representative:	Accounting principal:	Accounting firm's principal:	
Shi Yan (施豔)	Wang Fuhua (王輔哈)	Wang Fuhua (王輔哈)	

X. BALANCE SHEET OF THE PARENT COMPANY

Unit: RMB

Item	Note	As at 30 June 2021	As at 31 December 2020
Current assets:			
Cash and bank balances		25,920,280.24	10,289,452.28
Held-for-trading financial assets		200,000.00	
Derivative financial assets			
Bills receivable			
Accounts receivable	XIV.1	4,255,748.58	3,345,005.51
Receivables financing			
Prepayments		2,021,451.63	2,164,400.78
Other receivables	XIV.2	109,166,451.52	99,796,037.42
Including: Interest receivable			
Dividend receivable			
Financial assets purchased under agreements to resell			
Inventory			
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets			
Total current assets		<u>141,563,931.97</u>	<u>115,594,895.99</u>

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	<i>Note</i>	As at 30 June 2021	As at 31 December 2020
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables		200,000.00	200,000.00
Long-term equity investments	XIV.3	43,128,076.13	42,646,424.63
Other equity instrument investments			
Other non-current financial assets			
Investment properties			
Fixed assets		970,160.26	1,131,981.65
Construction in progress		72,000.00	3,547,033.36
Productive biological assets			
Oil & gas assets			
Right-of-use assets		73,572,428.02	
Intangible assets		602,160.78	551,121.18
Development expenses		2,166,132.52	2,039,647.37
Goodwill			
Long-term deferred expenses		22,600,267.85	21,809,520.20
Deferred income tax assets		31,959.04	31,959.04
Other non-current assets			
Total non-current assets		<u>143,343,184.60</u>	<u>71,957,687.43</u>
 Total assets		 <u>284,907,116.57</u>	 <u>187,552,583.42</u>

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	<i>Note</i>	As at 30 June 2021	As at 31 December 2020
Current liabilities:			
Short-term borrowings		20,239,632.12	19,239,632.12
Held-for-trading financial liabilities			
Derivative financial liabilities			
Bills payable			
Accounts payable		3,413,428.90	5,914,690.67
Receipts in advance		991,471.94	929,001.23
Contract liabilities			
Financial assets sold under agreements to repurchase			
Employee benefits payable			
Tax payables		857,319.17	3,667,319.06
Other payables		35,806,936.13	31,627,794.66
Including: Interest payable			
Dividend payable			
Liabilities held for sale			
Non-current liabilities due within one year		30,495,000.02	37,350,000.04
Other current liabilities		93,500.00	93,500.00
Total current liabilities		<u>91,897,288.28</u>	<u>98,821,937.78</u>

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	Note	As at 30 June 2021	As at 31 December 2020
Non-current liabilities:			
Long-term borrowings		11,000,000.00	
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities		101,051,361.15	
Long-term payables		6,666.56	6,666.56
Long-term employee benefits payable			
Estimated liabilities			
Deferred income			
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		<u>112,058,027.71</u>	<u>6,666.56</u>
 Total liabilities		 <u>203,955,315.99</u>	 <u>98,828,604.34</u>
 Owners' equity (or shareholders' equity):			
Share capital		51,959,527.00	18,475,609.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve		42,871,138.45	60,977,745.38
Less: Treasury stock			
Other comprehensive income			
Special reserve			
Surplus reserve		1,079,709.73	1,079,709.73
General risk reserve			
Retained profits		-14,958,574.60	8,190,914.97
Total owners' equity (or shareholders' equity)		<u>80,951,800.58</u>	<u>88,723,979.08</u>
 Total liabilities and owners' equity (or shareholders' equity)		 <u>284,907,116.57</u>	 <u>187,552,583.42</u>

XI. CONSOLIDATED INCOME STATEMENT

Unit: RMB

Item	Note	January to June 2021	January to June 2020
I. Total operating income		76,423,123.37	60,101,057.08
Including: Operating income	VI.32	76,423,123.37	60,101,057.08
Interest income			
Earned premium			
Fee and commission income			
II. Total operating cost		70,987,981.45	39,709,442.97
Including: Operating cost	VI.32	53,273,357.52	36,934,807.02
Interest expenses			
Fee and commission expenses			
Surrenders			
Net claims paid			
Net change in insurance contract reserve			
Policyholder dividend expenses			
Premiums paid for reinsurance contracts			
Taxes and surcharges	VI.33	134,134.01	124,181.21
Marketing expenses	VI.34	9,353.62	
Administrative expenses	VI.35	1,206,604.14	2,142,534.94
Research and development expenses	VI.36		186,316.56
Financial expenses	VI.37	16,364,532.16	321,603.24
Including: Interest expenses			
Interest income			
Add: Other income	VI.38	227,000.00	12,024.70
Investment income			
("-" denotes loss)	VI.39	4,868,730.92	

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	Note	January to June 2021	January to June 2020
Including: Income from investments in associates and joint ventures			
Gain on derecognition of financial assets at amortised cost through profit or loss ("-" denotes loss)			
Foreign exchange gain ("-" denotes loss)			
Net gain on hedging exposure ("-" denotes loss)			
Gain on change in fair value ("-" denotes loss)			
Credit impairment loss ("-" denotes loss)	VI.40	-164,041.44	-173,820.41
Asset impairment loss ("-" denotes loss)			
Gain on disposal of assets ("-" denotes loss)			
III. Operating profit ("-" denotes loss)		10,366,831.40	20,229,818.40
Add: Non-operating income	VI.41	674,299.23	54,103.39
Less: Non-operating expenses	VI.42	48,816.01	1,092,641.25
IV. Profit before tax ("-" denotes loss before tax)		10,992,314.62	19,191,280.54
Less: Income tax expenses	VI.43	651,224.79	4,096,210.50

Item	Note	January to June 2021	January to June 2020
V. Net profit ("-" denotes net loss)		10,341,089.83	15,095,070.04
Including: Net profit realised by the acquiree prior to consolidation			
(I) Classified by continuity of operations:		–	–
1. Net profit from continuing operations ("-" denotes net loss)		10,341,089.83	15,095,070.04
2. Net profit from discontinued operations ("-" denotes net loss)			
(II) Classified by ownership of equity:		–	–
1. Profit or loss attributable to minority interest ("-" denotes net loss)		–343,267.85	3,711,848.04
2. Net profit attributable to owners of the parent company ("-" denotes net loss)		10,684,357.68	11,383,222.00

Item	Note	January to June 2021	January to June 2020
VI. Other comprehensive income, net of tax			
(I) Other comprehensive income attributable to owners of the parent company, net of tax			
1. Other comprehensive income that will not be reclassified to profit or loss			
(1) Change from re-measurement of defined benefit schemes			
(2) Other comprehensive income that will not be transferred to profit or loss under the equity method			
(3) Change in fair value of other equity instrument investments			
(4) Change in fair value of own credit risk			
(5) Others			
2. Other comprehensive income that may be reclassified to profit or loss			
(1) Other comprehensive income that may be transferred to profit or loss under the equity method			
(2) Change in fair value of other debt investments			
(3) Reclassification of financial assets to other comprehensive income			
(4) Provision for credit impairment of other debt investments			

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	<i>Note</i>	January to June 2021	January to June 2020
(5) Cash flow hedge reserve			
(6) Exchange differences on translation of financial statements in foreign currency			
(7) Others			
(II) Other comprehensive income attributable to minority interest, net of tax			
VII. Total comprehensive income		10,341,089.83	15,095,070.04
(I) Total comprehensive income attributable to owners of the parent company		10,684,357.68	11,383,222.00
(II) Total comprehensive income attributable to minority interest		-343,267.85	3,711,848.04
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)		0.22	0.76
(II) Diluted earnings per share (RMB/share)		0.22	0.76
Legal representative: Shi Yan (施豔)	Accounting principal: Wang Fuhan (王輔晗)	Accounting firm's principal: Wang Fuhan (王輔晗)	

XII. INCOME STATEMENT OF THE PARENT COMPANY

Unit: RMB

Item	Note	January to June 2021	January to June 2020
I. Operating income	XIV.4	19,727,277.79	20,618,025.68
Less: Operating cost	XIV.4	16,806,481.74	11,276,104.45
Taxes and surcharges		68,374.38	68,418.14
Marketing expenses			
Administrative expenses		611,938.59	434,937.88
Research and development expenses			
Financial expenses		4,819,939.21	236,234.02
Including: Interest expenses			
Interest income			
Add: Other income		227,000.00	
Investment income			
("-" denotes loss)		2,481,651.50	510,000.00
Including: Income from investments in associates and joint ventures			
Gain on derecognition of financial assets at amortised cost through profit or loss ("-" denotes loss)			
Foreign exchange gain ("-" denotes loss)			
Net gain on hedging exposure ("-" denotes loss)			
Gain on change in fair value ("-" denotes loss)			
Credit impairment loss ("-" denotes loss)		-47,933.85	264,307.32
Asset impairment loss ("-" denotes loss)			
Gain on disposal of assets ("-" denotes loss)			

Item	Note	January to June 2021	January to June 2020
II. Operating profit ("-" denotes loss)		81,261.52	9,376,638.51
Add: Non-operating income		6,069.37	53,647.42
Less: Non-operating expenses		44,572.87	780,000.00
III. Profit before tax ("-" denotes loss before tax)		42,758.02	8,650,285.93
Less: Income tax expenses		10,700.53	2,192,443.08
IV. Net profit ("-" denotes net loss)		32,057.49	6,457,842.85
(I) Net profit from continuing operations ("-" denotes net loss)		32,057.49	6,457,842.85
(II) Net profit from discontinued operations ("-" denotes net loss)			
V. Other comprehensive income, net of tax			
(I) Other comprehensive income that will not be reclassified to profit or loss			
1. Change from re-measurement of defined benefit schemes			
2. Other comprehensive income that will not be transferred to profit or loss under the equity method			
3. Change in fair value of other equity instrument investments			
4. Change in fair value of own credit risk			
5. Others			

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	<i>Note</i>	January to June 2021	January to June 2020
(II) Other comprehensive income that may be reclassified to profit or loss			
1. Other comprehensive income that may be transferred to profit or loss under the equity method			
2. Change in fair value of other debt investments			
3. Reclassification of financial assets to other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Cash flow hedge reserve			
6. Exchange differences on translation of financial statements in foreign currency			
7. Others			
VI. Total comprehensive income		32,057.49	6,457,842.85
VII. Earnings per share:			
(I) Basic earnings per share (RMB/share)			
(II) Diluted earnings per share (RMB/share)			

XIII. CONSOLIDATED STATEMENT OF CASH FLOWS

Unit: RMB

Item	Note	January to June 2021	January to June 2020
I. Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		89,931,504.59	55,260,056.00
Net increase in deposits from customers and other banks and financial institutions			
Net increase in borrowings from central bank			
Net increase in loans from other financial institutions			
Cash received from premiums under original insurance contracts			
Net cash received from reinsurance business			
Net increase in policyholders' deposits and investment contract liabilities			
Cash received from interests, fee and commission			
Net increase in loans from other banks and financial institutions			
Net increase in repo transactions			
Net cash received from securities trading agency services			
Tax rebates received		19.80	
Cash received relating to other operating activities	VI.44.1	13,502,963.55	14,589,049.37
Subtotal of cash inflow from operating activities		103,434,487.94	69,849,105.37
Cash paid for goods purchased and services received		42,474,483.07	42,304,767.17
Net increase in loans and advances to customers			
Net increase in deposits with central bank and other banks and financial institutions			
Cash paid for claims of original insurance contract			
Net increase in financial assets held for trading			

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	Note	January to June 2021	January to June 2020
Net increase in loans to other banks and financial institutions			
Cash paid for interest, fee and commission			
Cash paid for policyholder dividend			
Cash paid to and for employees		4,960,287.92	4,620,568.96
Cash paid for taxes and surcharges		4,478,625.64	2,037,569.75
Cash paid relating to other operating activities	VI.44.2	23,169,239.58	2,677,523.39
Subtotal of cash outflow from operating activities		75,082,636.21	51,640,429.27
Net cash flow from operating activities		28,351,851.73	18,208,676.10
II. Cash flows from investing activities:			
Cash received from disposal of investments			
Cash received from investment income			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			2,340.00
Net cash received from disposal of subsidiaries and other business units			
Cash received relating to other investing activities			
Subtotal of cash inflow from investing activities			2,340.00
Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets		32,311,368.12	27,018,483.51
Cash paid for investments		700,000.00	
Net increase in pledged loans			
Net cash paid for acquisition of subsidiaries and other business units			
Cash paid relating to other investing activities	VI.44.3	138,230.12	–
Subtotal of cash outflow from investing activities		33,149,598.24	27,018,483.51
Net cash flow from investing activities		–33,149,598.24	–27,016,143.51

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	Note	January to June 2021	January to June 2020
III. Cash flows from financing activities:			
Cash received from capital contributions		15,534,858.24	
Including: Cash received from capital contributions to subsidiaries by minority shareholders			
Cash received from borrowings		37,000,000.00	10,000,000.00
Cash received from bond issuance			
Cash received relating to other financing activities	VI.44.4		388,439.99
Subtotal of cash inflow from financing activities		52,534,858.24	10,388,439.99
Cash paid for repayment of debt		36,080,000.00	500,000.00
Cash paid for distribution of dividend and profit or interest payment		3,795,219.68	3,420,177.52
Including: Distribution of dividend and profit by subsidiaries to minority shareholders			
Cash paid relating to other financing activities	VI.44.5	61,820.00	
Subtotal of cash outflow from financing activities		39,937,039.68	3,920,177.52
Net cash flow from financing activities		12,597,818.56	6,468,262.47

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	<i>Note</i>	January to June 2021	January to June 2020
IV. Effect of foreign exchange rate fluctuation on cash and cash equivalents		–	–
V. Net increase in cash and cash equivalents		7,800,072.05	–2,339,204.94
Add: Cash and cash equivalents at the beginning of the period		24,118,893.28	11,760,892.66
VI. Cash and cash equivalents at the end of the period		31,918,965.33	9,421,687.72
Legal representative: Shi Yan (施豔)	Accounting principal: Wang Fuhan (王輔晗)	Accounting firm's principal: Wang Fuhan (王輔晗)	

XIV STATEMENT OF CASH FLOWS OF THE PARENT COMPANY

Unit: RMB

Item	Note	January to June 2021	January to June 2020
I. Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		24,837,933.37	20,262,809.39
Tax rebates received		–	
Cash received relating to other operating activities		44,515,198.44	971,843.53
Subtotal of cash inflow from operating activities		69,353,131.81	21,234,652.92
Cash paid for goods purchased and services received		10,598,161.79	15,050,412.94
Cash paid to and for employees		1,787,447.36	1,696,932.90
Cash paid for taxes and surcharges		3,747,790.25	1,128,425.93
Cash paid relating to other operating activities		46,456,990.98	596,690.54
Subtotal of cash outflow from operating activities		62,590,390.38	18,472,462.31
Net cash flow from operating activities		6,762,741.43	2,762,190.61
II. Cash flows from investing activities:			
Cash received from disposal of investments			
Cash received from investment income			510,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			1,260.00
Net cash received from disposal of subsidiaries and other business units			
Cash received relating to other investing activities			
Subtotal of cash inflow from investing activities			511,260.00
Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets		99,609.00	2,615,302.25
Cash paid for investments		200,000.00	122,500.00
Net cash paid for acquisition of subsidiaries and other business units			

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Item	<i>Note</i>	January to June 2021	January to June 2020
Cash paid relating to other investing activities			10,880,718.54
Subtotal of cash outflow from investing activities		299,609.00	13,618,520.79
Net cash flow from investing activities		-299,609.00	-13,107,260.79
III. Cash flows from financing activities:			
Cash received from capital contributions		15,534,858.24	
Cash received from borrowings		24,000,000.00	10,000,000.00
Cash received from bond issuance		-	
Cash received relating to other financing activities			
Subtotal of cash inflow from financing activities		39,534,858.24	10,000,000.00
Cash paid for repayment of debt		27,980,000.00	500,000.00
Cash paid for distribution of dividend and profit or interest payment		2,325,462.71	229,541.93
Cash paid relating to other financing activities		61,700.00	
Subtotal of cash outflow from financing activities		30,367,162.71	729,541.93
Net cash flow from financing activities		9,167,695.53	9,270,458.07
IV. Effect of foreign exchange rate fluctuation on cash and cash equivalents			
V. Net increase in cash and cash equivalents		15,630,827.96	-1,074,612.11
Add: Cash and cash equivalents at the beginning of the period		10,289,452.28	1,565,725.77
VI. Cash and cash equivalents at the end of the period		25,920,280.24	491,113.66

IV. NOTES TO FINANCIAL STATEMENTS

(I) Index of Notes Concerning Certain Matters

Matters	Yes/No	Index
1. Whether the accounting policies adopted in the half-yearly report have changed from those in the previous year's financial statements	✓Yes□No	Notes to Financial Statements.IV.29
2. Whether the accounting estimates used in the half-yearly report have changed from those in the previous year's financial statements	□Yes✓No	N/A
3. Whether there is any correction of prior period errors	□Yes✓No	N/A
4. Whether there are any seasonal or cyclical characteristics of the Company's operations	□Yes✓No	N/A
5. Whether there is any change in related parties with controlling relationship with the Company	✓Yes□No	Notes to Financial Statements.VII
6. Whether there is any change in the scope of consolidation for the consolidated financial statements	✓Yes□No	Notes to Financial Statements.VII
7. Whether there are any issuance, repurchase and repayment of securities	✓Yes□No	Section V. III
8. Whether there is any profit distribution to the owners	□Yes✓No	N/A

9. Whether segment reporting is disclosed in accordance with relevant requirements of the accounting standards	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	N/A
10. Whether there are any non-adjusting events between the half-yearly balance sheet date and the approval date of the half-yearly financial report	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Notes to Financial Statements.XII
11. Whether there are any changes in contingent liabilities and contingent assets that occurred after the previous year's balance sheet date	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	N/A
12. Whether there are any changes in corporate structure	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	N/A
13. Whether there is any transfer or disposal of material long-term assets	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	N/A
14. Whether there are any changes in material fixed assets and intangible assets	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	N/A
15. Whether there are any material research and development expenses	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	N/A
16. Whether there are any significant asset impairment losses	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	N/A
17. Whether there are any estimated liabilities	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	N/A

Description of index of notes concerning certain matters:

See the index description in the table above for details.

II. NOTES TO FINANCIAL STATEMENTS

Shanghai KYMS Cloud Technology Co., Ltd. NOTES TO 2021 FIRST HALF YEAR FINANCIAL STATEMENTS

I. BASIC INFORMATION OF THE COMPANY

1. Basic Information

Shanghai KYMS Cloud Technology Co., Ltd. (hereinafter referred to as the “**Company**”) is a company limited by shares registered in Shanghai and approved by the Shanghai Municipal Market Supervision Authority (unified social credit code: 913100007721258903). The Company’s registered address is Room 118, Block 5, No.552, Jiatang Road, Jiading Industrial Zone, Shanghai. The legal representative of the Company is Shi Yan (施豔).

The main business scope of the Company: Information technology (including technical consulting, technology development, technology transfer, technical services); software development; enterprise management; property management; information system integration services; office services; self-owned equipment leasing (financial leasing is prohibited); conference services; exhibition and exhibition services. Except for projects approved according to law, it independently carries out business activities according to the business licenses.

2. History

(1) Establishment on 25 February 2005

The Company was invested and founded on 25 February 2005 by Wang Fuhan (王輔晗) and Zhou Hai (周海). Its name when first established was 上海泰和嘉投資管理有限公司 (Shanghai Taihejia Investment Management Co., Ltd.). The registered capital was RMB10.00 million, which was entirely contributed with cash. Such contribution was verified by Shanghai Jiarui Certified Public Accountants Co., Ltd. (上海佳瑞會計師事務所有限公司) and a capital verification report (Jiarui Yan Zi (2005) No. 21260) was issued.

The Company was registered in Shanghai Administration of Industry and Commerce Jiading Branch in February 2005 and received a corporate legal person business licence with a registration number 3101142098281.

Shareholders’ contribution amounts and percentages when the Company was established:

Shareholders’ names	Contribution amounts (RMB)	Contribution percentages
Wang Fuhan (王輔晗)	9,500,000.00	95.00%
Zhou Hai (周海)	500,000.00	5.00%
Total	10,000,000.00	100.00%

APPENDIX II FINANCIAL INFORMATION OF SHANGHAI KYMS

(2) Equity transfer in November 2005

An equity transfer agreement was signed on 8 November 2005, pursuant to which, Wang Fuhan (王輔晗) transferred 95% shareholding to Ying Wen (應文) at a consideration of RMB9.50 million.

The shareholding structure after such equity transfer was:

Shareholder's name	Contribution amount before the transfer (RMB)	Contribution percentage before the transfer	Contribution amount after the transfer (RMB)	Contribution percentage after the transfer
Wang Fuhan (王輔晗)	9,500,000.00	95.00%	-	-
Zhou Hai (周海)	500,000.00	5.00%	500,000.00	5.00%
Ying Wen (應文)	-	-	9,500,000.00	95.00%
Total	10,000,000.00	100.00%	10,000,000.00	100.00%

(3) Equity transfer in September 2006

An equity transfer agreement was signed on 18 September 2006, pursuant to which, Zhou Hai (周海) transferred 5% shareholding to Ying Wen (應文) at a consideration of RMB0.50 million.

The shareholding structure after such equity transfer was:

Shareholder's name	Contribution amount before the transfer (RMB)	Contribution percentage before the transfer	Contribution amount after the transfer (RMB)	Contribution percentage after the transfer
Zhou Hai (周海)	500,000.00	5.00%	-	-
Ying Wen (應文)	9,500,000.00	95.00%	10,000,000.00	100.00%
Total	10,000,000.00	100.00%	10,000,000.00	100.00%

(4) Change of company name in July 2007

In July 2007, as approved by Shanghai Administration of Industry and Commerce Jiading Branch, the Company's name changed from 上海泰和嘉投資管理有限公司 (Shanghai Taihejia Investment Management Co., Ltd.) to 上海達潤投資管理有限公司 (Shanghai Darun Investment Management Co., Ltd.).

(5) *Equity transfer in June 2009*

An equity transfer agreement was signed on 29 June 2009, pursuant to which, Ying Wen (應文) transferred 40% shareholding to Shen Hai (沈海) at a consideration of RMB4.00 million and transferred 30% shareholding to Wang Jianfeng (王建鋒) at a consideration of RMB3.00 million.

Shareholder' s name	Contribution amount before the transfer (RMB)	Contribution percentage before the transfer	Contribution amount after the transfer (RMB)	Contribution percentage after the transfer
Ying Wen (應文)	10,000,000.00	100.00%	3,000,000.00	30.00%
Shen Hai (沈海)	-	-	4,000,000.00	40.00%
Wang Jianfeng (王建鋒)	-	-	3,000,000.00	30.00%
Total	10,000,000.00	100.00%	10,000,000.00	100.00%

(6) *Equity transfer in December 2010*

On 7 December 2010, according to a property division agreement, the natural person Shen Hai (沈海) transferred his 40% shareholding to his wife Shi Yan (施豔) and 10% to his son Shen Yang (沈洋) after his death.

Shareholder' s name	Contribution amount before the transfer (RMB)	Contribution percentage before the transfer	Contribution amount after the transfer (RMB)	Contribution percentage after the transfer
Ying Wen (應文)	3,000,000.00	30.00%	3,000,000.00	30.00%
Shen Hai (沈海)	4,000,000.00	40.00%	-	-
Wang Jianfeng (王建鋒)	3,000,000.00	30.00%	3,000,000.00	30.00%
Shi Yan (施豔)	-	-	3,000,000.00	30.00%
Shen Yang (沈洋)	-	-	1,000,000.00	10.00%
Total	10,000,000.00	100.00%	10,000,000.00	100.00%

(7) *Equity transfer in April 2014*

In April 2014, according to an equity transfer agreement, Ying Wen (應文) transferred 27% shareholding to Wang Fuhua (王輔哈), and Ying Wen (應文) transferred 3% shareholding, Shi Yan (施豔) transferred 3% shareholding, Wang Jianfeng (王建鋒) transferred 3% shareholding and Shen Yang (沈洋) transferred 1.00% shareholding to Shanghai Qiangao Investment Management Partnership, L.P (上海謙高投資管理合夥企業(有限合夥)).

The shareholding structure after such equity transfers was:

Shareholder's name	Contribution amount before the transfer (RMB)	Contribution percentage before the transfer	Contribution amount after the transfer (RMB)	Contribution percentage after the transfer
Ying Wen (應文)	3,000,000.00	30.00%	-	-
Wang Jianfeng (王建鋒)	3,000,000.00	30.00%	2,700,000.00	27.00%
Shi Yan (施豔)	3,000,000.00	30.00%	2,700,000.00	27.00%
Shen Yang (沈洋)	1,000,000.00	10.00%	900,000.00	9.00%
Wang Fuhua (王輔哈)	-	-	2,700,000.00	27.00%
Shanghai Qiangao Investment Management Partnership, L.P (上海謙高投資管理合夥企業 (有限合夥))	-	-	1,000,000.00	10.00%
Total	10,000,000.00	100.00%	10,000,000.00	100.00%

(8) *Capital increase on 22 April 2014*

On 22 April 2014, the Company's shareholders additionally contributed RMB7.80 million based on their respective existing shareholding. Such contribution was credited into capital reserve and would not increase paid-up capital.

(9) *Change of company name in June 2014*

In June 2014, as approved by Shanghai Administration of Industry and Commerce, the Company's name changed from 上海達潤投資管理有限公司 (Shanghai Darun Investment Management Co., Ltd.) to 上海快易名商企業發展股份有限公司 (Shanghai Kuaiyi Mingshang Enterprise Development Co., Ltd.).

(10) *Equity transfer in June 2018*

In June 2018, Shi Yan (施豔) transferred her 4.96% shareholding in the Company to Shanghai Dangxian Business Information Consulting Co., Ltd. (上海當現商務信息諮詢有限公司).

The shareholding structure after such equity transfer was:

Shareholder' s name	Contribution amount before the transfer (RMB)	Contribution percentage before the transfer	Contribution amount after the transfer (RMB)	Contribution percentage after the transfer
Wang Jianfeng (王建鋒)	2,700,000.00	27.00%	2,700,000.00	27.00%
Shi Yan (施豔)	2,700,000.00	27.00%	2,204,000.00	22.04%
Shen Yang (沈洋)	900,000.00	9.00%	900,000.00	9.00%
Wang Fuhan (王輔晗)	2,700,000.00	27.00%	2,700,000.00	27.00%
Shanghai Qiangao Investment Management Partnership, L.P (上海謙高投資管理合夥企業 (有限合夥))	1,000,000.00	10.00%	1,000,000.00	10.00%
Shanghai Dangxian Business Information Consulting Co., Ltd. (上海當現商務信息諮詢有限公司)	—	—	496,000.00	4.96%
Total	<u>10,000,000.00</u>	<u>100.00%</u>	<u>10,000,000.00</u>	<u>100.00%</u>

(11) Capital increase on 2 January 2019

On 23 December 2018, the proposal of the Company's Stock Issue Plan has been passed in 9th Extraordinary General Meeting in 2018 held by the Company, of which Beijing Dayuan Tiandi Real Estate Brokerage Co., Ltd. (北京大苑天地房地產經紀有限責任公司), Shanghai Huifan Enterprise Management Center (Limited Partnership) (上海惠番企業管理中心(有限合夥)) and natural person, Shi Wei (施偉) have been approved to subscribe for the shares issued by the Company by way of debt-to-equity swap.

The shareholding structure after such debt-to-equity swap was:

Shareholder's name	Contribution amount before the transfer (RMB)	Contribution percentage before the transfer	Contribution amount after the transfer (RMB)	Contribution percentage after the transfer
Wang Jianfeng (王建鋒)	2,700,000.00	27.00%	2,700,000.00	18.00%
Shi Yan (施豔)	2,204,000.00	22.04%	2,204,000.00	14.69%
Shen Yang (沈洋)	900,000.00	9.00%	900,000.00	6.00%
Wang Fuhua (王輔哈)	2,700,000.00	27.00%	2,700,000.00	18.00%
Shanghai Qiangao Investment Management Partnership, L.P. (上海謙高投資管理合夥企業 (有限合夥))	1,000,000.00	10.00%	1,000,000.00	6.67%
Shanghai Dangxian Business Information Consulting Co., Ltd. (上海當現商務信息諮詢有限公司)	496,000.00	4.96%	496,000.00	3.31%
Beijing Dayuan Tiandi Real Estate Brokerage Co., Ltd. (北京大苑天地房地產經紀 有限責任公司)	-	-	1,428,571.00	9.52%
Yifeng (Shanghai) Investment Management Co., Ltd (翌峰(上海)投資管理有限公司) - Shanghai Huifan Enterprise Management Center (Limited Partnership) (上海惠番企業管理中心(有限合夥))	-	-	1,571,428.00	10.48%
Shi Wei (施偉)	-	-	2,000,000.00	13.33%
Total	10,000,000.00	100.00%	14,999,999.00	100.00%

(12) *Equity transfer in June 2019*

In June 2019, Shi Wei (施偉) transferred all of his shares to Shanghai Zhayuan Enterprise Management Partnership (Limited Partnership) (上海札遠企業管理合夥企業(有限合夥)), a company controlled by his spouse Liu Xuan (劉璇).

The shareholding structure after such equity transfer was:

Shareholder's name	Contribution amount before the transfer (RMB)	Contribution percentage before the transfer	Contribution amount after the transfer (RMB)	Contribution percentage after the transfer
Wang Jianfeng (王建鋒)	2,700,000.00	18.00%	2,700,000.00	18.00%
Shi Yan (施豔)	2,204,000.00	14.69%	2,204,000.00	14.69%
Shen Yang (沈洋)	900,000.00	6.00%	900,000.00	6.00%
Wang Fuhao (王輔哈)	2,700,000.00	18.00%	2,700,000.00	18.00%
Shanghai Qiangao Investment Management Partnership, L.P. (上海謙高投資管理合夥企業 (有限合夥))	1,000,000.00	6.67%	1,000,000.00	6.67%
Shanghai Dangxian Business Information Consulting Co., Ltd. (上海當現商務信息諮詢有限公司)	496,000.00	3.31%	496,000.00	3.31%
Beijing Dayuan Tiandi Real Estate Brokerage Co., Ltd. (北京大苑天地房地產經紀 有限責任公司)	1,428,571.00	9.52%	1,428,571.00	9.52%
Yifeng (Shanghai) Investment Management Co., Ltd. (翌峰(上海)投資管理有限公司 - Shanghai Huifan Enterprise Management Center (Limited Partnership) (上海惠番企業管理中心(有限合夥))	1,571,428.00	10.48%	1,571,428.00	10.48%
Shi Wei (施偉)	2,000,000.00	13.33%	-	-
Shanghai Zhayuan Enterprise Management Partnership (Limited Partnership) (上海札遠企業管理 合夥企業(有限合夥))	-	-	2,000,000.00	13.33%
Total	14,999,999.00	100.00%	14,999,999.00	100.00%

(13) *Change of registered address in September 2020*

On 29 September 2020, the registered address of the Company has been changed from Room 2299, Block 5, No. 1630, Yecheng Road, Jiading Industrial Zone, Shanghai to Room 206, Block 1, No. 150, Lane 2161, Wan Yuan Road, Minhang District, Shanghai.

(14) Capital increase in September 2020

On 11 September 2020, the Company convened the sixth extraordinary general meeting in 2020, at which the resolution of Prospectus of Non-public Offering of the Company was considered and approved, and particulars of the non-public offering are as follows:

Name of Subscriber	Number of Shares Subscribed	Subscription price (RMB/share)	Subscription amount	Method of Subscription
Shanghai Qixun Enterprise Management Partnership L.p. (上海起尋企業管理合夥企業 (有限合夥))	1,489,572.00	10.07	14,999,990.04	Debt-to-equity swap
Shanghai Da'an Jiaming Investment Management Co., Ltd. (上海達安嘉銘投資管理有限公司)	993,000.00	10.07	9,999,510.00	Debt-to-equity swap
Wang Jianfeng (王建鋒)	496,524.00	10.07	4,999,996.68	Debt-to-equity swap
Wang Jianfeng (王建鋒)	297,914.00	10.07	2,999,993.98	Cash
Mou Shanbo (牟善勃)	198,600.00	10.07	1,999,902.00	Cash
Total	3,475,610.00		34,999,392.70	

On 17 November 2020, the Company obtained from the subscribers, Shanghai Qixun Enterprise Management Partnership L.P. (上海起尋企業管理合夥企業(有限合夥)) and Wang Jianfeng (王建鋒), the confirmation documents for transfer of the creditor's assets which used to subscribe for the shares in the issue to the Company. The Company has completed the accounting process and informed the the subscribers of the successful subscription.

As of 19 November 2020, subscription proceeds from the subscribers, Shanghai Da'an Jiaming Investment Management Co., Ltd. (上海達安嘉銘投資管理有限公司), Wang Jianfeng (王建鋒) and Mou Shanbo (牟善勃), has deposited to the Company's designated account, and the Company has confirmed and informed the the subscribers of the successful subscription.

On 28 December 2020, upon the approval of the Shanghai Municipal Administration for Market Regulation, the registered capital of the Company was changed from RMB14,999,999 to RMB18,475,609.

The shareholding structure after such debt-to-equity swap was as follow:

Shareholders	Contribution amounts before subscription (RMB)	Contribution percentages before subscription	Contribution amounts after subscription (RMB)	Contribution percentages after subscription
Wang Jianfeng (王建鋒)	2,700,000.00	18.00%	3,494,438.00	18.91%
Shi Yan (施豔)	2,204,000.00	14.69%	2,204,000.00	11.93%
Shen Yang (沈洋)	900,000.00	6.00%	900,000.00	4.87%
Wang Fuhun (王輔晗)	2,700,000.00	18.00%	2,700,000.00	14.61%
Shanghai Qiangao Investment Management Partnership L.P. (上海謙高投資管理合夥企業 (有限合夥))	1,000,000.00	6.67%	1,000,000.00	5.41%
Shanghai Dangxian Business Information Consulting Co., Ltd. (上海當現商務信息諮詢有限公司)	496,000.00	3.31%	496,000.00	2.68%
Beijing Dayuan Tiandi Real Estate Brokerage Co., Ltd. (北京大苑天地房地產經紀 有限責任公司)	1,428,571.00	9.52%	1,428,571.00	7.73%
Yifeng (Shanghai) Investment Management Co., Ltd. (翌峰(上海)投資管理有限公司) – Shanghai Huifan Enterprise Management Center L.P. (上海惠番企業管理中心(有限合夥))	1,571,428.00	10.48%	1,571,428.00	8.51%
Shanghai Zhayuan Enterprise Management Partnership L.P. (上海札遠企業管理合夥企業 (有限合夥))	2,000,000.00	13.33%	2,000,000.00	10.83%
Shanghai Qixun Enterprise Management Partnership L.P. (上海起尋企業管理合夥企業 (有限合夥))	–	–	1,489,572.00	8.06%
Shanghai Da'an Jiaming Investment Management Co., Ltd. (上海達安嘉銘投資管理有限公司)	–	–	993,000.00	5.37%
Mou Shanbo (牟善勃)	–	–	198,600.00	1.07%
Total	14,999,999.00	100.00%	18,475,609.00	100.00%

(15) *Change of company name in December 2020*

On 28 December 2020, upon the approval of the Shanghai Municipal Administration for Market Regulation, the company name was changed from Shanghai Kuaiyi Mingshang Enterprise Development Co., Ltd. (上海快易名商企業發展股份有限公司) to Shanghai KYMS Cloud Technology Co., Ltd. (上海快易名商雲科技股份有限公司).

(16) Capital reserve capitalisation on January 2021

On 26 December 2020, the Company convened the ninth extraordinary general meeting of 2020, which considered and approved the Resolution on 2020 Semi-Annual Equity Distribution Plan of the Company to allocate 16 shares for every 10 shares to all shareholders from the capital reserve (by allocating 16 shares for every 10 shares from the capital reserve arising from the shares issue premium) based on the Company's existing total share capital of 18,475,609 shares, which increased the total share capital to 48,036,583 shares after the capitalisation. The date of record for such equity distribution was 14 January 2021.

On 9 February 2021, upon the approval of the Shanghai Municipal Administration for Market Regulation, the registered capital of the Company was changed from RMB18,475,609 to RMB48,036,583.

The shareholding structure after such capital increase was as follow:

Shareholders	Contribution amounts before the capitalisation (RMB)	Contribution percentages before the capitalisation	Contribution amounts after the capitalisation (RMB)	Contribution percentages after the capitalisation
Wang Jianfeng (王建鋒)	3,494,438.00	18.91%	9,085,538.00	18.91%
Shi Yan (施豔)	2,204,000.00	11.93%	5,730,400.00	11.93%
Shen Yang (沈洋)	900,000.00	4.87%	2,340,000.00	4.87%
Wang Fuhan (王輔晗)	2,700,000.00	14.61%	7,020,000.00	14.61%
Shanghai Qiangao Investment Management Partnership L.P. (上海謙高投資管理合夥企業 (有限合夥))	1,000,000.00	5.41%	2,600,000.00	5.41%
Shanghai Dangxian Business Information Consulting Co., Ltd. (上海當現商務信息諮詢有限公司)	496,000.00	2.68%	1,289,600.00	2.68%
Beijing Dayuan Tiandi Real Estate Brokerage Co., Ltd. (北京大苑天地房地產經紀 有限責任公司)	1,428,571.00	7.73%	3,714,285.00	7.73%
Yifeng (Shanghai) Investment Management Co., Ltd. (翌峰(上海)投資管理有限公司) – Shanghai Huifan Enterprise Management Center L.P. (上海惠番企業管理中心(有限合夥))	1,571,428.00	8.51%	4,085,713.00	8.51%
Shanghai Zhayuan Enterprise Management Partnership L.P. (上海札遠企業管理合夥企業 (有限合夥))	2,000,000.00	10.83%	5,200,000.00	10.83%
Shanghai Qixun Enterprise Management Partnership L.P. (上海起尋企業管理合夥企業 (有限合夥))	1,489,572.00	8.06%	3,872,887.00	8.06%
Shanghai Da'an Jiaming Investment Management Co., Ltd. (上海達安嘉銘投資管理有限公司)	993,000.00	5.37%	2,581,800.00	5.37%
Mou Shanbo (牟善勃)	198,600.00	1.07%	516,360.00	1.07%
Total	18,475,609.00	100.00%	48,036,583.00	100.00%

(17) Equity transfer in March 2021

On 9 March 2021, Beijing Dayuan Tiandi Real Estate Agent Co., Ltd. (北京大苑天地房地產經紀有限責任公司) transferred 3,714,285 shares of a listed company to Beijing Ruiyuan Chenxing Enterprise Management Development Co., Ltd. (北京瑞苑辰星企業管理發展有限公司) through block trade, which reduced the shareholding of Beijing Dayuan Tiandi Real Estate Agent Co., Ltd. from 7.73% to 0.00%, while the shareholding of Beijing Ruiyuan Chenxing Enterprise Management Development Co., Ltd. increased from 0.00% to 7.73%.

The shareholding structure after such equity transfer was as follow:

Shareholders	Contribution amount before the transfer (RMB)	Contribution percentage before the transfer	Contribution amount after the transfer (RMB)	Contribution percentage after the transfer
Wang Jianfeng (王健鋒)	9,085,538.00	18.91%	9,085,538.00	18.91%
Wang Fuhan (王輔晗)	7,020,000.00	14.61%	7,020,000.00	14.61%
Shi Yan (施豔)	5,730,400.00	11.93%	5,730,400.00	11.93%
Shanghai Zhayuan Enterprise Management Partnership L.P. (上海札遠企業管理合夥企業 (有限合夥))	5,199,900.00	10.83%	5,200,000.00	10.83%
Yifeng (Shanghai) Investment Management Co., Ltd. (翌峰(上海)投資管理有限公司) – Shanghai Huifan Enterprise Management Center L.P. (上海惠番企業管理中心(有限合夥))	4,085,713.00	8.51%	4,085,713.00	8.51%
Shanghai Qixun Enterprise Management Partnership L.P. (上海起尋企業管理合夥企業 (有限合夥))	3,872,887.00	8.06%	3,872,887.00	8.06%
Beijing Dayuan Tiandi Real Estate Brokerage Co., Ltd. (北京大苑天地房地產經紀 有限責任公司)	3,714,285.00	7.73%	–	–
Shanghai Qiangao Investment Management Partnership L.P. (上海謙高投資管理合夥企業 (有限合夥))	2,600,000.00	5.41%	2,600,000.00	5.41%
Shanghai Da'an Jiaming Investment Management Co., Ltd. (上海達安嘉銘投資管理有限公司)	2,581,800.00	5.37%	2,581,800.00	5.37%
Shen Yang (沈洋)	2,340,000.00	4.87%	2,340,000.00	4.87%
Shanghai Dangxian Business Information Consulting Co., Ltd. (上海當現商務信息諮詢有限公司)	1,289,600.00	2.68%	1,289,600.00	2.68%
Mou Shanbo (牟善勃)	516,360.00	1.07%	516,360.00	1.07%
Beijing Ruiyuan Chenxing Enterprise Management Development Co., Ltd. (北京瑞苑辰星企業管理發展有限公司)	–	–	3,714,285.00	7.73%
Liu Xuan (劉璇)	100.00	0.0002%	100.00	0.0002%
Total	48,036,583.00	100.00%	48,036,583.00	100.00%

(18) *Change of registered address in April 2021*

On 26 April 2021, the Company convened the tenth meeting of the third session of the Board to consider and approve the Resolution on Proposed Change of Registered Address. On the same day, upon the approval of the Shanghai Municipal Administration for Market Regulation, the registered address of the Company has been changed from Room 206, Block 1, No. 150, Lane 2161, Wan Yuan Road, Minhang District, Shanghai to Room 118, Block 5, 552 Jiatang Road, Jiading Industrial Zone, Shanghai.

(19) *Capital increase in May 2021*

On 25 May 2021, the Company convened the third extraordinary general meeting in 2021, at which the resolution of Prospectus of Non-public Offering of the Company was considered and approved, and particulars of the non-public offering are as follows:

Name of Subscriber	Number of Shares Subscribed	Subscription price (RMB/share)	Subscription amount	Method of Subscription
Zhuhai Fuyin Yunlian Investment Management Co., Ltd. (珠海富銀雲聯投資管理有限公司)	3,922,944	3.96	15,534,858.24	Cash
Total	<u>3,922,944</u>		<u>15,534,858.24</u>	

As of 24 June 2021, subscription proceeds from the subscriber Zhuhai Fuyin Yunlian Investment Management Co., Ltd. has been deposited to the Company's designated account, and the Company has confirmed and informed the the subscriber of the successful subscription.

On 19 July 2021, upon the approval of the Shanghai Municipal Administration for Market Regulation, the registered capital of the Company was changed from RMB48,036,583 to RMB51,959,527.

The shareholding structure of the Company after such share subscription was as follows:

Shareholders	Contribution amount before the transfer (RMB)	Contribution percentage before the transfer	Contribution amount after the transfer (RMB)	Contribution percentage after the transfer
Wang Jianfeng (王建鋒)	9,085,538.00	18.91%	9,085,538.00	17.49%
Wang Fuhan (王輔哈)	7,020,000.00	14.61%	7,020,000.00	13.51%
Shi Yan (施豔)	5,730,400.00	11.93%	5,730,400.00	11.03%
Shanghai Zhayuan Enterprise Management Partnership L.P. (上海札遠企業管理合夥企業 (有限合夥))	5,199,900.00	10.83%	5,200,000.00	10.01%
Yifeng (Shanghai) Investment Management Co., Ltd. (翌峰(上海)投資管理有限公司) – Shanghai Huifan Enterprise Management Center (Limited Partnership) (上海惠番企業管理中心(有限合夥))	4,085,713.00	8.51%	4,085,713.00	7.86%
Zhuhai Fuyin Yunlian Investment Management Co., Ltd. (珠海富銀雲聯投資管理有限公司)	–	–	3,922,944.00	7.55%
Shanghai Qixun Enterprise Management Partnership L.P. (上海起尋企業管理合夥企業 (有限合夥))	3,872,887.00	8.06%	3,872,887.00	7.45%
Beijing Ruiyuan Chenxing Enterprise Management Development Co., Ltd. (北京瑞苑辰星企業管理發展有限公司)	3,714,285.00	7.73%	3,714,285.00	7.15%
Shanghai Qiangao Investment Management Partnership, L.P. (上海謙高投資管理合夥企業 (有限合夥))	2,600,000.00	5.41%	2,600,000.00	5.00%
Shanghai Da'an Jiaming Investment Management Co., Ltd. (上海達安嘉銘投資管理有限公司)	2,581,800.00	5.37%	2,581,800.00	4.97%
Shen Yang (沈洋)	2,340,000.00	4.87%	2,340,000.00	4.50%
Shanghai Dangxian Business Information Consulting Co., Ltd. (上海當現商務信息諮詢有限公司)	1,289,600.00	2.68%	1,289,600.00	2.48%
Mou Shanbo (牟善勃)	516,360.00	1.07%	516,360.00	0.99%
Liu Xuan (劉璇)	100.00	0.0002%	100.00	0.0002%
Total	48,036,583.00	100.00%	51,959,527.00	100.00%

3. The financial report was resolved for publication by the Board of the Company on 27 August 2021.

II. SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE CURRENT YEAR

As of 30 June 2021, the subsidiaries within the consolidated financial statements of the Company are as follows:

Name of subsidiaries	Shareholding (%)	
	Direct	Indirect
Shanghai Darun Gongjiang Enterprise Management Co., Ltd. (上海達潤工匠企業管理有限公司)	100.00	—
Shanghai Weiwo Enterprise Management Co., Ltd. (上海瑋沃企業管理有限公司)	100.00	—
Shanghai Kuaichang Chuangke Space Management Co., Ltd. (上海快長創客空間管理有限公司)	51.00	—
Shanghai Kuaijie Enterprise Management Co., Ltd. (上海快頤企業管理有限公司)	—	51.00
Shanghai Kuaiming Enterprise Management Co., Ltd. (上海快銘企業管理有限公司)	51.00	—
Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. (北京快易天地企業管理有限公司)	51.00	—
Shanghai Kuaiye Enterprise Management Co., Ltd. (上海快也企業管理有限公司)	100.00	—
Shanghai Lanzi Network Technology Co., Ltd. (上海嵐孜網絡科技有限公司)	100.00	—
Shanghai Kuaiqin Enterprise Management Co., Ltd. (上海快沁企業管理有限公司)	100.00	—
Shanghai Kuaizheng Decoration Design Co., Ltd. (上海快徵裝飾設計有限公司)	51.00	—
Shanghai Mingyuan Enterprise Development Co., Ltd. (上海銘苑企業發展有限公司)	24.50	26.01
Shanghai Kuailing Enterprise Management Co., Ltd. (上海快菱企業管理有限公司)	100.00	—
Shanghai Kuaizhe Enterprise Management Co., Ltd. (上海快喆企業管理有限公司)	100.00	—
Shanghai Kuaiheng Office Technology Co., Ltd. (上海快豐辦公科技有限公司)	100.00	—
Shanghai Kuaihui Commercial Management Co., Ltd. (上海快惠商業管理有限公司)	100.00	—
Shanghai Kuaiheng Enterprise Management Co., Ltd. (上海快珩企業管理有限公司)	100.00	—
Shanghai Kuaijing Enterprise Management Co., Ltd. (上海快璟企業管理有限公司)	100.00	—
Shanghai Kuaili Enterprise Management Co., Ltd. (上海快笠企業管理有限公司)	100.00	—
Shanghai Kuaipeng Enterprise Management Co., Ltd. (上海快蓬企業管理有限公司)	100.00	—
Shanghai Kuairui Enterprise Management Co., Ltd. (上海快睿企業管理有限公司)	100.00	—
Shanghai Kuaixin Enterprise Management Co., Ltd. (上海快芯企業管理有限公司)	100.00	—
Shanghai Kuaiyu Enterprise Management Co., Ltd. (上海快喻企業管理有限公司)	100.00	—

On 31 March 2021, the Company has transferred Shanghai Kuaizhuo Apartment Management Co., Ltd. (上海快卓公寓管理有限公司), a wholly-owned subsidiary, to Chen Li. At the end of the reporting period, the company was not included in the consolidation.

III. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

1. Basis of preparation

The Company has prepared the financial statements on a going concern basis and also adopted the accrual basis of accounting. The items of the financial statements are generally measured at historical cost, and replacement cost, net realizable value, present value or fair value would be applied in measurement on the basis of the availability and reliable measurement on the items of the financial statements.

2. Going concern

As of 30 June 2021, current assets and current liabilities included in the consolidated balance sheet were RMB112,492,300 (including bank balances and cash of RMB31,919,000) and RMB156,505,200 (including short-term borrowings of RMB30,239,600 and non-current liabilities due within one year of RMB30,995,000) respectively. The Company has assessed its ability to continue operations within 12 months from the end of the reporting period. The outstanding financing from financial institutions at the end of the reporting period was mainly used for pre-development of new projects. Based on years of practical business experience and sound credit history, the Company expects to apply for extension before the maturity of debts. At the same time, the Company made a non-public offering in May 2021 to obtain equity financing.

In light of the above commitments, the financial statements of the Company are still prepared on a going concern basis.

IV. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Statement on compliance with the Accounting Standards for Enterprises

The financial statements and notes, prepared in accordance with the requirements of the Accounting Standards for Business Enterprises, the Implementation Guidance and the Interpretation to the Accounting Standards for Business Enterprises issued by the Ministry of Finance, as well as No. 15 Reporting Regulation on the Information Disclosure for Public Share Offering Companies – Ordinary Reporting Regulation [revised in 2014] published by China Securities Regulatory Commission and relevant supplementary provisions, have given a true and complete view of the related information about the financial positions, operating results, changes in shareholders' equity and cash flow of the Company.

2. Accounting period

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

3. Business cycle

The business cycle is 12 months.

4. Functional currency

RMB.

5. Accounting for business combination under common control and not under common control

- (1) In a business combination under common control in which the Company acquires control over other combining companies as an acquirer, if the acquirer makes payment in cash, transfers non-cash assets or bears debts as the consideration for the business combination, the share in book value of the owners' equity of the acquiree in the consolidated financial statements of the ultimate controller is recognised as the initial investment cost of the long-term equity investment on the combination date. Capital reserves should be adjusted according to the difference between the initial investment cost of the long-term equity investment and the book value of the paid cash, the non-cash assets transferred and the debts assumed; if the capital reserves are not enough, the retained earnings shall be adjusted. If equity securities are issued as the consideration for the business combination, the share in book value of the owners' equity of the acquiree in the consolidated financial statements of the ultimate controller is recognised as the initial investment cost of the long-term equity investment on the combination date. Capital reserves should be adjusted according to the difference between the initial investment cost of the long-term equity investment and the total nominal value of the shares issued, with the total nominal value of the shares issued as the capital stock; in case the capital reserves are not enough, the retained earnings shall be adjusted. The intermediary service charges, including audit, legal service, evaluation and consultancy fees and other relevant administrative expenses incurred for business combination shall be charged to the profit and loss for the current period when incurred. The handling charges, and commissions paid for bonds issued or other debts assumed in business combination shall be included in the initial recognition amount of those bonds issued and other debts. The handling charges and commissions incurred for the issuance of equity securities in business combination should be offset against the premium income from equity securities; if the premium income is insufficient, the retained earnings shall be wrote down.
- (2) If the external merger of the Company is the business combination not under common control, the initial investment cost of long-term equity investment shall be determined in accordance with the following circumstances:
 1. For the business combination realized via single transaction, the initial investment cost of long-term equity investment shall be assets paid, and liabilities incurred or borne by the acquirer for acquiring the control right of the acquiree (acquirees) on the acquisition date and fair value of the issued equity securities;
 2. For business combination realized through multiple transactions in steps, the initial investment cost of long-term equity investment shall be the sum of each single transaction cost;
 3. The intermediary service charges, including audit, legal service, evaluation and consultancy fees and other relevant administrative expenses incurred for business combination shall be charged to current profit and loss when they are incurred; Transaction expenses incurred for issuance of equity or debt securities as consideration for business combination shall be included in the initial recognition amount of those equity securities or debt securities;
 4. Where future events with possible impact on the merger cost are specified in the merger contract or agreement, and future events are likely to occur as estimated on the acquisition date and the amount of the impact on the merger cost measured reliably shall be included in the initial investment cost of long-term equity investment.

- (3) If the external merger of the Company is the business combination not under common control, the Company recognises the difference from the initial investment cost of long-term equity investment above the share of fair value of identifiable assets acquired from the acquiree (acquirees) in the merger as goodwill.

The Company treats the difference from the initial investment cost of long-term equity investment below the share of fair value of identifiable assets acquired from the acquiree (acquirees) in accordance with the following manners:

1. The measurement of fair value of all identifiable assets, liabilities and contingent liabilities acquired from the acquiree (acquirees) and the merger cost shall be reviewed;
2. Where the merger cost subsequent to review is still below the share of fair value of identifiable assets acquired from the acquiree (acquirees), its difference shall be recorded into the current profit and loss.

6. Preparation method of consolidated financial statements

The consolidation scope of consolidated financial statements is determined on the basis of control. Control means that the investor has the power over the investee and enjoys the variable return through participating in activities related to the investee, and has the ability to affect its return by using the power over the investee.

The parent company shall incorporate all of its subsidiaries into the scope of consolidated financial statements. Subsidiaries refer to the separate entities controlled by the Company, including the enterprises, divisible part in the investees and structured entities under the Company's control.

If the parent company is the investment entity, the parent company shall incorporate its subsidiaries (if any) which provide services in support of the parent company's investment activities into the consolidation scope and prepares the consolidated financial statements; the other subsidiaries shall not be combined, the parent company's investment in other subsidiaries shall be measured at fair value and its changes shall be recognised in profit or loss for the period. The parent company is the investment entity if meeting the following conditions at the same time:

- (1) the parent company provides investment management services to investors for the purpose of obtaining funds from one or more investors;
- (2) the parent company's sole operating purpose is to allow investors to obtain returns through capital appreciation, investment income, or both;
- (3) the parent company considers and evaluates the performance of almost all investments according to fair value.

The Company and subsidiaries acquired adopt the uniform accounting policies and accounting periods in preparing the consolidated statements. The consolidated financial statements are based on the financial statements of the Company and its subsidiaries and prepared by the Company after the effect of all intra-group transactions between the Company and its subsidiaries and among subsidiaries on the consolidated financial statements is eliminated on consolidation. For acquisition of subsidiaries due to merger of enterprises under common control during the reporting period, the opening balance of the Company's consolidated balance sheet shall be adjusted in its preparation. For acquisition of subsidiaries not arising from merger of enterprises under common control, the opening balance of consolidated balance sheet needs not adjustment in its preparation. For acquisition of subsidiaries due to merger of enterprises under common control during the reporting period, the revenue, expense, profit and cash flows of such subsidiaries from the beginning to the end of the reporting period when the merger occurs are included into the consolidated income statement and the cash flow statement. For acquisition of subsidiaries not arising from merger of enterprises under common control, the revenue, expense, profit and cash flows of such subsidiaries from the date of acquisition to the end of the reporting period are included into the consolidated income statement and the cash flow statement. For disposal of subsidiaries during the reporting period, the revenue, expense, profit and cash flows of such subsidiaries from the period beginning to the date of disposal are included into the consolidated income statement and the cash flow statement.

When the parent company acquires a subsidiary's equity owned by the subsidiary's minority shareholders, the difference between the newly obtained long-term equity investment due to acquisition of minority equity and the share of the subsidiary's net assets continuously calculated based on the newly increased shareholding ratio from the acquisition date or combination date shall be offset against the capital reserve (capital premium or share capital premium) in the consolidated financial statements. In case the capital reserve is insufficient for offset, retained earnings will be adjusted.

In respect of disposal of long-term equity investment in subsidiaries by the parent company without losing control, the difference between disposal consideration and the net assets of subsidiaries attributable to the long-term equity investment continually calculated from the acquisition date or combination date shall be offset against the capital reserve (capital premium or share capital premium) in the consolidated financial statements. In case the capital reserve is insufficient for offset, retained earnings will be adjusted.

When the control over the investee is lost due to reasons such as disposal of part of the equity investment, remaining shareholding will be remeasured based on the fair value on the date of loss of control when preparing the consolidated financial statements. The difference between the sum of disposal consideration and fair value of the remaining equity less the net assets attributable the original shareholdings calculated from the date of acquisition or combination shall be recorded into the investment income for the period when the control is lost, and goodwill will be written off at the same time. Other comprehensive income related to the original equity investment in the subsidiary will be transferred to investment income for the period when control is lost, except for other comprehensive income arising from the changes in net liabilities or net assets due to the remeasurement of defined beneficiary plans by the investee.

7. Recognition criteria of cash and cash equivalents

Cash refers to the cash on hand and the deposits available for payment at any time. Cash equivalents refer to the short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

8. Financial instruments

(applicable from 1 January 2019)

A financial instrument is a contract that forms the financial assets of a party and forms the financial liabilities or equity instruments of other parties. The Company recognises the relevant financial asset or a financial liability when it becomes a party to a financial instrument contract.

(1) *Financial assets*

1. Classification and initial measurement

The Company classifies financial assets into different categories depending on the business model for managing the financial assets and the contractual terms of cash flows of the financial assets:

Financial assets measured at amortised cost;

Financial assets measured at fair value through other comprehensive income;

Financial assets measured at fair value through profit or loss.

Financial assets are measured at fair value at initial recognition. For financial assets measured at fair value through profit or loss, the related transaction costs are directly included in the current profit or loss, and other types of financial assets related transaction costs are included in the initial recognition amount. Accounts receivables or bills receivables arising from sales of goods or rendering services, without significant financing component, are initially recognised based on the transaction price expected to be entitled by the Company.

1) Debt instruments

Debt instruments held by the Company refer to the instruments that meet the definition of financial liabilities from the perspective of the issuer. There are three categories into which the Company classifies its debt instruments:

<1> At amortised cost:

The Company's business model for managing such financial assets is to collect the contractual cash flows, and the contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangements. That is, the cash flows generated on a specific date, represent solely payment of the principal and interest on the outstanding principal amount. The Company recognises interest income for such financial assets in accordance with the effective interest method. Such financial assets mainly include cash and bank balances, bills and accounts receivables, contract assets, other receivables, debt investments, rental receivables and long-term receivables. The debt investments and long-term receivables of the Company that mature within one year since the balance sheet date (including one year) are presented as non-current assets that mature in one year, while debt investments of which the period is within one year (including one year) are presented as other current assets.

<2> At fair value through other comprehensive income:

The Company's business model for managing such financial assets is achieved both by collecting contractual cash flows and selling of these assets. The contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangements. Such financial assets are measured at fair value through other comprehensive income, but impairment losses or gains, exchange gains and losses, and interest income calculated by effective interests method are recognised in the profit and loss. Such financial assets are presented as other debt investments, and other debt investments mature within one year since the balance sheet date (including one year) are presented as non-current assets that mature in one year, and other debt investments that have a period of one year (including one year) are presented as other current assets.

<3> At fair value through profit or loss:

If the debt instrument does not meet the criteria for amortised cost or fair value through other comprehensive income, it is measured at fair value through profit or loss and presented as financial assets held for trading. In the initial recognition, the Company designates some financial assets as financial assets at fair value through profit or loss in order to eliminate or significantly reduce the accounting mismatch. For those mature and are expected to be held more than one year from the balance sheet date, they are presented as other non-current financial assets.

2) Equity instruments

Investments in equity instruments that the Company has no control, jointly control or significant influence are measured at fair value through profit or loss and presented as financial assets held for trading. For those are expected to be held more than one year from the balance sheet date are presented as other non-current financial assets.

Besides, the Company designates part of financial assets which are not held for trading at fair value through other comprehensive income and presents as other equity instruments investments. The relevant dividends of such financial assets are recognised in profit or loss. The designation is not revocable once made. The financial assets arising from contingent consideration recognised in the business combination not under common control of the Company are classified as financial assets at fair value through profit or loss.

For investments in non-trading equity instruments, the Company may, at the time of initial recognition, irrevocably designate it as a financial asset at fair value through other comprehensive income. The designation is made based on a single investment and the relevant investment is in line with the definition of the equity instrument from the perspective of the issuer.

2. Impairment

The Company recognises a loss allowance for expected credit losses on a financial asset that is measured at amortised cost, debt instrument investments that are measured at fair value through other comprehensive income, rental receivable, contract assets and financial guarantee contracts. Based on reasonable and valid information such as past events, current conditions and economic forecasts, the Company calculates the default-risk-weighted present value of the difference between the agreed and expected cash flow to project the default loss of our contracts.

At each balance sheet date, the Company measures expected credit losses for financial instruments at different stages respectively. At Phase I, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. At Phase II, the credit risk on a financial instrument has increased significantly but not to the point that it is considered credit-impaired, the Company measures the loss allowance for that financial instrument at an amount equal to full lifetime expected credit losses. At Phase III, financial instrument is considered credit-impaired, the Company measures the loss allowance for that financial instrument at an amount equal to full lifetime expected credit losses.

For financial instruments with lower credit risk on the balance sheet date, the Company assumes that its credit risk has not increased significantly since its initial recognition, and the loss allowance recognised during the period was therefore limited to 12 months expected credit losses.

The Company calculates interest income for financial instruments that are in Phase I and Phase II, as well as for lower credit risk, in accordance with their book balances and effective interest rates, which are not deducted from the impairment value. For financial instruments in phase III, interest income is calculated on the basis of the amount of the surplus cost and the actual interest rate after the book balance has been reduced.

For bills and accounts receivables, rental receivables and contract assets, the Company will measure the loss reserves according to the expected credit loss of the whole duration, regardless of whether there is significant financing component.

1) Criteria for judging significant increases in credit risk

The Company evaluates on each balance sheet date whether the credit risk of the relevant financial instruments has increased significantly since the initial recognition.

In determining whether the credit risk has increased significantly since the initial recognition, the Company considers reasonable and valid information that can be obtained without unnecessary additional costs or efforts. This includes qualitative and quantitative analysis based on the Company's historical data, external credit risk ratings and forward-looking information. Based on a single financial instrument or a portfolio of financial instruments with similar credit risk characteristics, the Company compares the default risk of financial instruments on the balance sheet date with the default risk on the initial confirmation date to determine the change of default risk of financial instruments during their expected duration.

The Company considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative or qualitative criteria have been met:

- <1> Quantitative criteria mainly comprise the circumstance that at the reporting date, the increase in remaining lifetime probability of default is considered significant comparing with that at initial recognition.
- <2> Qualitative criteria mainly comprise significant adverse change in debtor's operation or financial status, and being listed on the watch-list, etc.
- <3> The upper limit indicator is that the debtor's contract payment (including principal and interest) is generally overdue for more than 30 days and up to 90 days.

2) Definition of credit-impaired assets

The standard adopted by the Company to determine whether a credit impairment occurs is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Company assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- <1> significant financial difficulty of the issuer or debtor;
- <2> breach of contract by the debtor: such as delinquency or default in interest and principal payments;
- <3> the creditor (s), for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession (s) that the creditor (s) would not otherwise consider;
- <4> it becomes probable that the debtor will enter bankruptcy or other financial reorganization;
- <5> the disappearance of active markets for that financial asset because of financial difficulties of the issuer or debtor;
- <6> a substantial discount during acquisition or sourcing of a financial asset reflects the fact the occurrence of credit losses.

The credit impairment of financial assets may be caused by the joint impacts of multiple events, which may not be necessarily caused by separate identifiable events.

3) Parameters of ECL measurement

Depending on whether there is a significant increase in credit risk and whether there is an impairment of assets, the Company measures the impairment loss for different assets with ECLs of 12 months or the entire lifetime respectively. The key measuring parameters of ECLs include the probabilities of default, losses given default and exposures at default. The Company takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collateral and repayments) and forward-looking information in order to establish the model of probability of default, loss given default and exposure at default.

Relative definitions are listed as follows:

- <1> Probability of default refers to the possibility that a debtor fails to fulfill its repayment obligations in the next 12 months or the entire remaining lifetime. The Company's probability of default is adjusted based on the results of the historical credit loss model, taking into account the forward-looking information to reflect the debtor's probability of default under the current macroeconomic environment;
- <2> Loss given default refers to the Company's expectation of the extent of the loss resulting from the default exposure. Depending on the type of the counterparty, the method and priority of the recourse, and the type of collateral, the loss given default varies. Loss given default is the percentage of loss of risk exposure at the time of default, calculated over the next 12 months or over the entire remaining lifetime;
- <3> Exposure at default refers to the amount that the Company should be reimbursed at the time of default in the next 12 months or the entire remaining lifetime.

4) Forward-looking information

The assessment of a significant increase in credit risk and the calculation of ECLs both involve forward-looking information. Through the analysis of historical data, the Company identifies the key economic indicators that affect the credit risk and ECLs of various business types.

When the expected credit loss of a single financial asset cannot be assessed at a reasonable cost, the Company divides receivables into groups according to the credit risk characteristics and calculates the expected credit loss on a group basis. The grouping basis is as follows:

<1> Accounts receivable grouping:

1> Specific group and expected credit loss calculation approach

Item	Grouping basis	Expected credit loss calculation approach
Accounts receivable – grouping by age	Age	A reconciliation table of the age of accounts receivable and the lifetime expected credit loss rate is prepared to calculate the expected credit loss, with reference to historical credit loss experience, in consideration of current conditions and prediction of future economic conditions
Accounts receivable – group of related dealings within the scope of combination	Grouping by related parties of the Company within the scope of combination	The expected credit loss rate for related party transactions in the consolidated statements is zero

2> A reconciliation table of the age of accounts receivable – grouping by age and the lifetime expected credit loss rate

Ageing	Expected credit loss rate of accounts receivable
Within 1 year (inclusive)	5%
1 to 2 years	10%
2 to 3 years	50%
Over 3 years	100%

<2> Other receivables grouping:

Item	Grouping basis	Expected credit loss calculation approach
Other receivables – grouping by age	Age	The expected credit loss is calculated, with reference to historical credit loss experience, in consideration of current conditions and prediction of future economic conditions, and based on the default risk exposure and the next 12-month or lifetime expected credit loss rate.
Other receivables – deposits, security deposits	Group of security deposits	
Other receivables – group of related dealings within the scope of combination	Grouping by related parties of the Company within the scope of combination	The expected credit loss rate for related party transactions in the consolidated statements is zero

In order to reflect the changes in the credit risk of financial instruments since its initial recognition, the Company and its subsidiaries re-measure the expected credit loss on each balance sheet date, and the increase or reversal of the loss provision resulting therefrom shall be deemed as impairment loss or gain to be included in profit or loss in the current period. For a financial asset at amortised cost, the loss provision reduces the carrying amount of the financial asset as shown in the balance sheet; for a debt instrument investment at fair value through other comprehensive income, the loss provision is recognised in other comprehensive income by the Company and its subsidiaries without reducing the carrying amount of the financial asset.

3. Derecognition

A financial asset is derecognised when any of the below criteria is met:

- 1) the contractual rights to receive the cash flows from the financial asset expire;
- 2) the financial asset has been transferred and the Company transfers substantially all the risks and rewards of ownership of the financial asset to the transferee;
- 3) the financial asset has been transferred and the Company has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

On derecognition of other equity instruments, the difference between the carrying amount and the sum of the consideration received and the cumulative changes in fair value that had been recognised directly in other comprehensive income, is recognised in retained earnings. On derecognition of other financial assets, the difference between the carrying amount and the sum of the consideration received and the cumulative changes in fair value that had been recognised directly in other comprehensive income, is recognised in profit or loss in the current period.

4. Write-off

When the Company and its subsidiaries no longer reasonably expect that the contractual cash flow of financial assets can be fully or partially recovered, the book value of the financial asset is directly written off. Such write-off constitutes the derecognition of related financial assets. This is generally the case when the Company and its subsidiaries determine 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, in accordance with the Company and its subsidiaries' procedures for recovering amounts due, the write-off of financial assets may still be affected by implementation activities.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment loss in profit or loss in the period in which the recovery occurs.

(2) *Financial liability*

Financial liabilities are classified into financial liabilities at amortised cost and financial liabilities at fair value through profit or loss at initial recognition.

Except for the following items, the Company classifies financial liabilities as financial liabilities measured at amortized cost:

1. Financial liabilities at fair value through profit or loss, including financial liabilities held for trading (including derivative financial liability) and financial liabilities designated as at fair value through profit or loss.
2. Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition or continuing involvement in the transferred financial assets.
3. Financial guarantee contracts that are not in the item 1 or 2 of this article, and loan commitment for loans to be granted at an interest rate below the market rate which is in the item 1 of this article. If a financial liability arises from contingent consideration recognised by the Company as the acquirer in a business combination not under common control, the financial liability is measured at fair value through profit or loss.

In the initial recognition, in order to provide more relevant accounting information, the Company can designate financial liabilities as financial liabilities measured at fair value through profit or loss. The designation is not revoked and should meet one of the following conditions:

- 1) Can eliminate or significantly reduce accounting mismatches.
- 2) According to the enterprise risk management or investment strategy specified in the official written documents, manage and evaluate the financial liability portfolio or financial assets and financial liabilities portfolio based on fair value, and report to key managers on the basis of this within the Company. The designation is not revocable once made.

The Company's financial liabilities are mainly financial liabilities measured at amortised cost, including bills payable and accounts payable, other payables, borrowings and bonds payable, etc. These financial liabilities are initially measured at the amount of their fair value after deducting transaction costs and use the effective interest rate method for subsequent measurement. Financial liabilities with maturities within 1 year (inclusive) are presented as current liabilities. Financial liabilities with maturities more than 1 year but are due within 1 year (inclusive) at the balance sheet date are presented as non-current liabilities due within 1 year. Others are presented as non-current liabilities.

Where the present obligations of financial liabilities are completely or partially discharged, the Company derecognises these financial liabilities or discharged parts of obligations. The differences between the carrying amounts and the consideration paid are included in profit or loss.

Once the present obligation of financial liabilities (or parts of them) has been discharged, financial liabilities (or parts of them) of the Company has been derecognised.

(3) *Determination of fair value of financial instruments*

If there is an active market for financial instruments, the quoted price in the active market is used to measure fair values of the financial instruments. If no active market exists for financial instruments, valuation techniques are used to measure its fair values. In valuation, the Company adopts valuation techniques that are applicable in the current situation and have sufficient available data and other information to support it, and selects input values that are consistent with the asset or liability characteristics considered by market participants in the transaction of relevant assets or liabilities, and gives priority to relevant observable input values. Use of unobservable input values where relevant observable input values cannot be obtained or are not practicable.

(4) *Subsequent measurement*

Subsequent to initial recognition, the Company's financial liabilities of various categories are subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss, respectively.

Subsequent to initial recognition, the Company's financial assets of various categories are subsequently measured at amortized cost, fair value through profit or loss or by other appropriate methods, respectively.

The amortised cost of the financial asset or financial liability is determined by the following adjustment to the initial recognition amount of the financial asset or financial liability:

1. minus the principal repaid.
2. plus or minus the cumulative amortization using the effective interest method of any difference between that initial recognition amount and the maturity amount.
3. minus the cumulative loss allowance (only applicable to financial assets).

The interest income on a financial asset is recognised by the Company based on the effective interest rate method. The interest income is calculated and determined by multiplying the book value of a financial asset by the effective interest rate, except the following situations:

- 1) For purchased or generated financial assets with credit impairment, the Company shall calculate and determine the interest income based on the amortized cost of the financial assets and the credit-adjusted effective interest rate since the initial recognition.
- 2) For financial assets purchased or generated without credit impairment but have undergone credit impairment in subsequent periods, the Company shall calculate and determine the interest income according to the amortized cost and effective interest rate of the financial assets in subsequent periods. If there is no credit impairment on the financial instruments due to its credit risk improvement in the subsequent period, and such improvement is linked to an event occurring after the application of the above provisions (such as an improvement in the debtor's credit rating), the Company shall calculate and determine the interest income by multiplying the effective interest rate by the book value of the financial asset.

9. Accounts receivable

Details of the determination and accounting treatment of the ECL of accounts receivable are set forth in 8. Financial instruments under IV of these financial statements.

10. Other receivables

Details of the determination and accounting treatment of the ECL of other receivables are set forth in 8. Financial instruments under IV of these financial statements.

11. Inventories

(1) Classification of inventories

Inventories comprise raw materials, work in progress, goods in stock, and goods in transit.

(2) Measurement for inventories delivered

Upon delivery, inventories are measured with the weighted average method.

(3) The basis for determining net realizable value of inventories and provision methods for impairment of inventories

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. If the cost of inventories is higher than its net realizable value, a provision for impairment of inventories shall be made and recognised in profit or loss for the current period. Net realizable value is the estimated selling price of inventories less the estimated costs to be incurred to completion, estimated selling expenses and related taxes in the ordinary course of business.

The basis for determining the net realizable value of each category of inventories is as follows:

1. The net realizable value of finished products, merchandise, materials for sale and other merchandise inventories directly for sale is determined in the normal course of production and operation by deducting the estimated selling expenses and related taxes from the estimated selling price of such inventories.
2. The net realizable value of inventories of materials subject to processing is determined in the normal course of production and operation by deducting the estimated costs to be incurred to completion, estimated selling expenses and related taxes from the estimated selling price of the finished products produced.
3. At the balance sheet date, if there is a contractual price agreement for part of the same inventory and no contractual price for other parts, the net realizable value of the inventory shall be determined separately and compared with its corresponding cost to determine the amount of provision or reversal for impairment of the inventory respectively.

The provision for impairment of inventories is made by individual inventory item (or category of inventory). The provision for impairment of 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, are made on a consolidated basis.

(4) *Inventory count system*

The perpetual inventory system is adopted for inventory counting.

(5) *Amortization of low-value consumables and packages*

Low-value consumables are amortized by using the one-time amortization method.

Packages are amortized by using the one-time amortization method.

12. Long-term equity investment

Long-term equity investments include those where the company is able to exercise controls and significant influence over the investees and also the investments to joint ventures.

(1) *Recognition of investment cost*

For the long-term equity investments acquired in a manner other than external mergers, their initial investment costs are determined in accordance with the following provisions:

1. The actual purchase considerations are the initial investment costs for the long-term equity investments that are acquired by cash payments. The initial investment costs are the costs directly related to the acquisition of long-term equity investments, taxes and other necessary expenses;
2. The fair value of equity securities at issuance are the initial investment costs for the long-term equity investments that are acquired by issuing equity securities;
3. The initial investment costs of long-term equity investments obtained from exchange of non-monetary assets are determined in accordance with the Accounting Standards for Business Enterprises No. 7 — Exchange of Non-monetary Assets;
4. The initial investment costs of the long-term equity investments obtained from debt restructuring are determined in accordance with the Accounting Standards for Business Enterprises No.12 — Debt Restructuring.

(2) *Subsequent measurement and recognition of profit and loss*

1. Long-term equity investments that are accounted for using cost method include:

Long-term equity investments where the company is able to exercise controls over the investees.

Long-term equity investment which is accounted for using the cost method is recognised at initial investment cost. When making additional investment or recover investment, cost of long-term equity investments shall be adjusted. Cash dividends or profits declared by the investee are recognised as investment income for the current period.

2. Long-term equity investments where the company has joint control (i.e. joint ventures) or significant influence are accounted for under equity method.

Under the equity method, where the investment cost of a long-term equity investment exceeds the share of the fair values of the investee's identifiable net assets at the time of investment, no adjustment is made to the investment cost of the long-term equity investment. Where the initial investment cost is less than the share of the fair value of the investee's identifiable net assets at the time of investment, the carrying amount of the long-term equity investment is adjusted and the difference shall be charged to profit or loss for the current period.

Under the equity method, after a long-term equity investment is acquired, investment gains or losses and other comprehensive income shall be recognised in accordance with the share of net profit or loss and other comprehensive income of the investee entitled or assumed by the company, respectively, and the book value of the long-term equity investment shall be adjusted. The book value of long-term equity investments shall be decreased according to investing company's share of profit or cash dividends declared by the investee. The book value of long-term equity investments shall be adjusted and included in owners' equity in line with the change in owners' equity other than net profit or loss, other comprehensive income and profit distribution of the investee.

Net losses incurred by an investee are recognised to the extent that the book value of the long-term equity investment and other long-term interests that in substance constitute the net investment in the investee are written down to zero, except where the company has an obligation for additional losses of the investee. If the investee subsequently realises a net profit, the investor regains recognition of the share of revenue after its share of revenue has made up for the share of unrecognised loss.

The book value of long-term equity investments shall be adjusted and included in owners' equity in line with the change in owners' equity other than net profit or loss, other comprehensive income and profit distribution of the investee.

When recognizing investment gains or losses of long-term equity investments under the equity method, net profit of the investee should be first adjusted for the fair value of the investee's identifiable assets at the time when the investment is acquired, accounting policies and accounting periods, accounting policies and the accounting period, and then the investment gains or losses for the current period should be recognised in line with the share of the investee's net profit or loss.

The investment gains or losses are recognised on an offsetting basis for the portion of unrealized profit or loss of internal transactions with associates and joint ventures that are attributable to the Company based on the percentage of shareholding.

- (3) *The basis for determination of joint control or significant influence over an investee*

Joint control refers to control over an arrangement that is shared in accordance with the relevant agreement and where the relevant activities of the arrangement can only be decided upon with the unanimous consent of the participants sharing control. In determining whether there is a joint control, we first determine whether the relevant arrangement is controlled collectively by all participants or a group of participants. If all participants or a group of participants must act consistently to make decisions about the relevant activities of an arrangement, it is considered that all participants or a group of participants collectively control the arrangement. Secondly, we determine whether the decisions about activities related to the arrangement must be made by the unanimous consent of those participants who collectively control the arrangement. If two or more participants can collectively control an arrangement, it shall not be considered as joint control. Protective rights are not considered in determining whether there is joint control.

Significant influence refers to the power to take part in making decisions about the financial and operating policies of a company, but not controlling or jointly controlling with other parties the formulation of those policies. When determining whether significant influence can be exercised over an investee, the investor's direct or indirect holding of voting shares in the investee and the effect of the current executable potential voting rights held by the investor and other parties upon their assumed conversion into equity interests in the investee, including the effect of convertible warrants for the current period, share options and convertible corporate bonds issued by the investee, are considered.

13. Fixed assets

(1) Conditions for recognition of fixed assets

Fixed assets are tangible assets that are held for use in production or supply of goods or services, for rental to others, or for administrative purposes, and have a useful life of more than one accounting year. Fixed asset is recognised when it meets the following conditions:

1. it is probable that the economic benefits associated with the fixed asset will flow to the enterprise;
2. its cost can be reliably measured.

(2) Depreciation methods for each category of fixed assets

Depreciation is provided using the straight-line method over the following useful lives, estimated net residual value rates and depreciation rates for each category of fixed assets:

Category	Depreciation methods	Useful live (years)	Estimated net residual value rate	Annual depreciation rate
Office equipment	Straight-line-method	5	5.00%	19.00%
Electronic equipment	Straight-line-method	3	5.00%	31.67%

(3) The judgment basis and depreciation method for the fixed assets obtained through financial lease.

The judgment basis for the fixed assets obtained through financial lease: the nature of this kind of lease is a transfer of all risk and all economic related to the ownership of assets. The judgment basis should be accounted when one or more conditions satisfied as follows:

1. the ownership of the leased asset is transferred to the lessee when the term of lease expires ;
2. the lessee has the option to buy the leased asset at a price which is expected to be far lower than the fair value of the leased asset at the date when the option is exercised. Thus, on the lease beginning date, it can be reasonably determined that the option will be exercised by the lessee;
3. even if the ownership of the asset is not transferred, the lease term covers the major part of the useful life of the leased asset;

4. in the case of the lessee, the present value of the minimum lease payments on the lease beginning date amounts to substantially all of the fair value of the leased asset on the lease beginning date;
5. the leased assets are of a specialized nature that only the lessee can use them without making major modifications.

Measurement of fixed assets obtained through financial lease : the initial amount of fixed assets obtained through financial lease should be recorded as the lower of fair value of the leased asset at the beginning date of lease term and the present value of minimum lease payment.

Subsequent measurement of fixed assets obtained through financial lease should be in accordance with the accounting policies of depreciation method and provision of impairment of fixed assets.

14. Construction in Progress

- (1) Includes expenditures incurred by the Company for infrastructure, renewal and renovation, which include engineering supplies;
- (2) Construction in progress is transferred to fixed assets when it is ready for its intended use;
- (3) At the balance sheet date, impairment is provided for based on the excess of the carrying amount over the recoverable amount when there is evidence that the construction in progress is impaired.

15. Borrowing costs

- (1) *Criteria for recognition of capitalised borrowing costs*

For borrowing costs incurred by the Company that are directly attributable to the acquisition, construction or production of assets qualified for capitalisation, the costs will be capitalised and included in the costs of the related assets. Other borrowing costs shall be recognised as expense in the period in which they are incurred and included in profit or loss for the current period.

- (2) *Capitalisation period of borrowing costs*

1. Borrowing costs shall be capitalised when: (1) capital expenditures; (2) borrowing costs have been incurred; (3) activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced.
2. Capitalisation of borrowing costs should be suspended during a period in which abnormal interruption has lasted for more than three months during the process of acquisition, construction or production of assets eligible for capitalisation. The borrowing costs incurred during interruption is recognised as current expenses until the acquisition, construction or production activities of assets resume.
3. The capitalisation of borrowing costs ceases when the assets acquired, constructed or produced and qualified for capitalisation are ready for their intended use or sale.

(3) *Capitalisation amount of borrowing costs*

For specific borrowings used to acquire, construct or produce assets eligible for capitalisation, the amount of interest expenses (including amortisation of discount or premium determined using the effective interest method) actually incurred on such borrowings for the period shall be capitalised after deducting any interest earned from depositing the unused borrowings in bank or any investment income arising from the temporary investment of those borrowings during the capitalisation period. For general borrowings used to acquire, construct or produce assets eligible for capitalisation, the capitalised amount of interests on general borrowings shall be determined on the basis that the weighted average (of the excess of cumulative assets expenditures over the specific borrowings) times capitalisation rate (of used general borrowings).

16. Right-of-use assets

(Be applicable from 1 January 2021)

The Company initially measures the right-of-use assets at cost, which includes:

1. The initial measurement amount of the lease liability;
2. If the lease payment is paid on or before the start of the lease period, if there is a lease incentive, the relevant amount of the lease incentive already enjoyed shall be deducted;
3. The initial direct costs incurred by the Company;
4. The Company expects to incur costs (not including costs incurred for the production of inventory) in order to dismantle and remove the leased assets, restore the premises where the leased assets are located, or restore the leased assets to the state agreed in the lease terms.

After the start date of the lease period, the Company uses the cost model for subsequent measurement of right-of-use assets.

If it is reasonable to determine the ownership of the leased asset when the lease term expires, the Company shall make depreciation within the remaining useful life of the leased asset. If it cannot be reasonably determined that the ownership of the leased assets can be obtained at the end of the lease period, the Company shall accrue depreciation within the shorter of the lease period and the remaining useful life of the leased assets. For the right-of-use asset with impairment provision, in the future period, the depreciation shall be accrued according to the book value after deducting the impairment provision with reference to the above principles.

17. Intangible assets

- (1) An intangible asset is an identifiable non-monetary asset without physical substance owned or controlled by the Company. Intangible assets are initially measured at cost. The Company shall make judgement to determine the useful life of intangible assets upon acquisition based on its analysis.
- (2) The consideration factors for the company to identify the useful life of intangible assets are:
 1. General useful life of products of such asset and information on the useful life of similar assets can be acquired;
 2. Current technology and procedural conditions and estimates on future growth trends;
 3. Market demand for the products produced or the services provided by the assets;

4. Action expected to be taken by existing or potential competitors;
5. Estimated maintenance expenses required to maintain the ability to generate economic benefits of such asset and the company's estimated ability to settle such expenses;
6. Relevant legal provisions or similar restrictions for the control of such asset, such as franchised period and lease period;
7. Relationship with the useful life of other assets held by the company.

If the term of economic benefit the intangible asset can bring to the company cannot be estimated, it is deemed to be an intangible asset with indefinite life.

- (3) An intangible asset with a finite useful life is amortised on a systematic basis (or using the straight-line method) over its useful life. For an intangible asset with a finite useful life, the company reviews the useful life and the amortisation method at least at each financial year-end and changes the amortisation period and the amortisation method if they are different from those previously estimated.

For intangible assets with finite useful lives, the useful life and estimated net residual value of each intangible asset for the purpose of calculating amortization using the straight-line method are as follows:

Name	Useful life	Estimated net residual value
Software	10 years	–

18. Development expenditure

Expenditure incurred during the research stage of internal research and development projects is included in profit or loss for the current period as incurred. Expenditure incurred during the development stage of internal research and development projects that simultaneously satisfy the following conditions are recognised as intangible assets: (1) it is technically feasible to complete the intangible asset so that it will be available for use or sale; (2) there is the intention to complete the intangible asset for use or sales; (3) how the intangible asset will generate economic benefits, including the evidence indicating that market exist for the products using the intangible asset to produce or the intangible asset itself has a market; if the intangible asset is for internal use, the evidence indicating its usability; (4) the availability of adequate technical, financial and other resources to support the completion of the development and the ability to use or sell the intangible assets; (5) the expenditure attributable to the development stage of the intangible asset can be reliably measured.

19. Goodwill

The goodwill represents the excess of initial cost of combination over the share of the fair value of the identifiable net assets of the acquiree under the business combination involving entities not under common control. Goodwill is not amortised and is measured at cost less accumulated impairment allowance, and is presented separately on the consolidated balance sheet.

20. Impairment of long-term assets

At balance sheet date, the Company will assess whether there are any indications of impairment on non-current and non-financial assets such as fixed assets, construction in progress, intangible asset with finite useful life, investment properties accounted for using cost model, long-term equity investments in subsidiaries, joint ventures and associates. If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated and impairment test will be performed. Impairment test will be performed on goodwill, intangible asset with infinite useful life and intangible asset which are not yet ready for use each year, regardless of whether any indications for impairment exist.

If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, provision for impairment would be made at an amount equivalent to the difference and included in impairment loss. The recoverable amount is the higher of an asset's fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. Fair value of an asset is determined based on the prices stipulated in a sales agreement in arm's length transaction; when there are no sales agreement but has an active market for the asset, the fair value is determined based on the bid price in the market; when there are no sales agreement and active market for the asset, the fair value is estimated based on the best information available. Costs of disposal are expenses attributable to disposal of the asset, including legal fee, relevant tax and surcharges, transportation fee and direct expenses incurred to prepare the asset for its intended sale. The present value of the expected future cash flows of an asset is determined by discounting the expected future cash flows derived from continuing use of the asset and from its ultimate disposal using appropriate discount rate. Provision for assets impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

For the purpose of impairment test on goodwill, the Company allocate the carrying amount of the goodwill arising on the business combination to the relevant asset group with a reasonable method at the date of acquisition; if it is difficult to allocate the goodwill to the relevant asset group, it shall be allocated to the relevant portfolio of asset group. The related asset group or portfolio of asset group is the asset group or portfolio of asset group that can benefit from the synergies of business combination but is not larger than the reportable segment determined by the Company.

When conducting an impairment test on a related asset group or portfolio of asset group that contains goodwill, if there are impairment indicators for the asset group or portfolio of asset group related to goodwill, the asset group or portfolio of asset group that does not contain goodwill should be tested for impairment first, by calculated their recoverable amount and recognise the impairment loss accordingly. For impairment test on the asset group or portfolio of asset group that contains goodwill, by comparing their recoverable amount with carrying amount, if the recoverable amount is lesser than the carrying amount, the impairment loss is allocated to reduce the carrying amount of the asset group or portfolio of asset group that contains goodwill, and then allocate to other asset group or portfolio of asset group that does not contain goodwill on a pro-rata basis based on their carrying amount. However, the carrying amount of an impaired asset will not be reduced below the highest of its fair value less costs of disposal (if determinable), the present value of the future cash flows expected to be derived from it (if determinable) and zero.

Once the above assets impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

21. Long-term deferred expenses

The long-term deferred expenses of the Company represent expenditures incurred which should be recognised as expenses over one year (excluding one year) and should be allocated in current and subsequent periods. The long-term deferred expenses will be amortized evenly during its beneficial period, if the long-term deferred expenses are no longer beneficial to the subsequent accounting periods, the unamortized balance is then fully transferred to profit or loss for the period.

22. Deferred income tax assets

Income tax is calculated using the balance sheet debt method. The carrying amount of assets and liabilities and their tax basis are analysed and compared at the balance sheet date, and deferred income tax assets, deferred income tax liabilities and corresponding deferred income tax expenses (or income) are recognised for any difference. On the basis of calculating and determining the current income tax (i.e. the current income tax payable) and deferred income tax expenses (or income), the sum of the two is recognised as the income tax expenses (or income) in the income statement, excluding the income tax impact of transactions or events directly included in owner's equity.

The carrying amount of deferred income tax assets is reviewed at the balance sheet date and written down to the extent that it is no longer probable that sufficient taxable profit will be available against which the deferred income tax asset can be utilised.

23. Employee Benefits*(1) Scope of employee benefits*

Employee benefits refer to all kinds of remunerations or reimbursements given by the Company in exchange for service rendered by employees or the termination of employment, including short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. The benefits that the Company provides to the spouses, children and dependents of employees, the late employees' family and other beneficiaries also shall be deemed as employee benefits.

(2) Short-term employee benefits refer to the employee benefits which are required to be fully paid by the Company within 12 months after the end of the annual reporting period in which the employees rendered relevant services.

Short-term employee benefits include staff salaries, bonuses, allowances and subsidies, staff welfare payments, social insurance premiums including medical insurance premiums, work injury insurance premiums and maternity insurance premiums, housing provident fund, labour union expenses and staff education expenses, short-term paid leaves, short-term benefits sharing scheme, non-monetary welfare and other short-term employee benefits.

During an accounting period when employees render services to the Company, the amount of short-term employee benefits actually incurred should be recognised as a liability and be recognised in profit or loss for the current period or in cost of related assets.

(3) Post-employment benefits refer to all kinds of remunerations and benefits other than short-term employee benefits and termination benefits that are provided by the Company after the retirement of the employees or termination of employment relation with the enterprises in exchange for services rendered by employees.

The post-employment benefit plan includes defined contribution plan and defined benefit scheme. In which, defined contribution plan refers to the post-employment benefit plan under which the Company assumes no obligation of making further payment after depositing fixed amount to independent funds; defined benefit scheme refers to the post-employment benefit plan other than defined contribution plan.

Defined contribution plan includes basic pension insurance and unemployment insurance etc. The amount payable according to the defined contribution plan in the accounting period in which the employee provides service will be recognised as liability and recognised in the profit and loss for the current period or the relevant asset cost.

At the end of reporting period, the Company shall recognise the following components of employee benefit cost arising from defined benefit scheme:

1. Service costs, comprising current service costs, past service costs and any gains or losses on settlement.
2. Net interest on the net defined benefit scheme liabilities or assets, including interest income on plan assets, interest cost on the defined benefit scheme obligation and interest on the effect of the asset ceiling.
3. Changes as a result of remeasurements of the net defined benefit scheme liabilities or assets.

Unless other accounting standards requires or permits the inclusion of employee benefit costs in the cost of assets, item 1 and 2 above should be recognised in profit or loss for the current period; item 3 should be recognised in other comprehensive income. These amounts recognised in other comprehensive income are irreversible to profit or loss in subsequent accounting periods, but are transferrable within equity.

Under the defined benefit scheme, the past service costs are recognised as expenses for the current period at the earlier of the following dates when:

- 1) the defined benefit scheme is modified.
- 2) the enterprise recognises relevant restructuring costs or termination benefits.

The gains or losses from settlement will be recognised when settle the defined benefit scheme.

(4) Termination benefits

Refer to the compensation to employees when the Company terminates the employment relationship with employees before the expiry of the employment contracts or as an offer to encourage employees to accept voluntary redundancy.

When termination benefits are provided, the Company recognises the employee compensation liabilities from termination benefits, with a corresponding charge to the profit or loss for the current period, at the earlier of the following dates when: the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; and the Company recognises costs or expenses related to a restructuring that involves the payment of termination benefits.

(5) Other long-term employee benefits

Refer to all employee compensation except for short-term compensation, post-employment benefits and termination benefits, including long-term paid absence, long-term disability benefits and long-term profit-sharing plan, etc.

Relevant accounting treatments for defined contribution plan are adopted for other long-term employment benefits quailed for defined contribution plan.

Except for the satisfaction of the conditions of the defined contribution plan, net liabilities or assets of other long-term employment benefits are recognised and measured in accordance with the relevant requirements of the defined benefit scheme. At the end of reporting period, the enterprise should recognise the employee compensation costs from other long-term employment benefits as the following components:

1. costs of service.
2. net interests on the net liabilities or assets of other long-term employment benefits.
3. changes from remeasurement of net liabilities or assets of other long-term employment benefits.

To simplify the relevant accounting treatments, the total net amount of the above items will be included in profit or loss for the current period or costs to related assets.

24. Contract liabilities

(Applicable from 1 January 2020)

Contract liabilities reflect the Company's obligations to transfer goods to the customer due to customer consideration received or receivable. If the customer has paid the contract consideration or the Company has obtained the right to receive the contract consideration unconditionally before the transfer of the goods to the customer, contract liabilities shall be recognised according to the amount received or receivable when the customer actually makes the payment and payment due (whichever earlier). Contract assets and contract liabilities under the same contract are presented on a net basis, and contract assets and contract liabilities under different contracts are not offset.

25. Lease liabilities

(Applicable from 1 January 2021)

The Company initially measures the lease liabilities according to the present value of the lease payments that have not been paid on the beginning of the lease period. When calculating the present value of the lease payments, the Company uses the interest rate implicit in the lease as the discount rate; if the interest rate embedded in the lease cannot be determined, the Company's incremental borrowing rate is used as the discount rate. Lease payments include:

1. the fixed payments and the actual fixed payments after deducting the lease incentive amount;
2. variable lease payments depending on index or ratio;
3. when the Company reasonably determines that the option will be exercised, the lease payments include the exercise price of the purchase option;
4. when the lease term reflects that the Company will exercise the option to terminate the lease, the lease payments include the amount to be paid for the exercise of the option to terminate the lease;
5. the amount payable based on the residual value of the security provided by the Company.

The Company calculates the interest expense of the lease liabilities in each period of the lease period at a fixed discount rate, and it is included in profit or loss for the current period or costs to related assets.

Variable lease payments that are not included in the measurement of lease liabilities should be included in profit or loss for the current period or costs to related assets when they actually occur.

26. Revenue

(Applicable from 1 January 2020)

(1) *Principle of revenue recognition*

When the contract with the customer satisfies the following conditions at the same time, the revenue will be recognised when the customer obtains control of the relevant goods:

1. the parties to the contract have approved the contract and promised to fulfill their respective obligations;
2. the contract specifies the rights and obligations of the parties to the contract in relation to the goods transferred or the provision of labor services;
3. the contract specifies the payment terms in relation to the goods transferred;
4. the contract has commercial substance, that is, fulfilling the contract will change the risk, time distribution or amount of future cash flow of the Group;
5. the consideration entitled to obtain due to the transfer of goods to customers is likely to be recovered.

From the effective date of the contract, the Company assesses the contract, identifies each individual performance obligations involved in the contract and allocates the transaction price to each individual performance obligation based on the relative proportion of the individual selling price of the goods promised by each individual performance obligation. When determining the transaction price, the impact of variable consideration, major financing components in the contract, non-cash consideration, consideration payable to a customer and other factors are considered. Then determine whether the individual performance obligation is performed within a certain period of time or at a certain point in time, and recognise the revenue separately when each individual performance obligation is performed.

If one of the following conditions is met, it is a performance obligation performed within a certain period of time; otherwise, it is a performance obligation performed at a certain point in time:

- 1) the customer acquires and consumes the economic benefits brought by the performance of the enterprise while fulfilling the contract;
- 2) the customer can control the products under construction during the performance of the enterprise;
- 3) the goods produced during the performance of the enterprise have irreplaceable use, and the enterprise has the right to collect funds for the part of the performance that has been completed so far throughout the contract period.

For performance obligations performed within a certain period of time, revenue shall be recognised within that period according to the progress of performance. The progress of performance shall be determined based on the nature of the goods transferred by virtue of the input method or the output method. When the progress of performance cannot be determined reasonably, if it is predicted that the incurred cost can be compensated, the revenue shall be recognised based on the amount of the cost incurred until the progress of performance can be determined reasonably.

If one of the above conditions cannot be met, the transaction price amortised to the individual performance obligation at the time when the customer obtains the control of relevant goods is recognised as revenue. The following indications should be considered in determining whether the customer has obtained control of the goods:

- <1> the enterprise has the right of current collection of goods, that is, the customer has a current payment obligation for the goods;
- <2> the enterprise has transferred the legal title of the goods to the customer, that is, the customer has the legal title to the goods;
- <3> the enterprise has transferred the goods in kind to the customer, that is, the customer has possessed the goods in kind;
- <4> the enterprise has transferred the significant risks and rewards of ownership of the goods to the customer, that is, the customer has obtained the significant risks and rewards of ownership of the goods;
- <5> the customer has accepted the goods;
- <6> other indications that the customer has obtained control of the goods.

(2) *The specific principles of revenue recognition*

Revenue from the Company's principle activities comprises of rental income and value-added services income, and the specific principles of revenue recognition are as follows:

1. Rental income recognition and cost carry forward: Revenue is recognised on a monthly basis and costs are carried forward at the same time, in accordance with the rental rates and lease terms stipulated in the contracts entered into between the Company and its customers.
2. Value-added services income recognition and cost carry forward: Value-added services mainly include overtime charges for meeting rooms and printer service charges, etc. Such income is recognised on an accrual basis when it actually incurs, and costs are carried forward at the same time.

(The recognition principles and measurement methods of the Company's revenue for 2019 are as follows:)

Operating income include revenue from sale of goods, provision of labor services and transference of right to use assets.

Recognition of revenue from sale of goods

Revenue from sale of goods is recognised if the following conditions are all satisfied:

the enterprise has transferred the significant risks and rewards of ownership of the goods to the buyer;

the enterprise retains neither continuing managerial involvement of ownership nor effective control over the goods sold;

the amount of revenue can be measured reliably;

it is probable that the related economic benefits will flow to the enterprise;

the related costs incurred or to be incurred can be measured reliably.

Recognition of revenue from provision of labor services

If the result of the labor service transaction provided on the balance sheet date can be reliably estimated, the percentage of completion method shall be adopted to recognise the revenue from provision of labor services.

The result of the labor service transaction can be reliably estimated, which means that the following conditions are all satisfied:

the amount of revenue can be measured reliably;

it is probable that the related economic benefits will flow to the enterprise;

the completion schedule of the transaction can be reliably determined;

the costs incurred and to be incurred in the transaction can be measured reliably.

The following methods were applied to determine the progress of completion of the labor service transaction:

the measurement of the completed work;

the proportion of labor services provided to the total labor services to be provided;

the proportion of costs incurred to the estimated total costs.

On the balance sheet date, the total revenue from provision of labor services is multiplied by the completion progress after subtracting the accumulated revenue from provision of labor services recognised in the previous accounting period to recognise the revenue from provision of labor services in the current period; at the same time, the estimated total costs from provision of labor services is multiplied by the completion progress after subtracting the accumulated labor costs recognised in the previous accounting period to carry forward the labor costs for the current period.

If the results of labor services provided on the balance sheet date cannot be reliably estimated, the following situations shall be handled respectively:

If the labor cost incurred is expected to be compensated, the labor service income shall be recognised according to the amount of labor cost incurred, and the labor cost shall be carried forward at the same amount;

If the labor cost incurred is not expected to be compensated, the labor cost incurred is included in the current profit and loss, and the labor service income is not recognised.

Revenue from the provision of labor services is recognised as follows:

As for the installation fees, revenue is recognised on the balance sheet date based on the completion progress of the installation. If the installation is incidental to the sale of goods, the installation fees are recognised as revenue when the realization of the sale of goods is confirmed.

As for the fees charged for the publicity media, revenue is recognised when relevant advertisements or commercial activities begin to appear in the public. The production cost of advertisements is recognised as revenue on the balance sheet date based on the completion progress of the production of advertisements.

As for the fees charged for developing software for specific customers, revenue is recognised on the balance sheet date based on the completion progress of the development.

As for distinguishable service fees included in selling prices of the goods, revenue is recognised in installments during the period of service provision.

As for the charges for artistic performances, receptions and other special events, revenue is recognised when the relevant events occur. If the charges involve several activities, receipts in advance shall be reasonably allocated to each event, and revenue shall be recognised separately.

As for the fees for the application for membership and members where it is only allowed to obtain membership and all other services or products have to be charged separately, revenue is recognised when there is no major uncertainty in the recovery of the funds. As for the fees for the application for membership and members where members can get various services or goods during the membership period, or goods are sold or services are provide at a price lower than that of non-members, revenue is recognised in installments throughout the benefit period.

As for the royalties for the provision of equipment and other tangible assets, revenue is recognised when the assets are delivered or the ownership of the assets is transferred; for the royalties for the provision of initial and subsequent services, revenue is recognised when the services are provided.

As for the labor service fees charged for providing customers with repeated labor services for a long time, revenue is recognised when the relevant labor service activities occur.

Recognition of income from transfer of asset use rights

Income from transfer of asset use rights includes interest income and royalty income, etc. It may not be recognised unless the following conditions are met simultaneously:

The relevant economic benefits are probably to flow into the Company;

A reliable measurement can be made to the amount of the income.

Income from transfer of asset use rights is recognised as follows:

Interest income is determined on the basis of the period of use of the Company's monetary funds by others and the effective interest rate.

Royalty income is determined on the basis of the timing and method of charging fees as agreed in the relevant contract or agreement.

27. Contract costs*(1) Determination methods for the amount of assets related to contract costs*

The assets related to contract costs comprise contract performance cost and contract acquisition cost.

The cost incurred from performing a contract is regarded as the contract performance cost and recognised as an asset in the event that such cost is beyond the scope of other accounting standards for business enterprises other than the Accounting Standard for Business Enterprises No. 14 – Revenue (2017 revision) and the following conditions are met:

1. such cost directly relates to an existing or expected contract, including direct labour, direct materials, manufacturing cost (or similar cost) or other costs expressly to be borne by customers and incidental only to the contract;
2. such cost increases the resources of the Company for future performance obligations;
3. such cost is expected to be recoverable.

The contract acquisition cost, which is expected to be recovered to obtain the incremental cost of the contract, is recognised as an asset as the acquisition cost of the contract. Incremental cost refers to the cost that will not occur if the company does not obtain a contract (such as sales commissions). If the amortization period of the asset is less than one year, it is recognised in the current profit or loss.

Other expenses incurred by the company to obtain the contract in addition to the incremental costs expected to be recovered (such as travel expenses, tender fees and costs relating to the preparation of tender documents incurred regardless of whether the contract is obtained or not) are included in the current profit and loss when incurred but are clearly borne by the customers.

(2) Method for determining the amount of assets related to contract costs

The assets related to contract costs are amortized on the same basis as the revenue recognition of the goods related to the assets and are included in the current profit and loss.

(3) Impairment of assets related to contract costs

When determining the impairment loss of assets related to contract costs, the company first determines the impairment loss for other assets related to the contract recognised in accordance with other relevant accounting standards; then, if the book value of assets is higher than the difference between following ① and ②, the excess should be depreciated and recognised as an asset impairment loss.

1. The remaining consideration expected to be attained due to the transfer of the asset-related goods;
2. The cost to be estimated for the transfer of the relevant goods.

If the factors of impairment in the prior period subsequently changed, and the aforesaid difference between ① and ② is higher than the book value of the asset, the original provision for impairment of assets should be reversed and included in the profit and loss of that period, but the book value of assets after reversal should not exceed the book value of the asset on the reversal date assuming no provision for impairment is made.

28. Government Grants

Government grants are monetary assets or non-monetary assets transferred from the government to the company at no consideration, and are divided into government grants related to assets and government grants related to income.

(1) *The basis for determining government grants related to assets and accounting treatments*

Government grants related to assets refer to the government grants obtained by the company for purchasing or constructing or otherwise originating long-term assets.

Government grants related to assets shall be recognised as deferred income and recognised in profit or loss by stages on a reasonable and systematic basis over the useful life of the related assets. Government grants measured at nominal amount are directly recognised in current profit and loss.

If the related assets are sold, transferred, scrapped or destroyed before the end of their useful lives, the unallocated balance of the related deferred revenue shall be transferred to profit or loss in the period in which the assets are disposed of.

Government grants related to the company's ordinary activities shall be included in other income in accordance with the substance of the economic activity; those not related to the company's ordinary activities shall be included in non-operating income and expenses.

(2) *Judgment basis and accounting treatment method for government grants related to income*

Government grants related to income refer to government grants other than government grants related to an asset.

For government grants for comprehensive projects, a company needs to divide them into asset-related component and income-related component, and then perform accounting treatment separately; those that are difficult to distinguish shall be classified as government grants related to income as a whole.

Government grants related to income is used to compensate relevant expenses or losses incurred during subsequent periods and recognised as deferred income, and will be recorded in the profit or loss during the period when relevant expenses and losses are recognised. A grant that compensates the relevant expenses or losses incurred is directly recognised in current profit or loss.

A government grant related to the company's daily activities is recognised in other income based on the nature of economic activities; a government grant not related to the company's daily activities is recognised in non-operating income and expenses.

(3) *Recognition time point of government grants*

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount that is received. Government grant measured in accordance with the amount receivable, is recognised at the end of the period when there is conclusive evidence showing that it can meet the relevant conditions stipulated by the financial support policy and is expected to receive financial support funds. If a government grant is in the form of a transfer of a non-monetary asset, it is recognised when all the risks and rewards of ownership of non-monetary asset are transferred. A non-monetary asset is measured at its fair value. If its fair value cannot be obtained in a reliable way, it shall be measured at its nominal amount.

When the recognised government grant needs to be returned, if there is a relevant deferred income balance, the book balance of the relevant deferred income shall be offset, and the excess part shall be included in the profit or loss of the period; if there is no relevant deferred income, it shall be directly included in the profit or loss of the period.

29. Changes in critical accounting policies and accounting estimates

(1) Changes in critical accounting policies

The Company implemented the Accounting Standards for Business Enterprises No. 21 – Leases, amended by the Ministry of Finance in 2018 and effective 1 January 2021. The Company implemented the aforementioned standard effective 1 January 2021 and made corresponding adjustments to its financial statements on 1 January 2021 in accordance with the aforementioned standard's provisions on convergence. In accordance with the convergence provisions of these standards, the company recognises right-of-use assets and lease liabilities for all leases (other than short-term leases and leases of low-value assets) and adjusts the amount of retained earnings and other related items in the financial statements at the beginning of 2021 based on the cumulative effect of the initial implementation of the new lease standard, without adjusting the information for comparable periods. Impact on the items of the consolidated balance sheet as at 1 January 2021 in respect of the implementation of the new lease standard are listed below:

I. The Consolidated Balance Sheet

Statement items	31 December 2020	1 January 2021	Changes
Current assets:			
Cash and bank balances	24,118,893.28	24,118,893.28	–
Accounts receivable	4,108,379.81	4,108,379.81	–
Prepayments	5,237,748.23	3,978,166.20	–1,259,582.03
Other receivables	17,920,687.24	17,920,687.24	–
Other current assets	5,136,771.06	5,136,771.06	–
Total current assets	<u>56,522,479.62</u>	<u>55,262,897.59</u>	<u>–1,259,582.03</u>
Non-current assets:			
Long-term receivables	300,000.00	300,000.00	–
Long-term equity investments	4,910,826.11	4,910,826.11	–
Fixed assets	1,647,318.12	1,647,318.12	–
Construction in progress	55,259,293.33	54,474,226.70	–785,066.63
Right-of-use assets	N/A	567,260,315.57	567,260,315.57
Intangible assets	559,150.97	559,150.97	–
Development expenses	2,039,647.37	2,039,647.37	–
Long-term deferred expenses	162,742,551.33	156,279,048.17	–6,463,503.16
Deferred income tax assets	1,088,657.69	1,088,657.69	–
Other non-current assets	8,839,604.02	8,839,604.02	–
Total non-current assets	<u>237,387,048.94</u>	<u>797,398,794.72</u>	<u>560,011,745.78</u>
Total assets	<u>293,909,528.56</u>	<u>852,661,692.31</u>	<u>558,752,163.75</u>

APPENDIX II
FINANCIAL INFORMATION OF SHANGHAI KYMS

Statement items	31 December 2020	1 January 2021	Changes
Current liabilities:			
Short-term borrowings	19,239,632.12	19,239,632.12	–
Accounts payable	26,428,656.43	11,331,536.32	–15,097,120.11
Receipts in advance	3,212,512.47	3,212,512.47	–
Tax payables	6,969,534.49	6,969,534.49	–
Other payables	56,490,519.04	56,490,519.04	–
Non-current liabilities due within one year	38,548,480.00	38,548,480.00	–
Other current liabilities	155,604.17	155,604.17	–
Total current liabilities	<u>151,044,938.72</u>	<u>135,947,818.61</u>	<u>–15,097,120.11</u>
Non-current liabilities:			
Long-term borrowings	24,500,000.00	24,500,000.00	–
Lease liabilities	–	638,399,526.66	638,399,526.66
Long-term payables	608,386.62	608,386.62	–
Total non-current liabilities	<u>25,108,386.62</u>	<u>663,507,913.28</u>	<u>638,399,526.66</u>
Total liabilities	<u>176,153,325.34</u>	<u>799,455,731.89</u>	<u>623,302,406.55</u>
Owners' equity (or shareholders' equity):			
paid capital (share capital)	18,475,609.00	18,475,609.00	–
Capital reserve	60,551,992.47	60,551,992.47	–
Surplus reserve	1,079,709.73	1,079,709.73	–
Retained profits	13,259,433.08	–51,290,809.72	–64,550,242.80
Total equity attributable to owners of the parent company (or shareholders)	<u>93,366,744.28</u>	<u>28,816,501.48</u>	<u>–64,550,242.80</u>
Minority interests	24,389,458.94	24,389,458.94	–
Total owners' equity (shareholders' equity)	<u>117,756,203.22</u>	<u>53,205,960.42</u>	<u>–64,550,242.80</u>
Total liabilities and owners' equity	<u>293,909,528.56</u>	<u>852,661,692.31</u>	<u>558,752,163.75</u>

II. The Balance Sheet of the Parent Company

Statement items	31 December 2020	1 January 2021	Changes
Current assets:			
Cash and bank balances	10,289,452.28	10,289,452.28	—
Accounts receivable	3,345,005.51	3,345,005.51	—
Prepayments	2,164,400.78	2,164,400.78	—
Other receivables	99,796,037.42	99,796,037.42	—
Total current assets	115,594,895.99	115,594,895.99	—
Non-current assets:			
Long-term receivables	200,000.00	200,000.00	—
Long-term equity investments	42,646,424.63	42,646,424.63	—
Fixed assets	1,131,981.65	1,131,981.65	—
Construction in progress	3,547,033.36	3,182,033.36	—365,000.00
Right-of-use assets	—	80,536,248.58	80,536,248.58
Intangible assets	551,121.18	551,121.18	—
Development expenses	2,039,647.37	2,039,647.37	—
Long-term deferred expenses	21,809,520.20	21,720,102.81	—89,417.39
Deferred income tax assets	31,959.04	31,959.04	—
Total non-current assets	71,957,687.43	152,039,518.62	80,081,831.19
Total assets	187,552,583.42	267,634,414.61	80,081,831.19

Statement items	31 December 2020	1 January 2021	Changes
Current liabilities:			
Short-term borrowings	19,239,632.12	19,239,632.12	—
Accounts payable	5,914,690.67	457,602.62	-5,457,088.05
Receipts in advance	929,001.23	929,001.23	—
Tax payables	3,667,319.06	3,667,319.06	—
Other payables	31,627,794.66	31,627,794.66	—
Non-current liabilities due within one year	37,350,000.04	37,350,000.04	—
Other current liabilities	93,500.00	93,500.00	—
Total current liabilities	<u>98,821,937.78</u>	<u>93,364,849.73</u>	<u>-5,457,088.05</u>
Non-current liabilities:			
Lease liabilities	—	108,720,466.30	108,720,466.30
Long-term payables	6,666.56	6,666.56	—
Total non-current liabilities	<u>6,666.56</u>	<u>108,727,132.86</u>	<u>108,720,466.30</u>
Total liabilities	<u>98,828,604.34</u>	<u>202,091,982.59</u>	<u>103,263,378.25</u>
Owners' equity (or shareholders' equity):			
paid capital (share capital)	18,475,609.00	18,475,609.00	—
Capital reserve	60,977,745.38	60,977,745.38	—
Surplus reserve	1,079,709.73	1,079,709.73	—
Retained profits	8,190,914.97	-14,990,632.09	-23,181,547.06
Total owners' equity (shareholders' equity)	<u>88,723,979.08</u>	<u>65,542,432.02</u>	<u>-23,181,547.06</u>
Total liabilities and owners' equity	<u>187,552,583.42</u>	<u>267,634,414.61</u>	<u>80,081,831.19</u>

(2) *Changes in critical accounting estimates*

There was no significant change in the Company's accounting estimates during the Reporting period.

30. Critical accounting judgements and estimates

The Company needs to make judgments, estimates and assumptions as to the carrying amount of statement items which cannot be accurately measured in applying its accounting policies due to inherent uncertainties of operation activities. Such judgments, estimates and assumptions are made based on the historical experience of the Company's management and taking into account other relevant factors, and may affect the reported amount of revenue, expenses, assets and liabilities and disclosure of contingent liabilities at the balance sheet date. However, the actual results derived from the uncertainties of such estimates may differ from the current estimation of the Company's management, which may cause critical adjustment to the carrying amount of assets or liabilities which may be affected in the future.

The Company regularly reviews the aforesaid judgments, estimates and assumptions on a going concern basis. A revision to accounting estimate is recognised in the period in which the estimate is revised if it only affects that period; a revision is recognised in the period of the current and future periods if it affects both current and future periods.

At the balance sheet date, the critical areas where the Company needs to make judgments, estimates and assumptions as to the amount of items in the financial statements are set out below:

(1) *Impairment of financial instruments*

The Company uses the expected credit loss model to assess the impairment of financial instruments. The application of the expected credit loss model requires significant judgements and estimations, and all reasonable and evidenced information, including forward-looking information, should be considered. In making such judgements and estimations, the Company infers the expected changes in the debtor's credit risk based on the historical data in combination with economic policies, macroeconomic indicators and industry risks.

(2) *Provision for impairment of long term assets*

At the balance sheet date, the Company makes its judgment as to whether there is any evidence indicating potential impairment of non-current assets other than financial assets. Intangible assets with indefinite useful life shall be tested for impairment when there is any indication of impairment in addition to the annual impairment testing. Other non-current assets other than financial assets shall be tested for impairment if there is any evidence indicating that their carrying amount cannot be recovered.

When the carrying amount of an asset or asset group is higher than the recoverable amount, which is the higher of net amount of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset, it indicates impairment.

The net amount of the fair value less costs of disposal is determined by making reference to the sales price in the similar assets in an arm's length transaction or the observable market price less the incremental costs directly attributable to such assets disposal.

In projecting the present value of the future cash flows, critical judgments shall be made to the output, selling price and relevant operating costs of such asset (or asset group) and the discount rate applied in calculating the present value. In estimating the recoverable amount, the Company may adopt all relevant materials including the projections as to the output, selling price and relevant operating costs based on reasonable and supportive assumptions.

(3) *Depreciation and amortisation*

The Company shall provide depreciation and amortisation for investment properties, fixed assets and intangible assets using straight-line method over their useful lives after taking into account of their residual values. The Company shall regularly review the useful lives to determine the amount depreciated and amortised to be accounted for in each reporting period. The useful life is determined by the Company according to its previous experience on similar assets and estimated technical updates. If there is any material change in the estimate previously made, the amount of depreciation and amortisation will be adjusted over the future period.

(4) *Deferred income tax assets*

The deferred income tax assets will be recognised for all unused tax losses to the extent that it is probable there will be sufficient taxable profits against which the loss is utilised. This requires the Company's management to apply numerous judgments to estimate the timing and amount of the future taxable profits, so as to determine the amount of deferred income tax assets to be recognised with reference to the tax planning strategy.

(5) *Income tax*

There are some uncertainties in final tax treatment and calculation for some transactions of the Company during its ordinary course of business. The approval from the tax authority is required for pre-tax expensing of some items. Any difference between the final determined outcome of such tax matters and the initially estimated amount will exert an effect on the current income tax and deferred income tax during the period in which the final amount is determined.

V. TAXATION

1. Principal tax types and tax rates

Tax types	Tax basis	Tax rate
VAT	Sales of goods or rendering of taxable services	3%, 5%, 6%, 9%, 13%
Urban maintenance and construction tax	Amount of payable turnover tax	5%, 7%
Education surcharge	Amount of payable turnover tax	3%
Local education surcharge	Amount of payable turnover tax	2%
Corporate income tax	Amount of taxable income	For details, please see the table below

Name of tax payer	Income tax rate
Shanghai KYMS Cloud Technology Co., Ltd. (上海快易名商雲科技股份有限公司)	25%
Shanghai Darun Gongjiang Enterprise Management Co., Ltd. (上海達潤工匠企業管理有限公司)	20%
Shanghai Weiwo Enterprise Management Co., Ltd. (上海瑋沃企業管理有限公司)	20%
Shanghai Kuaichang Chuangke Space Management Co., Ltd. (上海快長創客空間管理有限公司)	20%
Shanghai Kuaijie Enterprise Management Co., Ltd. (上海快頤企業管理有限公司)	25%
Shanghai Kuaiming Enterprise Management Co., Ltd. (上海快銘企業管理有限公司)	25%
Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. (北京快易天地企業管理有限公司)	25%
Shanghai Kuaiye Enterprise Management Co., Ltd. (上海快也企業管理有限公司)	20%
Shanghai Lanzi Network Technology Co., Ltd. (上海嵐孜網絡科技有限公司)	20%
Shanghai Kuaiqin Enterprise Management Co., Ltd. (上海快沁企業管理有限公司)	25%
Shanghai Mingyuan Enterprise Development Co., Ltd. (上海銘苑企業發展有限公司)	20%
Shanghai Kuailing Enterprise Management Co., Ltd. (上海快菱企業管理有限公司)	20%
Shanghai Kuaizhe Enterprise Management Co., Ltd. (上海快喆企業管理有限公司)	25%
Shanghai Kuafeng Office Technology Co., Ltd. (上海快豐辦公科技有限公司)	20%
Shanghai Kuaizheng Decoration Design Co., Ltd. (上海快徵裝飾設計有限公司)	20%
Shanghai Kuaihui Commercial Management Co., Ltd. (上海快惠商業管理有限公司)	20%
Shanghai Kuaiheng Enterprise Management Co., Ltd. (上海快珩企業管理有限公司)	20%
Shanghai Kuaijing Enterprise Management Co., Ltd. (上海快璟企業管理有限公司)	20%
Shanghai Kuaili Enterprise Management Co., Ltd. (上海快笠企業管理有限公司)	20%
Shanghai Kuaipeng Enterprise Management Co., Ltd. (上海快蓬企業管理有限公司)	20%
Shanghai Kuairui Enterprise Management Co., Ltd. (上海快睿企業管理有限公司)	20%
Shanghai Kuaixin Enterprise Management Co., Ltd. (上海快芯企業管理有限公司)	20%
Shanghai Kuaiyu Enterprise Management Co., Ltd. (上海快喻企業管理有限公司)	20%

2. Tax concession and approvals

- (1) Pursuant to the Notice of the Ministry of Finance and the State Taxation Administration on Implementation of Inclusive Tax Relief Policy for Small Low-profit Enterprises (Cai Shui (2019) No. 13) (《財政部稅務總局關於實施小微企業普惠性稅收減免政策的通知》(財稅〔2019〕13號)), from 1 January 2019 to 31 December 2021, the small low-profit enterprise with an annual taxable income no more than RMB1,000,000 is entitled to a preferential tax treatment of 25% exemption of taxable income and subjected to corporate income tax rate of 20%. Certain subsidiaries of the Company are qualified small low-profit enterprises and shall be entitled to such income tax concession.
- (2) Pursuant to the (Announcement of the Ministry of Finance and State Taxation Administration (2021) No.12) ([政部稅務總局公告2021年第12號]), from 1 January 2021 to 31 December 2022, the small low-profit enterprise with an annual taxable income no more than RMB1,000,000, under the tax concession policy of Article 2 in the Notice of the Ministry of Finance and the State Taxation Administration on Implementation of Inclusive Tax Relief Policy for Small Low-profit Enterprises (Cai Shui (2019) No. 13) (《財政部稅務總局關於實施小微企業普惠性稅收減免政策的通知》(財稅〔2019〕13號)), is entitled to an additional 50% reduction of corporate income tax. Certain subsidiaries of the Company are qualified small low-profit enterprises and shall be entitled to such income tax concession.

VI. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

Items	Closing balance	Opening balance
Cash on hand	52,981.00	29,000.70
Bank deposits	31,865,984.33	24,089,892.58
Other monetary funds	—	—
Total	<u>31,918,965.33</u>	<u>24,118,893.28</u>
Including: total amount deposited abroad	—	—
total amount restricted usage due to mortgages, pledges or freezes	—	—

2. Held-for-trading financial assets

Items	Closing balance	Opening balance
Financial assets measured at fair value through profit or loss	—	—
Including: investments in equity instruments	—	—
Others	700,000.00	—
Total	<u>700,000.00</u>	<u>—</u>
Others are mainly wealth management products purchased by the Company and its subsidiaries with floating income.	—	—

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3. Accounts receivables

(1) Disclosure by aging

Aging	Closing balance
Within 1 year	8,540,816.71
Less: bad debt provision	<u>380,271.96</u>
Total	<u><u>8,160,544.75</u></u>

(2) Classified disclosure by the method of bad debt provision

Category	Closing balance				Carrying amount
	Book balance	Percentage	Bad debt provision	Provision percentage	
Bad debt provision on individual basis	-	-	-	-	-
Bad debt provision on group basis	8,540,816.71	100.00%	<u>380,271.96</u>	5.00%	<u>8,160,544.75</u>
Total	<u><u>8,540,816.71</u></u>		<u><u>380,271.96</u></u>		<u><u>8,160,544.75</u></u>

(Continued)

Category	Opening balance				Carrying amount
	Book balance	Percentage	Bad debt provision	Provision percentage	
Bad debt provision on individual basis	-	-	-	-	-
Bad debt provision on group basis	4,324,610.33	100.00%	<u>215,161.19</u>	5.00%	<u>4,108,379.81</u>
Total	<u><u>4,324,610.33</u></u>		<u><u>215,161.19</u></u>		<u><u>4,108,379.81</u></u>

Bad debt provision on group basis:

Provision on group basis: accounts receivable – ageing group

Aging	Closing balance		
	Book balance	Bad debt provision	Provision percentage
Within 1 year	<u><u>8,540,816.71</u></u>	<u><u>380,271.96</u></u>	5.00%

(3) *Provision for bad debts*

Category	Opening balance	Changes during the period				Closing balance
		Provision	Recovery or reversal	Transfer or write-off	Other changes	
Accounts receivable	216,230.52	164,041.44	–	–	–	380,271.96

(4) *There was no accounts receivable actually written off during the reporting period*(5) *Details of the top five debtors with the largest closing balance of accounts receivables*

Name	Relationship with the Company	Book balance	Bad debt provision	Aging	Percentage of total amount
Chengdu Zhangwo Enterprise Management Co., Ltd. (成都漲沃企業管理有限責任公司)	Non-related party	3,270,000.00	183,500.00	Within1 year	38.29%
Shanghai Kuaizhuo Apartment Management Co., Ltd. (上海快卓公寓管理有限公司)	Non-related party	1,337,401.88	40,000.00	Within1 year	15.66%
Beijing Hengsheng Rongcheng Trading Co., Ltd. (北京恒盛融誠商貿有限公司)	Non-related party	631,045.16	31,552.26	Within1 year	7.39%
Alcatel-Lucent Shanghai Bell Software Co., Ltd. (上海諾基亞貝爾軟件有限公司)	Non-related party	494,023.40	24,701.17	Within1 year	5.78%
Beijing Jiahui Rongya Decoration Engineering Co., Ltd. (北京佳輝榮雅裝飾工程有限公司)	Non-related party	351,240.25	17,562.01	Within1 year	4.11%
Total		6,083,710.69	297,315.44		71.23%

4. **Prepayment**(1) *Presentation by aging*

Aging	Closing balance		Opening balance	
	Amount	Percentage	Amount	Percentage
Within 1 year	15,559,360.10	93.77%	5,237,748.23	100.00%
1 to 2 years	1,033,961.00	6.23%	–	–
	16,593,321.10	100.00%	5,237,748.23	100.00%

APPENDIX II

FINANCIAL INFORMATION OF SHANGHAI KYMS

(2) Top five prepayments of closing balance by prepayment object

Name	Relationship with the Company	Closing balance	Percentage of total amount	Year of prepayment	Reasons
Tian Lai Construction (Shanghai) Limited Company (天萊建設(上海)有限公司)	Non-related party	4,512,000.00	27.19%	Within 1 year	Prepayments for construction cost
Shanghai Shouling Decoration Engineering Co., Ltd. (上海首領裝飾工程有限公司)	Non-related party	4,431,600.00	26.71%	Within 1 year	Prepayments for construction cost
China National Publications Import & Export Shanghai Co., Ltd.(Pudong Branch) (中國圖書進出口上海公司浦東分公司)	Non-related party	2,059,811.40	12.41%	0 to 2 years	Prepayments for rental
Shanghai Runze Industry Co., Ltd. (上海潤則實業有限公司)	Non-related party	2,330,000.00	14.04%	Within 1 year	Prepayments for construction cost
Shanghai Runtong Furniture Co., Ltd. (上海潤瞳家具有限公司)	Non-related party	791,015.45	4.77%	Within 1 year	Prepayments
Total		<u>14,124,426.85</u>	<u>85.12%</u>		

5. Other receivables

Items	Closing balance	Opening balance
Interest receivable	—	—
Dividends receivable	—	—
Other receivables	<u>49,165,672.25</u>	<u>17,920,687.24</u>
Total	<u>49,165,672.25</u>	<u>17,920,687.24</u>

(1) Other receivables

1. Disclosure by aging

Aging	Closing balance
Less than 1 year	37,099,039.05
1 to 2 years	1,255,584.00
2 to 3 years	9,714,433.13
Over 3 years	2,130,273.10
Subtotal	<u>50,199,329.28</u>
Less: bad debt provision	1,033,657.03
Total	<u>49,165,672.25</u>

2. Presentation by nature

Nature	Book balance at the end of the period	Book balance at the beginning of the period
Rent pledges and deposits	25,843,091.69	18,655,512.64
Current accounts	22,073,181.59	153,350.92
Contingency provision	283,056.00	143,500.00
Others	2,000,000.00	1,980.71
Total	<u>50,199,329.28</u>	<u>18,954,344.27</u>

3. Provision of bad debts

Provision for bad debts	Stage 1 Next 12-month ECLs	Stage 2 Lifetime ECLs (non-credit impaired)	Stage 3 Lifetime ECLs (credit impaired)	Total
Opening balance	1,033,657.03	-	-	1,033,657.03
Opening balance during the period that	-	-	-	-
-Transfer to stage 2	-	-	-	-
-Transfer to stage 3	-	-	-	-
-Reverse to stage 2	-	-	-	-
-Reverse to stage 1	-	-	-	-
Provision for the period	-	-	-	-
Reversal for the period	-	-	-	-
Transfer for the period	-	-	-	-
Write-off for the period	-	-	-	-
Other changes	-	-	-	-
Closing balance	1,033,657.03	-	-	1,033,657.03

4. Bad debts provision

Category	Opening balance	Changes during the period				Closing balance
		Provision	Recovery or reversal	Transfer or write-off	Other changes	
Pledges and deposits	932,775.63	-	-	-	-	932,775.63
Aging portfolios	100,881.40	-	-	-	-	100,881.40
Total	<u>1,033,657.03</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,033,657.03</u>

5. There was no other receivables actually written off during the reporting period

6. Top five other receivables by closing balance collected by borrowers

Name	Nature	Closing balance	Aging	Proportion in the total closing balance of other receivables	Closing balance of bad debt provision
Shanghai Kuaizhuo Apartment Management Co., Ltd. (上海快卓公寓管理有限公司)	Current accounts	22,859,170.94	Within 1 year, 1-2 years	45.54%	-
Shanghai Wantong Xindi Real Estate Co., Ltd. (上海萬通新地置業有限公司)	Rent pledges and deposits	15,760,667.44	Within 1 year, 2-3 years	31.40%	449,241.96
Alcatel-Lucent Shanghai Bell Software Co., Ltd. (上海諾基亞貝爾軟件有限公司)	Rent pledges and deposits	4,251,807.26	Within 1 year	8.47%	212,590.36
Chen Li (陳利)	Equity transfer consideration	2,000,000.00	Within 1 year	3.98%	-
Shanghai Da'an Enterprise Co., Ltd. (上海達安企業股份有限公司)	Rent pledges and deposits	1,754,262.00	Within 1 year, 1-2 years, 2-3 years	3.49%	84,339.45
Total		<u>46,625,907.64</u>		<u>92.88%</u>	<u>746,171.77</u>

6. Other current assets

Item	Closing balance	Opening balance
Credit tax available for deduction	5,952,684.70	5,136,771.06
Prepayment of income tax	-	-
Total	<u>5,952,684.70</u>	<u>5,136,771.06</u>

7. Long-term receivables

Category	Closing balance				
	Book balance	Proportion	Bad debts provision	Discount rate	Carrying amount
Performance bond of Lingling Road and Wuding Road Project	<u>200,000.00</u>	100.00%	<u>-</u>	-	<u>200,000.00</u>
Category	Opening balance				
	Book balance	Proportion	Bad debts provision	Discount rate	Carrying amount
Performance bond of Lingling Road and Wuding Road Project	200,000.00	66.67%	-	-	200,000.00
Performance bond of Huizhan Street Project	<u>100,000.00</u>	33.33%	<u>-</u>	-	<u>100,000.00</u>
Total	<u>300,000.00</u>	100.00%	<u>-</u>		<u>300,000.00</u>

8. Long-term equity investments

Investee	Opening balance	Additional investment	Reduce investment	Changes during the period			Other changes to equity
				Gains or losses on investments recognised under the equity method	Adjustments to other comprehensive income		
Associated companies							
Shanghai Xinyinzhou Investment Management Co., Ltd. (上海新銀洲投資管理有限公司)	4,910,826.11	-	-	981,695.60	-	-	-

(Continued)

Investee	Changes during the period					Closing balance of provision for impairment
	Distribution of cash dividends or profits declared	Provision for impairment	Others	Closing balance		
Associated companies						
Shanghai Xinyinzhou Investment Management Co., Ltd. (上海新銀洲投資管理有限公司)	-	-	-	5,892,521.71	-	-

Note: On 22 July 2020, the Company entered into the “Equity Transfer Agreement between Shanghai Kuaiyi Mingshang Enterprise Development Co., Ltd. (上海快易名商企業發展股份有限公司) and Mr. Qian Jiangang (錢建綱) concerning to Shanghai Xinyinzhou Investment Management Co., Ltd. (上海新銀洲投資管理有限公司)” with Mr. Qian Jiangang (錢建綱), a natural person, pursuant to which the Company acquired 46% equity interest in Shanghai Xinyinzhou Investment Management Co., Ltd. (上海新銀洲投資管理有限公司) at a consideration of RMB4.6 million. The Company signed the Equity Pledge Contract with Mr. Qian Jiangang (錢建綱) on the same day, pursuant to which the Company pledged 46% of the equity interest in Shanghai Xinyinzhou Investment Management Co., Ltd. (上海新銀洲投資管理有限公司) acquired by the Company to Mr. Qian Jiangang (錢建綱) for a provisional consideration of RMB20 million. On 28 July 2020, the industrial and commercial registration modification procedures were completed.

9. Fixed assets

Item	Closing balance	Opening balance
Fixed assets	1,398,140.69	1,647,318.12
Disposal of fixed assets	-	-
Total	1,398,140.69	1,647,318.12

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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(1) *Fixed assets*

Item	Electronic equipment	Office equipment	Total
1. Original book value			
Opening balance	2,281,781.27	3,233,005.22	5,514,786.49
Increment for the period	67,667.78	31,486.58	99,154.36
Including: purchase	67,667.78	31,486.58	99,154.36
Decrement for the period	13,969.68	32,367.26	46,336.94
Including: disposal or scrap	13,969.68	32,367.26	46,336.94
Closing balance	2,335,479.37	3,232,124.54	5,567,603.91
2. Accumulated depreciation			
Opening balance	1,404,541.60	2,462,926.77	3,867,468.37
Increment for the period	91,721.67	218,976.49	310,698.16
Including: provision	91,721.67	218,976.49	310,698.16
Decrement for the period	3,970.16	4,733.15	8,703.31
Including: disposal or scrap	3,970.16	4,733.15	8,703.31
Closing balance	1,492,293.11	2,677,170.11	4,169,463.22
3. Provision for impairment			
Opening balance	—	—	—
Increment for the period	—	—	—
Decrement for the period	—	—	—
Closing balance	—	—	—
4. Carrying amount			
Carrying amount of the end of period	843,186.26	554,954.43	1,398,140.69
Carrying amount of the opening of period	<u>877,239.67</u>	<u>770,078.45</u>	<u>1,647,318.12</u>

10. **Construction in progress**

Item	Closing balance	Opening balance
Construction in progress	22,632,037.05	55,259,293.33
Construction material	—	—
Total	<u>22,632,037.05</u>	<u>55,259,293.33</u>

(1) Construction in progress

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Net book value	Book balance	Provision for impairment	Net book value
Weak Current Engineering	72,000.00	-	72,000.00			
Project in Xizangbei Road	-	-	-	42,528,848.72	-	42,528,848.72
Project in Eshan Road	22,560,037.05	-	22,560,037.05	9,183,411.25	-	9,183,411.25
Project in Chengdu Backyard	-	-	-	3,547,033.36	-	3,547,033.36
Total	22,632,037.05	-	22,632,037.05	55,259,293.33	-	55,259,293.33

1. Changes in significant construction in progress during the period

Item	Budget	Opening balance	Increment for the period	Transferred into long-term deferred expenses of the period	Other decrement for the period	Proportion of accumulative investment of project in the budget
Weak Current Engineering	-	-	72,000.00	-	-	-
Project in Xizangbei Road	90,000,000.00	42,528,848.72	11,515,096.57	53,572,247.29	471,698.00	100.00%
Project in Eshan Road	50,000,000.00	9,183,411.25	30,900,225.01	15,593,247.32	1,930,351.89	100.00%
Project in Chengdu Backyard	3,600,000.00	3,547,033.36	-	3,230,569.21	316,464.15	100.00%
Total		55,259,293.33	42,487,321.58	89,431,687.12	2,718,514.04	

(Continued)

Item	Project progress	Accumulative amount of interest capitalisation	Including: amount of interest capitalisation for current period	Interest capitalisation rate for current period	Fund source	Closing balance
Weak Current Engineering	-	-	-	-	-	72,000.00
Project in Xizangbei Road	100.00%	379,811.23	-	-	Loan	-
Project in Eshan Road	70.00%	72,000.00	-	-	Loan	22,560,037.05
Project in Chengdu Backyard	100.00%	-	-	-	-	-
Total		451,811.23	-			22,632,037.05

11. Right-of-use assets

Item	Houses and buildings
1. Original book value	
Opening balance	–
Increment for the period	731,272,664.40
Decrement for the period	–
Closing balance	731,272,664.40
2. Accumulated amortisation	
Opening balance	–
Increment for the period	192,387,209.00
Including: provision	22,765,514.75
Other increment	169,621,694.25
Decrement for the period	–
Including: disposal	–
Closing balance	192,387,209.00
3. Provision for impairment	
Opening balance	–
Increment for the period	–
Decrement for the period	–
Closing balance	–
4. Carrying amount	
Carrying amount of the end of period	538,885,455.40
Carrying amount of the opening of period	–

12. Intangible assets

(1) *Intangible assets*

Item	Software
1. Original book value	
Opening balance	567,055.14
Increment for the period	51,039.60
Including: purchase	51,039.60
Decrement for the period	–
Including: disposal	–
Reclassification	–
Closing balance	618,094.74
2. Accumulated amortisation	
Opening balance	7,904.17
Increment for the period	945.84
Including: provision	945.84
Decrement for the period	–
Including: disposal	–
Reclassification	–
Closing balance	8,850.01
3. Provision for impairment	
Opening balance	–
Increment for the period	–
Decrement for the period	–
Closing balance	–
4. Carrying amount	
Carrying amount of the end of period	609,244.73
Carrying amount of the opening of period	559,150.97

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13. Development expenses

Item	Opening balance	Increment for the period	
		Internal development expenses	Others
Office Intelligent System Development Project	2,039,647.37	126,485.15	–

(Continued)

Item	Recognised as intangible assets	Decrement for the period		Closing balance
		Transfer into profit or loss for current period	Reduction in scope of consolidation	
Office Intelligent System Development Project	–	–	–	2,166,132.52

14. Long-term deferred expenses

Item	Opening balance	Increment for the period	Amortisation amount for the period	Other decrement for the period	Closing balance
Project in Wuding Road, Lingling Road	21,809,520.20	3,230,569.21	2,102,334.96	337,486.60	22,600,267.85
Improvement Project in Ningbo Road	2,873,992.46	–	359,249.07	–	2,514,743.39
Hongqiao Wantong Project	62,644,744.89	–	2,334,586.78	–	60,310,158.11
Project in Anyuan Road	15,194,705.90	–	949,669.14	–	14,245,036.76
Project in Huizhan Street	22,877,005.71	–	0.00	22,877,005.71	–
Project in Xizangbei Road	37,342,582.17	53,572,247.29	2,417,581.00	6,374,085.77	82,123,162.69
Project in Eshan Road	–	15,593,247.32	173,322.10	–	15,419,925.22
Total	162,742,551.33	72,396,063.82	8,336,743.05	29,588,578.08	197,213,294.02

15. Deferred income tax assets

(1) *Deferred income tax assets before offsetting*

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Credit impairment provision	1,082,211.30	233,245.45	1,095,795.63	236,641.53
Deductible loss	1,915,627.33	478,906.83	3,408,064.63	852,016.16
Total	2,997,838.63	712,152.28	4,503,860.26	1,088,657.69

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(2) *Breakdown of unrecognised deferred income tax assets*

Item	Closing balance	Opening balance
Credit impairment provision	318,133.36	154,091.92
Deductible loss	2,888,837.87	2,888,837.87
Total	3,206,971.23	3,042,929.79

(3) *Deductible loss for unrecognised deferred income tax assets will become due in the following years*

Year	Closing balance	Opening balance
2021	43,396.33	43,396.33
2022	1,161.40	1,161.40
2023	307,237.97	307,237.97
2024	936,361.04	936,361.04
2025	1,600,681.13	1,600,681.13
Total	2,888,837.87	2,888,837.87

16. **Other non-current assets**

Item	Book balance	Closing balance Provision for impairment	Carrying amount	Book balance	Opening balance Provision for impairment	Carrying amount
Payment for improvement	5,079,622.00	–	5,079,622.00	8,839,604.02	–	8,839,604.02

17. **Short-term borrowings**

(1) *Classification of short-term borrowings*

Item	Closing balance	Opening balance
Credit loans	–	–
Guaranteed borrowings	30,200,000.00	19,200,000.00
Interest payable not yet due	39,632.12	39,632.12
Total	30,239,632.12	19,239,632.12

Notes:

- (1) The Company entered into a working capital loan agreement for small business with the contract number of 212200004 with Bank of Shanghai Co., Ltd. (Jing'an Branch) (上海銀行股份有限公司靜安支行) on 19 January 2020, with a loan amount of RMB5.00 million and an interest rate of 5.22% per annum for a term of 12 months commencing from 22 January 2020 to 22 January 2021. On 20 January 2020, the Company entered into the Letter of Undertaking for Entrusted Guarantee with Shanghai Administration Center of Policy Financing Guarantee Funds for SMEs, which provided guarantee for such loan of the Company with a guaranteed amount of RMB4.25 million. Meanwhile, according to the loan guarantee contracts for inclusive finance and small business with contract number of No. DB21220000401 and No. DB21220000402, such loan was guaranteed by Wang Fuhun (王輔晗), Ying Wen (應文) and Shanghai Kuaijie Enterprise Management Co., Ltd. (上海快頤企業管理有限公司) (the controlled subsidiary of the Company), and the scope of guarantee includes the loan principal, interest, default interest, default penalty, compensation and expenses for execution of the creditor's rights.

In light of that the loan of the Company was guaranteed by Shanghai Administration Center of Policy Financing Guarantee Funds for SMEs as mentioned above, on 20 January 2020, Wang Fuhun (王輔晗) and Ying Wen (應文) provided counter guarantee to Shanghai Administration Center of Policy Financing Guarantee Funds for SMEs.

As of 30 June 2021, the loan was fully settled.

- (2) The Company entered into a working capital loan agreement with the contract number of No. 8531231220200049 with Shanghai Baoshan Yangzi Village Bank (上海寶山楊子村鎮銀行) on 20 May 2020, with a loan amount of RMB3.00 million and an interest rate of 5.5% per annum for a term of 12 months commencing from 20 May 2020 to 20 May 2021. According to the maximum corporate guarantee contract with number of No. 340215853212020000094, No. 340215853212020000095, No. 340215853212020000096 and No. 340215853212020000097, Shi Yan (施豔), Wang Fuhun (王輔晗), Zhang Bowei (張博偉) and Wang Jianfeng (王建鋒) shall undertake the joint guarantee liability for the loan, with a maximum principal of guaranteed debt of RMB4.50 million. As of 30 June 2021, the loan was fully settled.
- (3) The Company entered into a working capital loan agreement with the contract number of (310101721201013) Zhe Tai Shang Yin (Liu Jie) Zi No. (0103090382) (浙泰商銀(流借)字第(0103090382)號) with Zhejiang Tailong Commercial Bank Co., Ltd. (Shanghai Zhabei Branch) (浙江泰隆商業銀行股份有限公司上海閘北支行) on 13 October 2020, with a loan amount of RMB2.20 million and an interest rate of 9.18% per annum for a term of 12 months commencing from 13 October 2020 to 13 October 2021. According to the maximum corporate guarantee contract with number of (310101721201013) Zhe Tai Shang Yin (Gao Bao) Zi No. (0103090446) (浙泰商銀(高保)字第(0103090446)號), Shi Yan (施豔), Wang Jianfeng (王建鋒), Zhang Bowei (張博偉) and Wang Fuhun (王輔晗) shall undertake the joint guarantee liability for the loan, with a maximum principal of guaranteed debt of RMB4.30 million.
- (4) The Company entered into a working capital loan agreement for small business with contract number of No. 212200251 with Bank of Shanghai Co., Ltd. (Jing'an Branch) (上海銀行股份有限公司靜安支行) on 17 December 2020, with a loan amount of RMB5.00 million and an interest rate of 4.85% per annum for a term of 12 months commencing from 17 December 2020 to 17 December 2021. On 18 December 2020, the Company entered into the Letter of Undertaking for Entrusted Guarantee with Shanghai Administration Center of Policy Financing Guarantee Funds for SMEs, which provided guarantee for such loan of the Company with a guaranteed amount of RMB4.25 million. Meanwhile, according to the loan guarantee contracts for inclusive finance and small business with contract number of No. DB21220025101 and No. DB21220025102, such loan was guaranteed by Wang Fuhun (王輔晗), Ying Wen (應文) and Shanghai Kuaijie Enterprise Management Co., Ltd. (上海快頤企業管理有限公司) (the controlled subsidiary of the Company), and the scope of guarantee includes the loan principal, interest, default interest, default penalty, compensation and expenses for execution of the creditor's rights.

- (5) The Company entered an online working capital loan agreement with Bank of Ningbo (Shanghai Branch) (寧波銀行上海分行) on 11 August 2020, with a loan amount of RMB2.00 million and an interest rate of 5% per annum for a term of 12 months commencing from 11 August 2020 to 11 August 2021. According to the maximum corporate guarantee contract with number of No. 07001KB209NDMHK, Shanghai Chuangye Jieli Financing Guarantee Co., Ltd. (上海創業接力融資擔保有限公司) shall provide guarantee to Bank of Ningbo (Shanghai Branch) (寧波銀行上海分行) for the loan in favour of the Company.

In light of that the loan of the Company was guaranteed by Shanghai Chuangye Jieli Financing Guarantee Co., Ltd. (上海創業接力融資擔保有限公司), Wang Jianfeng (王建鋒), Xia Wei (夏薇), Wang Fuhun (王輔哈), Ying Wen (應文), Zhang Bowei (張博偉), Xu Lihong (徐麗虹), Shi Yan (施豔) and Shanghai Kuaijie Enterprise Management Co., Ltd. (上海快頤企業管理有限公司) (the controlled subsidiary of the Company) shall provide counter guarantee to Shanghai Chuangye Jieli Financing Guarantee Co., Ltd. (上海創業接力融資擔保有限公司).

- (6) The Company entered into a working capital loan agreement for small business with contract number of No. 21210036 with Bank of Shanghai Co., Ltd. (Jing'an Branch) (上海銀行股份有限公司靜安支行) on 3 March 2021, with a loan amount of RMB5.00 million and an interest rate of 4.85% per annum for a term of 12 months commencing from 3 March 2021 to 3 March 2022. The Company entered into the Letter of Undertaking for Entrusted Guarantee with Shanghai Administration Center of Policy Financing Guarantee Funds for SMEs, which provided guarantee for such loan of the Company with a guaranteed amount of RMB4.25 million. Meanwhile, according to the loan guarantee contracts for inclusive finance and small business with contract number of No. DB2121003601 and No. DB2121003601, such loan was guaranteed by Wang Fuhun (王輔哈), Ying Wen (應文) and Shanghai Kuaijie Enterprise Management Co., Ltd. (上海快頤企業管理有限公司) (the controlled subsidiary of the Company), and the scope of guarantee includes the loan principal, interest, default interest, default penalty, compensation and expenses for execution of the creditor's rights.

- (7) The Company entered into a loan agreement with the contract number of No. A2021023 with Shanghai Minhang Chuangye Jieli Microfinance Co., Ltd. (上海閔行創業接力小額貸款股份有限公司) on 11 March 2021, for a term commencing from 16 March 2021 to 13 June 2021 with an interest rate of 9% per annum.

According to the maximum corporate guarantee contracts with number of No. D2021023-1, and No. D2021023-2, Wang Jianfeng (王建鋒), Xia Wei (夏薇), Wang Fuhun (王輔哈), Ying Wen (應文), Zhang Bowei (張博偉), Xu Lihong (徐麗虹), Shi Yan (施豔) and Shanghai Kuaijie Enterprise Management Co., Ltd. (上海快頤企業管理有限公司) (the controlled subsidiary of the Company) shall undertake the joint guarantee liability for the loan, with a maximum principal of guaranteed debt of RMB4.00 million. As of 30 June 2021, the loan was fully repaid.

- (8) On 1 June 2021, the Company entered into a loan agreement with the contract number of No. A2021077 with Shanghai Minhang Chuangye Jieli Microfinance Co., Ltd. (上海閔行創業接力小額貸款股份有限公司), for a term commencing from 1 June 2021 to 29 August 2021, with a loan amount of RMB3.00 million and an interest rate of 9% per annum. The terms of the guarantee remain the same as the guarantee contract entered into by the Company on 11 March 2021.
- (9) The Company entered into a loan agreement with Shanghai Baoshan Yangzi Village Bank (上海寶山楊子村鎮銀行) on 17 May 2021, with a loan amount of RMB3.00 million for a term commencing from 17 May 2021 to 13 May 2022, and an interest rate of 5.5% per annum. Shi Yan (施豔), Wang Fuhun (王輔哈), Wang Jianfeng (王建鋒) and Zhang Bowei (張博偉) shall provide the guarantee.

- (10) The subsidiary Shanghai Kuaiqin Enterprise Management Co., Ltd. (上海快沁企業管理有限公司) entered into a loan agreement with a contract number of No. 31381204010050 with Shanghai Rural Commercial Bank Co., Ltd. (Jing'an Branch) (上海農商銀行靜安支行) on 29 December 2020, with a loan amount of RMB5.00 million for a term commencing from 4 January 2021 to 3 January 2022 and an interest rate of 4% per annum. According to the maximum corporate guarantee contract with number of No. 31381204290050 dated 29 December 2020, Wang Fuhun(王輔哈) and his spouse, Shi Yan (施豔), Wang Jianfeng (王建鋒) and Zhang Bowei (張博偉) shall provide guarantee for the loan.
- (11) The subsidiary Shanghai Kuaiming Enterprise Management Co., Ltd. (上海快銘企業管理有限公司) entered into a loan agreement with a contract number of No. 31377214019011 with Bank of Shanghai Rural Commercial Bank Co., Ltd. (Jing'an Branch) (上海農商銀行靜安支行) on 26 March 2021, with a loan amount of RMB5.00 million for a term commencing from 26 March 2021 to 25 March 2022 and an interest rate of 3.65% per annum. According to the maximum corporate guarantee contract with number of No. 31377214299011 dated 29 December 2020, Wang Fuhun(王輔哈) and his spouse, Shi Yan (施豔), Wang Jianfeng (王建鋒) and Zhang Bowei (張博偉) and his spouse shall provide guarantee for the loan. Shanghai Administration Center of Policy Financing Guarantee Funds for SMEs shall provide joint guarantee in respect of the guarantee contract with the contract number NSYH008202103120220131Jing'an.

18. Trade payables

Items	Closing balance	Opening balance
Within 1 year	23,862,021.07	25,513,005.68
1-2 years	969,978.08	901,321.75
2-3 years	14,329.00	14,329.00
Total	<u>24,846,328.15</u>	<u>26,428,656.43</u>

19. Receipts in advance

Items	Closing balance	Opening balance
Rent received in advance	<u>2,938,800.04</u>	<u>3,212,512.47</u>

20. Employee benefits payable

(1) Breakdown of employee benefits payable

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
Short-term benefits	—	4,489,412.96	4,489,412.96	—
Post-employment benefits (the liability of defined contribution plan)	—	406,499.26	406,499.26	—
Termination benefits	—	50,000.00	50,000.00	—
Other benefits due within one year	—	—	—	—
Total	<u>—</u>	<u>4,945,912.22</u>	<u>4,945,912.22</u>	<u>—</u>

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(2) *Breakdown of short-term benefits*

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
Wages, bonuses, allowances and subsidies	–	4,015,036.00	4,015,036.00	–
Employee welfare benefits	–	18,970.50	18,970.50	–
Social insurance	–	454,306.46	454,306.46	–
Including: Medical insurance	–	259,115.96	259,115.96	–
Work-related injury insurance	–	28,877.50	28,877.50	–
Housing provident fund	–	166,313.00	166,313.00	–
Union and education funds	–	1,100.00	1,100.00	–
Others short-term benefits	–	–	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
Total	–	4,489,412.96	4,489,412.96	–
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

(3) *Breakdown of defined contribution plan*

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
Basic pension insurance	–	395,148.70	395,148.70	–
Unemployment insurance	–	11,350.56	11,350.56	–
	<hr/>	<hr/>	<hr/>	<hr/>
Total	–	406,499.26	406,499.26	–
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

21. **Taxes payable**

Items	Closing balance	Opening balance
Corporate income tax	3,244,955.94	5,439,674.50
Value-added Tax	2,574,307.54	1,416,696.02
Urban maintenance and construction tax	9,007.45	21,317.28
Education surcharge	4,734.00	12,277.60
Local education surcharge	3,156.00	8,185.07
Individual income tax	3,109.40	1,460.00
Stamp duty	34,263.02	69,924.02
	<hr/>	<hr/>
Total	5,873,533.35	6,969,534.49
	<hr/> <hr/>	<hr/> <hr/>

22. Other payables

Items	Closing balance	Opening balance
Interest payable	—	—
Dividend payable	—	—
Other payables	61,455,208.52	56,490,519.04
	<hr/>	<hr/>
Total	61,455,208.52	56,490,519.04
	<hr/> <hr/>	<hr/> <hr/>

(1) Interest payable

Items	Closing balance	Opening balance
Interest of long-term borrowings with interest payable by installments and principal payable on maturity	—	—
Interest payable on short-term borrowings	—	—
	<hr/>	<hr/>
Total	—	—
	<hr/> <hr/>	<hr/> <hr/>

(2) Other payables

1. Other payables by nature

Items	Closing balance	Opening balance
Deposit and security deposit	43,755,723.10	28,892,368.83
Capital borrowings	11,491,504.58	25,491,504.58
Individual borrowings	6,000,000.00	2,000,000.00
Others	11,491,504.58	106,645.63
	<hr/>	<hr/>
Total	61,455,208.52	56,490,519.04
	<hr/> <hr/>	<hr/> <hr/>

2. There was no material other payables aged over one year at the end of the reporting period

23. Non-current liabilities due within one year

Items	Closing balance	Opening balance
Long-term borrowings due within one year	36,500,000.00	36,500,000.00
Long-term payables due within one year	495,000.02	2,048,480.00
	<hr/>	<hr/>
Total	30,995,000.02	38,548,480.00
	<hr/> <hr/>	<hr/> <hr/>

24. Other current liabilities

Items	Closing balance	Opening balance
Interest payable on long-term borrowings	155,604.17	155,604.17

25. Long-term borrowings

Classification of long-term borrowings

Items	Closing balance	Opening balance
Secured loans	66,000,000.00	61,000,000.00
Less: Long-term borrowings due within one year	30,500,000.00	36,500,000.00
Total	35,500,000.00	24,500,000.00

Notes:

- (1) On 15 May 2019, the Company entered into a Bank of Shanghai unit entrusted loan contract (Contract No.: 201190535) with Bank of Shanghai, Pudong Branch for a borrowing of RMB40.00 million in principal with Shanghai Zaidanbao Co., Ltd. (上海市再擔保有限公司) as the entruster and Bank of Shanghai, Pudong Branch as the lender. Pursuant to which, the borrowing was at an interest rate of 8.5% per annum for a term of 2 years commencing from 15 August 2019 to 15 August 2021.

The following parties provided counter-guarantees to Shanghai Zaidanbao Co., Ltd. (上海市再擔保有限公司) regarding to such borrowing, with details as the following:

- According to real estate mortgage (guarantee) contract (Contract No.: TZ[2019]005-DY), Ying Wen (應文) pledged an owned property with a valuation RMB20 million, located at Room 1201, No. 21, Lane 333, Fangdian Road, Shanghai, to Shanghai Zaidanbao Co., Ltd. (上海市再擔保有限公司).
- According to the security and guarantee contracts (Contract No.: TZ[2019]001-BZ, TZ[2019]002-BZ, TZ[2019]003-BZ and TZ[2019]004-BZ), Shi Yan (施豔), Wang Fuhua (王輔哈), Ying Wen (應文), Wang Jianfeng (王建鋒), Zhang Bowei (張博偉) and Xu Lihong (徐麗虹) provided counter-guarantees to Shanghai Zaidanbao Co., Ltd. (上海市再擔保有限公司) regarding to this borrowing.
- According to the pledge and guarantee contract (Contract No.: TZ[2019]006-ZY), Shanghai Dangxian Business Information Consulting Co., Ltd., (上海當現商務信息諮詢有限公司), a shareholder of the Company, pledged its shares in the Company to Shanghai Zaidanbao Co., Ltd. (上海市再擔保有限公司). Shanghai Dangxian Business Information Consulting Co., Ltd., (上海當現商務信息諮詢有限公司) pledged 495,000 shares, accounting for 3.30% of the Company's total share capital. Among the shares pledged, 0 share was subject to trading moratorium and 495,000 shares were not subject to trading moratorium. The pledge period was from 11 September 2019 to 15 August 2021.
- According to the pledge guarantee contract (Contract No.: TZ[2019]007-ZY), Shi Yan (施豔), a shareholder of the Company, pledged her shares in the Company to Shanghai Zaidanbao Co., Ltd. (上海市再擔保有限公司). She pledged 2,204,000 shares, accounting for 14.69% of the Company's total share capital. Among the shares pledged, 2,025,000 shares were subject to trading moratorium and 179,000 shares were not subject to trading moratorium. The pledge period was from 17 September 2019 to 15 August 2021.

5. According to the pledge guarantee contract (Contract No.: TZ[2019]008-ZY), Wang Fuhan (王輔哈), a shareholder of the Company, pledged his shares in the Company to Shanghai Zaidanbao Co., Ltd. (上海市再擔保有限公司). He pledged 2,700,000 shares, accounting for 18.00% of the Company's total share capital. Among the shares pledged, 2,025,000 shares were subject to trading moratorium and 675,000 shares were not subject to trading moratorium. The pledge period was from 19 September 2019 to 15 August 2021.
 6. According to the pledge and guarantee contract (Contract No.: TZ[2019]009-ZY), Wang Jianfeng (王建鋒), a shareholder of the Company, pledged his owned shares of the Company to Shanghai Zaidanbao Co., Ltd. (上海市再擔保有限公司). He pledged 2,700,000 shares, accounting for 18.00% of the Company's total share capital. Among the shares pledged, 2,025,000 shares were subject to trading moratorium and 675,000 shares were not subject to trading moratorium. The pledge period was from 19 September 2019 to 15 August 2021.
- (2) On 27 September 2020, the subsidiary Shanghai Kuaiqin Enterprise Management Co., Ltd. (上海快沁企業管理有限公司) entered into a working capital loan contract (Contract No.: 31381204010035) with Shanghai Rural Commercial Bank Co., Ltd., Jing'an Branch (上海農村商業銀行股份有限公司靜安支行), for a borrowing of RMB5.00 million in principal at an interest rate of 4.65% per annum for a term of 3 years commencing from 9 October 2020 to 8 October 2023. Pursuant to which, the principal of the long-term borrowing shall be repayable in three instalments, specifically, RMB0.50 million, RMB0.50 million and RMB4.00 million should be repayable on 8 October 2021, 8 October 2022 and 8 October 2023, respectively.

According to the personal liability guarantee letter (Letter No.: 31381204290035), Wang Fuhan (王輔哈), Ying Wen (應文), Shi Yan (施豔), Zhang Bowei (張博偉) and Wang Jianfeng (王建鋒) had provided joint and several liabilities guarantee regarding to this borrowing.

According to the guarantee contract (Contract No.: 31381204070035), the Company had provided joint and several liabilities guarantee regarding to this borrowing.

- (3) On 22 July 2020, the subsidiary Shanghai Kuaiqin Enterprise Management Co., Ltd. (上海快沁企業管理有限公司) entered into a unit entrusted loan contract (Contract No.: 98142020280411) with Shanghai Pudong Development Bank Co., Ltd., Putuo Branch for a borrowing of RMB10.00 million in principal with Shanghai Da'an Jiaming Investment Management Co., Ltd. (上海達安嘉銘投資管理有限公司) as the entruster and Shanghai Pudong Development Bank Co., Ltd., Putuo Branch as the lender. Pursuant to which, the borrowing was at an interest rate of 9% per annum for a term of 2 years commencing from 23 July 2020 to 22 July 2022.

According to the guarantee contracts (Contract No.: YB9814202028041101, YB9814202028041102 and YB9814202028041103), the Company, Wang Fuhan (王輔哈) and Zhang Bowei (張博偉) had provided joint and several liabilities guarantee regarding to this borrowing.

According to the rights pledge contract (Contract No.: YZ9814202028041101), the Company pledged its 51% equity in Shanghai Kuaiming Enterprise Management Co., Ltd. (上海快銘企業管理有限公司), a holding subsidiary of the Company, to Shanghai Pudong Development Bank Co., Ltd., Putuo Branch.

- (4) On 7 September 2020, the subsidiary Shanghai Kuaiqin Enterprise Management Co., Ltd. (上海快沁企業管理有限公司) entered into a unit entrusted loan contract (Contract No.: 98142020280478) with Shanghai Pudong Development Bank Co., Ltd. Putuo Branch for a borrowing of RMB10.00 million in principal with Shanghai Da'an Jiaming Investment Management Co., Ltd. (上海達安嘉銘投資管理有限公司) as the entruster and Shanghai Pudong Development Bank Co., Ltd., Putuo Branch as the lender. Pursuant to which, the borrowing was at an interest rate of 9% per annum for a term of 2 years commencing from 7 September 2020 to 6 September 2022.

According to the guarantee contracts (Contract No.: YB9814202028047801, YB9814202028047802 and YB9814202028047803), the Company, Wang Fuhan (王輔哈) and Zhang Bowei (張博偉) had provided joint and several liabilities guarantee regarding to this borrowing.

According to the rights pledge contract (Contract No.: YZ9814202028047801), the Company pledged its 100% equity in Shanghai Kuaiqin Enterprise Management Co., Ltd. (上海快沁企業管理有限公司), a wholly-owned subsidiary of the Company, to Shanghai Pudong Development Bank Co., Ltd. Putuo Branch.

- (5) On 27 January 2021, the Company entered into a borrowing contract (Contract No.: 310101700210127) with Zhejiang Tailong Commercial Bank Co., Ltd. Zhabei Branch for a borrowing of RMB1.00 million in principal at an interest rate of 9.252% per annum from 27 January 2021 to 13 October 2022. Shi Yan (施豔), Wang Fuhan (王輔哈), Wang Jianfeng (王建鋒) and Zhang Bowei (張博偉) had signed contract to provide joint and several liabilities guarantee regarding to this borrowing.
- (6) On 29 June 2021, the Company entered into a borrowing contract (Contract No.: 31377214019031) with Shanghai Rural Commercial Bank, Jing'an Branch (上海農商銀行靜安支行), for a borrowing of RMB10.00 million in principal at an interest rate of 5.65% per annum from 29 June 2021 to 28 June 2026. Pursuant to which, the principal shall be payable in equal monthly instalments and the interest shall be settled quarterly. A principal of RMB166,666 shall be repayable each month.

26. Lease liabilities

Item	Opening balance	Additional lease	Increase for the period		Decrease for the period	Closing balance
			Interests for the year	Others		
Houses and buildings	-	619,235,110.70	-	-	-	619,235,110.70
Less: lease liabilities due within one year	-	-	-	-	-	-
Total	-	619,235,110.70	-	-	-	619,235,110.70

(Continued)

Item	Maturity
Houses and buildings	1 to 13 years
Less: lease liabilities due within one year	
Total	

27. Long-term payables

Items	Closing balance	Opening balance
Long-term payables	501,666.58	2,656,866.62
Less: Long-term payables due within one year	495,000.02	2,048,480.00
Total	<u>6,666.56</u>	<u>608,386.62</u>

(12) Long-term payables

Long-term payables by nature

Items	Closing balance	Opening balance
Finance lease payables	501,666.58	2,656,866.62
Less: Long-term payables due within one year	495,000.02	2,048,480.00
Total	<u>6,666.56</u>	<u>608,386.62</u>

28. Share Capital

Items	Opening balance	Issuance of new shares	Bonus issue	Changes (+,-) Capitalisation of surplus reserve	Subtotal	Closing balance
(1) Shares subject to trading moratorium						
Shares held by other domestic shareholders	7,570,829.00	-	-	12,113,326.00	12,113,326.00	19,684,155.00
Including: Shares held by domestic natural persons	7,570,829.00	-	-	12,113,326.00	12,113,326.00	19,684,155.00
(2) Shares not subject to trading moratorium						
Renminbi ordinary shares	10,904,780.00	3,922,944.00	-	17,447,648.00	21,370,592.00	32,275,372.00
(3) Total shares	<u>18,475,609.00</u>	<u>3,922,944.00</u>	<u>-</u>	<u>29,560,974.00</u>	<u>33,483,918.00</u>	<u>51,959,527.00</u>

Note:

- (1) Please see (16), (19), Capital increase in January and May 2021 of 2. History in Note 1 to the financial statement for details of changes in share capital for the period.

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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29. Capital reserve

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Share premium	<u>60,551,992.47</u>	<u>11,611,914.24</u>	<u>29,718,521.17</u>	<u>42,445,385.54</u>

The increase for the period was due to:

1. The increase in share premium of RMB11,611,914.24 from the private placement for the period;
2. The offset of the issuance costs arising from the private placement for the period against the share premium of RMB157,547.17;
3. The decrease in capital premium of RMB29,560,974.00 by converting the capital reserve into share capital for the period.

30. Surplus reserve

Item	Opening balance	Increase for the	period	Decrease for the period
Closing balance				
Statutory surplus reserve	1,079,709.73	–	–	1,079,709.73

31. Retained earnings

Items	Current period	Prior period
Retained earnings at the end of prior period before adjustment	13,259,433.08	–1,413,259.45
Total amount of retained earnings at the beginning of the adjustment period (increase +, decrease -)	–53,301,974.76	–
Retained earnings at the beginning of the period after adjustment	–40,042,541.68	–1,413,259.45
Add: Net profits attributable to shareholders of the parent during the current period	10,684,357.68	15,582,794.19
Less: Appropriation to statutory surplus reserve	<u>–</u>	<u>910,101.66</u>
Retained earnings at the end of the period	<u><u>–29,358,184.00</u></u>	<u><u>13,259,433.08</u></u>

32. Operating income and operating cost*(14) Operating income and operating cost*

Items	Amount for the current period		Amount for the prior period	
	Income	Cost	Income	Cost
Principal operations	76,423,123.37	53,273,357.52	60,101,057.08	36,905,879.04
Other operations	—	—	—	—
Total	<u>76,423,123.37</u>	<u>53,273,357.52</u>	<u>60,101,057.08</u>	<u>36,905,879.04</u>

(15) Principal operations by segment

Items	Amount for the current period		Amount for the prior period	
	Income	Cost	Income	Cost
Rental	58,343,047.44	47,694,231.97	49,886,754.30	32,272,596.13
Service fee	18,080,075.93	5,579,125.55	10,214,302.78	4,633,282.91
Total	<u>76,423,123.37</u>	<u>53,273,357.52</u>	<u>60,101,057.08</u>	<u>36,905,879.04</u>

33. Taxes and surcharges

Items	Amount for the current period	Amount for the prior period
City maintenance and construction tax	68,534.75	47,829.96
Stamp duty	7,098.20	32,413.00
Education surcharges	58,501.06	43,938.25
Local education surcharge	—	—
Total	<u>134,134.01</u>	<u>124,181.21</u>

34. Selling expense

Items	Amount for the current period	Amount for the prior period
Advertising and promotion fees	9,353.62	—
Entertainment expenditures	—	—
Total	<u>9,353.62</u>	<u>—</u>

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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35. Management cost

Items	Amount for the current period	Amount for the prior period
Wages and salaries	939,321.01	990,565.70
Consulting and professional service fees	12,395.40	596,393.56
Office fees	11,563.99	76,999.97
Insurance fees	–	32,750.81
Entertainment expenditures	101,392.44	179,866.89
Travel expenses	72,505.22	65,310.56
Depreciation and amortisation	36,912.67	48,464.64
Communication fees	5,010.48	19,645.48
Courier Fees	–	7,645.02
Low value consumables	21,093.17	74,000.71
Audit fees	–	7,547.17
labour protection costs	–	11,961.81
Others	6,409.76	31,382.62
	<hr/>	<hr/>
Total	1,206,604.14	2,142,534.94
	<hr/> <hr/>	<hr/> <hr/>

36. Research and development expenses

Items	Amount for the current period	Amount for the prior period
Wages and salaries	–	40,049.60
Leasing charges	–	2,256.51
Sub-contractors' charges	–	85,738.96
Technical support fee	–	34,489.62
Others	–	23,781.87
	<hr/>	<hr/>
Total	–	186,316.56
	<hr/> <hr/>	<hr/> <hr/>

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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37. Financial expenses

Items	Amount for the current period	Amount for the prior period
Interest expenses	17,365,595.69	3,186,249.20
Interest income	-1,050,344.59	-2,898,336.60
Commission charges	49,281.06	33,690.64
	<hr/>	<hr/>
Total	16,364,532.16	321,603.24
	<hr/>	<hr/>

38. Other income

Items	Amount for the current period	Amount for the prior period
Tax rebates subsidy	227,000.00	-
Refund of individual tax handling fee	-	1,555.70
Employment stabilisation subsidy	-	10,469.00
	<hr/>	<hr/>
Total	227,000.00	12,024.70
	<hr/>	<hr/>

39. Investment income

Item	Amount for the current period	Amount for the prior period
Income from long-term equity investments accounted for under the equity method	4,868,730.92	-
	<hr/>	<hr/>

40. Credit impairment losses

Items	Amount for the current period	Amount for the prior period
Income from long-term equity investments accounted for under the equity method	4,868,730.92	-
	<hr/>	<hr/>

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41. Non-operating income

Items	Amount for the current period	Amount for the prior period	Amount included in non-recurring profit or loss
Compensation	–	2,052.50	–
Others	674,299.23	52,050.89	674,299.23
	<hr/>	<hr/>	<hr/>
Total	674,299.23	54,103.39	674,299.23
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

42. Non-operating expenses

Items	Amount for the current period	Amount for the prior period	Amount included in non-recurring profit or loss
Penalty and late payment	5,000.00	1,092,641.25	5,000.00
Compensation	–	–	–
Loss on destruction and retirement of non-current assets	–	–	–
Donation	–	–	–
Others	43,816.01	–	43,816.01
	<hr/>	<hr/>	<hr/>
Total	48,816.01	1,092,641.25	48,816.01
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

43. Income tax expenses

1. Income tax expense statement

Items	Amount for the current period	Amount for the prior period
Current income tax expense	651,224.79	3,974,999.60
Deferred income tax expense	–	25,128.67
	<hr/>	<hr/>
Total	651,224.79	4,000,128.27
	<hr/> <hr/>	<hr/> <hr/>

2. *Reconciliation between accounting profits and income tax expenses*

Items	Amount for the current period
Total profits	10,992,314.62
Income tax expenses calculated at statutory/applicable tax rate	2,748,078.66
Effect of different tax rates applicable to subsidiary companies	-2,137,864.23
Effect of adjusting the previous years' income tax	-
Effect of non-taxable income	-
Effect of non-deductible costs, expenses and losses	-
Effect of using deductible losses of previously unrecognised deferred income tax assets	-
Effect of deductible temporary difference or deductible losses of unrecognised deferred income tax assets in the period	41,010.36
	<hr/>
Income tax expenses	651,224.79
	<hr/> <hr/>

44. **Notes to the cash flow statement**

1. *Other cash received relating to operating activities*

Items	Amount for the current period	Amount for the prior period
Government grants received	227,907.40	66,128.09
Interest income received	582,066.68	2,898,336.60
Receipts from current accounts	12,692,989.47	11,624,584.68
	<hr/>	<hr/>
Total	13,502,963.55	14,589,049.37
	<hr/> <hr/>	<hr/> <hr/>

2. *Other cash payment relating to operating activities*

Items	Amount for the current period	Amount for the prior period
Cash payments for current accounts	17,268,745.55	2,340.00
Cash payments for expenses	5,855,921.16	2,362,542.14
Fines	44,572.87	312,641.25
	<hr/>	<hr/>
Total	23,169,239.58	2,677,523.39
	<hr/> <hr/>	<hr/> <hr/>

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3. *Other cash paid relating to investing activities*

Item	Amount for the current period	Amount for the prior period
Capital loans from related parties	138,230.12	–

4. *Other cash received relating to financing activities*

Items	Amount for the current period	Amount for the prior period
Finance lease payments	–	388,439.99
Borrowings from non-financial institutions	–	–
Total	–	388,439.99

5. *Other cash paid relating to financing activities*

Items	Amount for the current period	Amount for the prior period
Payment to minority shareholders by reducing capital	–	–
Finance lease payment	–	–
Repayment of borrowings from non-financial institutions	61,820.00	–
Total	61,820.00	–

45. Supplementary information to the cash flow statement

1. Supplementary information to the cash flow statement

Supplementary information	Amount for the current period	Amount for the prior period
I. Reconciliation of net profits to the cash flow from operating activities		
Net profits	10,341,089.83	15,095,070.04
Add: Provision for asset impairment	164,041.44	173,820.41
Fixed assets depreciation, oil and gas assets consumption and productive biological assets depreciation	273,785.49	197,182.35
Depreciation of right-of-use assets	23,747,390.51	
Amortization of intangible assets		
Amortization of long-term prepaid expenses	8,336,743.05	
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)		
Losses on retirement of fixed assets ("-" for gains)		
Losses on changes in fair value ("-" for gains)		
Finance costs ("-" for gains)	15,981,326.89	3,186,249.20
Losses arising from investments ("-" for gains)	-4,868,730.92	
Decrease in deferred income tax assets ("-" for increase)	25,128.68	
Increase in deferred income tax liabilities ("-" for decrease)		
Decrease in inventories ("-" for increase)		
Decrease in operating receivables ("-" for increase)	-11,012,351.60	-5,249,838.52
Increase in operating payables ("-" for decrease)	-14,611,442.96	4,781,063.94
Others		
Net cash flows from operating activities	28,351,851.73	18,208,676.10

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Supplementary information	Amount for the current period	Amount for the prior period
II. Major investment and financing activities irrelevant to cash income and expenses:		
Conversion of debts into capital		
Convertible corporate bonds due within one year		
Fixed assets under finance leases		
III. Net changes in cash and cash equivalents:		
Cash balance at the end of the period	31,918,965.33	9,421,687.72
Less: Cash balances at the beginning of the period	24,118,893.28	11,760,892.66
Add: Balance of cash equivalents at the end of the period		
Less: Balance of cash equivalents at the beginning of the period		
	7,800,072.05	-2,339,204.94
Net increase in cash and cash equivalents	7,800,072.05	-2,339,204.94

2. *Composition of cash and cash equivalents*

Items	Closing balance	Opening balance
I. Cash	31,918,965.33	24,118,893.28
Including: Cash on hand	52,981.00	29,000.70
Bank deposits available on demand	31,865,984.33	24,089,892.58
Other cash and cash at banks on demand		
II. Cash equivalents		
Including: Bond investment due within three months		
III. Closing balance of cash and cash equivalents	31,918,965.33	24,118,893.286
Including: Cash and cash equivalents of parent company or subsidiaries subject to restrictions on use		

46. **Government grant**

1. *Details of the government grant*

Category	Amount	Representation	Amount included in profit or loss of the period
Tax collection/rebates subsidy	227,000.00	Other income	227,000.00

VII. CHANGE IN THE SCOPE OF CONSOLIDATION

1. Business combination not under common control

Business combination not under common control did not happen during the period.

2. Business combination under common control

Business consolidation under common control did not happen during the period.

3. Disposal of subsidiaries

Loss of control due to single disposal of investment in subsidiaries:

Name of subsidiary	Price of equity disposal	Proportion of equity disposed (%)	Method of equity disposal	Timing of control loss	Basis to determine the timing of control loss	Difference between the disposal price and the share in net assets of the subsidiary in consolidated financial statements corresponding to the investment disposed	Proportion of the residual equity on the date of losing the control right	Book value of the residual equity on the date of losing the control right	Fair value of the residual equity on the date of losing the control right	Gains or losses arising from the re-measurement of residual equity at fair value	Methods to determine and major assumptions of the fair value of residual equity on the date of losing the control right	Amount of other comprehensive income related to the original subsidiary's equity investment transferred to investment gains or losses
Shanghai Kuaizhuo Apartment Management Co., Ltd. (上海快卓公寓管理有限公司)	2,000,000	100	Transfer	1 April 2021		3,887,079.42	-	-	-	-	-	-

4. Other reasons for change in the scope of consolidation

(2) New subsidiaries in this period

Name of subsidiaries	Shareholding Direct	Shareholding Indirect	Manner of acquisition
Shanghai Kuaiheng Enterprise Management Co., Ltd. (上海快珩企業管理有限公司)	100.00%	-	Investment in establishment
Shanghai Kuaijing Enterprise Management Co., Ltd. (上海快璟企業管理有限公司)	100.00%	-	Investment in establishment
Shanghai Kuaili Enterprise Management Co., Ltd. (上海快笠企業管理有限公司)	100.00%	-	Investment in establishment
Shanghai Kuaipeng Enterprise Management Co., Ltd. (上海快蓬企業管理有限公司)	100.00%	-	Investment in establishment
Shanghai Kuairui Enterprise Management Co., Ltd. (上海快睿企業管理有限公司)	100.00%	-	Investment in establishment
Shanghai Kuaixin Enterprise Management Co., Ltd. (上海快芯企業管理有限公司)	100.00%	-	Investment in establishment
Shanghai Kuaiyu Enterprise Management Co., Ltd. (上海快喻企業管理有限公司)	100.00%	-	Investment in establishment

VIII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

Name of subsidiaries	Principal place of business	Place of registration	Business nature	Shareholding		Manner of acquisition
				Direct	Indirect	
Shanghai Darun Gongjiang Investment Management Co., Ltd. (上海達潤工匠投資管理有限公司)	Shanghai	Shanghai	Investment management	100.00%		Investment in establishment
Shanghai Weiwo Investment Management Co., Ltd. (上海瑋沃投資管理有限公司)	Shanghai	Shanghai	Investment management	100.00%		Investment in establishment
Shanghai Kuaichang Chuangke Space Management Co., Ltd. (上海快長創客空間管理有限公司)	Shanghai	Shanghai	Investment management	51.00%		Investment in establishment
Shanghai Kuaijie Enterprise Management Co., Ltd. (上海快頤企業管理有限公司)	Shanghai	Shanghai	Investment management	–	51.00%	Investment in establishment
Shanghai Kuaiming Enterprise Management Co., Ltd. (上海快銘企業管理有限公司)	Shanghai	Shanghai	Investment management	51.00%		Investment in establishment
Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. (北京快易天地企業管理有限公司)	Beijing	Beijing	Investment management	51.00%		Investment in establishment
Shanghai Kuaiye Enterprise Management Co., Ltd. (上海快也企業管理有限公司)	Shanghai	Shanghai	Investment management	100.00%		Investment in establishment
Shanghai Lanzi Network Technology Co., Ltd. (上海嵐孜網絡科技有限公司)	Shanghai	Shanghai	Investment management	100.00%		External acquisition
Shanghai Kuaiqin Enterprise Management Co., Ltd. (上海快沁企業管理有限公司)	Shanghai	Shanghai	Investment management	100.00%	–	Investment in establishment
Shanghai Kuaizheng Decoration Design Co., Ltd. (上海快徵裝飾設計有限公司)	Shanghai	Shanghai	Investment management	51.00%		Investment in establishment
Shanghai Mingyuan Enterprise Development Co., Ltd. (上海銘苑企業發展有限公司)	Shanghai	Shanghai	Investment management	24.50%	26.01%	Investment in establishment
Shanghai Kuailing Enterprise Management Co., Ltd. (上海快菱企業管理有限公司)	Shanghai	Shanghai	Investment management	100.00%		Investment in establishment
Shanghai Kuaizhe Enterprise Management Co., Ltd. (上海快喆企業管理有限公司)	Shanghai	Shanghai	Investment management	100.00%		Investment in establishment

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FINANCIAL INFORMATION OF SHANGHAI KYMS

Name of subsidiaries	Principal place of business	Place of registration	Business nature	Shareholding		Manner of acquisition
				Direct	Indirect	
Shanghai Kuafeng Office Technology Co., Ltd. (上海快豐辦公科技有限公司)	Shanghai	Shanghai	Investment management	100.00%		Investment in establishment
Shanghai Kuaihui Business Management Co., Ltd. (上海快惠商業管理有限公司)	Shanghai	Shanghai	Investment management	100.00%		Investment in establishment
Shanghai Kuaiheng Enterprise Management Co., Ltd. (上海快珩企業管理有限公司)	Shanghai	Shanghai	Investment management	100.00%		Investment in establishment
Shanghai Kuaiyu Enterprise Management Co., Ltd. (上海快喻企業管理有限公司)	Shanghai	Shanghai	Investment management	100.00%		Investment in establishment
Shanghai Kuaijing Enterprise Management Co., Ltd. (上海快璟企業管理有限公司)	Shanghai	Shanghai	Investment management	100.00%		Investment in establishment
Shanghai Kuairui Enterprise Management Co., Ltd. (上海快睿企業管理有限公司)	Shanghai	Shanghai	Investment management	100.00%		Investment in establishment
Shanghai Kuaipeg Enterprise Management Co., Ltd. (上海快蓬企業管理有限公司)	Shanghai	Shanghai	Investment management	100.00%		Investment in establishment
Shanghai Kuaili Enterprise Management Co., Ltd. (上海快笠企業管理有限公司)	Shanghai	Shanghai	Investment management	100.00%		Investment in establishment
Shanghai Kuaixin Enterprise Management Co., Ltd. (上海快芯企業管理有限公司)	Shanghai	Shanghai	Investment management	100.00%		Investment in establishment

2. Interests in joint venture arrangements or associates

(1) Significant joint ventures or associates

Name of associate	Principal place of business	Place of registration	Business nature	Shareholding		Proportion of voting rights	Accounting method for investment in associate
				Direct	Indirect		
Shanghai Xinyinzhou Investment Management Co., Ltd. (上海新銀洲投資管理有限公司)	Shanghai	Shanghai	Leasing	46%		46%	Equity method

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(2) *Main financial information of significant associate*

Items	Closing balance/ current amount Shanghai Xinyin Zhou Investment Management Co., Ltd. (上海新銀洲投資 管理有限公司)
Current assets	11,442,817.96
Non-current assets	466.44
	<hr/>
Total assets	11,443,284.40
	<hr/> <hr/>
Current liabilities	2,682,765.57
Non-current liabilities	—
	<hr/>
Total liabilities	2,682,765.57
	<hr/> <hr/>
Non-controlling interest	—
Equity attributable to owners of parent company	8,760,518.83
Proportionate share in net assets	4,029,838.66
Adjustments	1,862,683.05
Including: Goodwill	1,862,683.05
Unrealized profit of internal trading	—
Others	—
Carrying amount of investments in associates	5,892,521.71
Fair value of equity investments in associates with quoted price	—
Operating revenue	6,652,087.38
Net profit	2,353,128.88
Net profit of discontinued operations	—
Other comprehensive income	—
	<hr/>
Total comprehensive income	2,353,128.88
	<hr/> <hr/>
Dividend from associates received in this year	—
	<hr/> <hr/>

IX. RISKS RELATING TO FINANCIAL INSTRUMENTS

The Company is confronted with various financial risks in its operation: credit risk, market risk and liquidity risk. The Board of the Company is fully responsible for the determination of the overall risk management objectives and policies, and assumes ultimate responsibility for the risk management objectives and policies. However, the Board has authorized the relevant departments of the Company to design and implement procedures that could ensure the effective implementation of risk management objectives and policies. The internal auditors of the Company also conduct audit in respect of the risk management policies and procedures, and report relevant results to Audit Committee.

The overall objective of the Company's risk management is to develop a risk management policy that minimizes risks without undue impact on the Company's competitiveness and resilience.

1. Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligation resulting in financial loss to the other party. The Company is mainly faced with customer credit risk and liquidity credit risk caused by credit sale.

Before accepting new customers, the Company will fully understand and consider the customers' reputation, financial situation, sales qualifications and other relevant information by sending relevant information to the credit management team to review and assess credit rating, informing the Company's sales department and reporting to the general manager for approval. The Company has set a credit limit for each customer, and the credit management team will implement dynamic tracking management of customers. If the situation changes, adjustment will be made to the relevant customer's credit rating and credit limit in a timely manner. The Company ensures that its overall credit risk is within control through monthly audit of the aging analysis of the accounts receivable and regular reconciliation with customers.

The Company's liquid funds are deposited in banks with higher credit ratings, and there is no liquidity loss caused by the counterparty's default, so the relevant liquidity credit risk is relatively low.

2. Market risks

The market risk of financial instruments refers to the risk that the fair value or future cash flow of financial instruments fluctuates due to changes in market prices, including foreign exchange risk, interest rate risk and other price risks.

(1) Interest rate risk

Interest risk is the risk that an enterprise may encounter fluctuation in fair value of financial instruments or future cash flows due to changes in market interest.

The interest rate risk of the Company mainly comes from the bank borrowings. Financial liabilities with floating interest rate expose the Company to interest rate risk in cash flows; financial liabilities with fixed interest rate expose the Company to interest rate risk in fair value. The Company determines the appropriate weightings of the fixed and floating rate interest-bearing contracts based on the then market conditions, and performs regular reviews and monitoring to maintain an appropriate mix of fixed and floating rate instruments.

(2) Foreign exchange risk

Exchange risk refers to the risk that the fair value or future cash flows of a financial instrument will be fluctuated due to the changes in foreign currency rates. Foreign currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured.

The principal business of the Company is situated within the PRC and is denominated in RMB. However, foreign exchange risks may still exist for the Company's future foreign currency transactions.

The Company closely monitors the impact of changes in exchange rate on the exchange rate risks the Company is exposed to, and the management is responsible for monitoring exchange rate risks and will consider hedging significant exchange rate risks when necessary.

3. Liquidity risk

Liquidity risk is the risk that an enterprise may encounter deficiency of funds in meeting obligations settled with cash or other financial assets delivery. The Company's policy is to ensure it has sufficient cash to settle the debts when they fall due. The management of the Company are of the view that the Company has sufficient cash and cash equivalents and monitors them to retain and maintain credit. The Company maintained good cooperative relationship with banks to meet the operating needs of the Company and to ensure it has sufficient fund to settle its debts under all reasonable and foreseeable circumstances.

X. RELATED PARTY AND CONNECTED TRANSACTIONS

1. Information on the Company's parent

Shi Yan (施豔), Wang Fuhan (王輔哈) and Wang Jianfeng (王建鋒) hold 11.03%, 13.51% and 17.49% of the Company's shares, respectively, and they are acting in concert.

Shi Yan (施豔), Wang Fuhan (王輔哈) and Wang Jianfeng (王建鋒) are de facto controllers of the Company.

2. Information on subsidiaries of the Company

See Note VIII. 1. Interests in subsidiaries of this Financial Statement for details of the subsidiaries of the Company.

3. Information on other related parties

Names of other related parties	Relationships between other related parties and the Company
Shi Yan (施豔)	Chairman of the Company
Wang Fuhan (王輔哈)	Director, general manager and chief financial officer of the Company
Zhang Bowei (張博偉)	Board secretary and director of the Company
Yang Cheng (羊澄)	Director and deputy general manager of the Company
Huang Jingxuan (黃敬軒)	Chairman of the supervisory committee of the Company
Jin Xiaofeng (金曉鋒)	Director of the Company
Wang Jianfeng (王建鋒)	Director of the Company
Zhao Xianghui (趙翔暉)	Director of the Company
Zhang Jialin (張佳林)	Director of the Company
Shen Jian (沈劍)	Director of the Company
Liu Xuan (劉璇)	Supervisor of the Company
Qian Ziyang (錢子妍)	Shareholder of the Company and associated companies
Shen Yang (沈洋)	Shareholder, direct relative of the actual controller of the Company
Ying Wen (應文)	Direct relative of the Company's shareholder
Xu Lihong (徐麗虹)	Direct relative of director of Company
Xia Wei (夏薇)	Direct relative of director of Company
Qian Jiangang (錢建鋼)	Shareholder of associated companies
Gao Changhui (高長輝)	Shareholder of associated companies

Names of other related parties	Relationships between other related parties and the Company
Beijing Ruiyuan Chenxing Enterprise Management Development Co., Ltd. (北京瑞苑辰星企業管理發展有限公司)	Shareholder of the Company
Shanghai Huifan Enterprise Management Center (Limited Partnership) (上海惠番企業管理中心(有限合夥))	Shareholder of the Company
Shanghai Zhayuan Enterprise Management Partnership (Limited Partnership) (上海札遠企業管理合夥企業(有限合夥))	Shareholder of the Company
Shanghai Qixun Enterprise Management Partnership L.P. (上海起尋企業管理合夥企業(有限合夥))	Shareholder of the Company
Shanghai Da'an Jiaming Investment Management Co., Ltd. (上海達安嘉銘投資管理有限公司)	Shareholder of the Company
Zhuhai Fuyin Yunlian Investment Management Co., Ltd. (珠海富銀雲聯投資管理有限公司)	Shareholder of the Company
Mou Shanbo (牟善勃)	Shareholder of the Company
Liu Xuan (劉璇)	Shareholder of the Company
Shanghai Xinyin Zhou Investment Management Co., Ltd. (上海新銀洲投資管理有限公司)	An associated company
Shanghai Xingmao Construction and Decoration Engineering Limited Company (上海星茂建築裝飾工程有限公司)	A company invested and controlled by one of joint controllers, Wang Jianfeng (王建鋒)
Tian Lai Construction (Shanghai) Limited Company (天萊建設(上海)有限公司)	A company invested and controlled by one of joint controllers, Wang Jianfeng (王建鋒)
Shanghai Dangxian Business Information Consulting Co., Ltd. (上海當現商務信息諮詢有限公司)	A company invested and controlled by a director of the Company, Zhang Bowei (張博偉)

4. Information on connected transactions

(1) Connected transactions regarding purchase and sales of commodity and receiving of labor services

Related party	Content of connected transactions	Amount for the current period	Amount for the prior period
Tian Lai Construction (Shanghai) Limited Company (天萊建設(上海)有限公司)	Receiving of labor services	4,753,201.00	4,705,600.00

(2) Connected transactions regarding sales of commodity and provision of labor services

Nil.

(3) *Leasing with related parties*

① The Company as a lessee:

Lessor	Type of leased asset	Lease income recognised in the period	Lease income recognised in the prior period
Shanghai Da'an Enterprise Co., Ltd. (上海達安企業股份有限公司)	Immovables	3,583,403.94	–

② The Company as a Lessor:

Lessee	Type of leased asset	Lease income recognised in the period	Lease income recognised in the prior period
Shanghai Da'an Real Estate Agency Co., Ltd. (上海達安房地產經紀有限公司)	Immovables	1,666,666.67	–

(4) *Related party guarantees*

① The Company as a guarantee

Guarantor	Guaranteed amount	Start date	Termination date	Guarantee perform or not
Shi Yan (施豔), Wang Jianfeng (王建鋒), Zhang Bowei (張博偉), Wang Fuhun (王輔哈)	4,300,000.00	2020-10-13	2022-10-13	No
Wang Fuhun (王輔哈), Ying Wen (應文)	5,000,000.00	2021-1-22	2024-1-22	Yes
Wang Fuhun (王輔哈), Ying Wen (應文)	5,000,000.00	2021-12-17	2024-12-17	No
Wang Jianfeng (王建鋒), Xia Wei (夏薇), Zhang Bowei (張博偉), Xu Lihong (徐麗虹), Wang Fuhun (王輔哈), Ying Wen (應文), Shi Yan (施豔)	3,000,000.00	2020-3-25	2023-3-25	No
Shi Yan (施豔), Wang Jianfeng (王建鋒), Wang Fuhun (王輔哈), Zhang Bowei (張博偉)	4,500,000.00	2021-5-20	2023-5-20	Yes
Zhang Bowei (張博偉), Xu Lihong (徐麗虹), Shi Yan (施豔), Wang Jianfeng (王建鋒), Wang Fuhun (王輔哈), Ying Wen (應文), Xia Wei (夏薇)	2,500,000.00	2020-8-11	2021-8-11	No
Shi Yan (施豔), Wang Jianfeng (王建鋒), Zhang Bowei (張博偉), Wang Fuhun (王輔哈), Ying Wen (應文)	5,000,000.00	2023-10-8	2025-10-8	No
Zhang Bowei (張博偉), Wang Fuhun (王輔哈)	10,000,000.00	2022-7-22	2024-7-22	No

Guarantor	Guaranteed amount	Start date	Termination date	Guarantee perform or not
Zhang Bowei (張博偉), Wang Fuhua (王輔哈)	10,000,000.00	2022-9-6	2024-9-6	No
Wang Fuhua (王輔哈), Ying Wen (應文)	5,000,000.00	2022-3-3	2025-3-3	No
Wang Jianfeng (王建鋒), Xia Wei (夏薇), Wang Fuhua (王輔哈), Ying Wen (應文), Zhang Bowei (張博偉), Xu Lihong (徐麗虹), Shi Yan (施豔)	4,000,000.00	2021-3-16	2023-3-15	No
Shi Yan (施豔), Wang Fuhua (王輔哈), Wang Jianfeng (王建鋒), Zhang Bowei (張博偉)	3,000,000.00	2021-5-17	2024-5-17	No
Couple of Wang Fuhua (王輔哈), Shi Yan (施豔), Wang Jianfeng (王建鋒), Couple of Zhang Bowei (張博偉)	5,000,000.00	2022-3-26	2024-3-25	No
Shi Yan (施豔), Wang Fuhua (王輔哈), Wang Jianfeng (王建鋒), Zhang Bowei (張博偉)	4,300,000.00	2021-1-27	2023-1-27	No

Note: The performed guarantee mentioned above was the guarantee with early termination.

(5) *Borrowings with lending from/to related parties*

Related party	Borrowing amount	Start date	Termination date	Note
Shanghai Da'an Jiaming Investment Management Co., Ltd. (上海達安嘉銘投資管理有限公司)	1,000,000.00	2019-4-24	2021-4-23	Renewed
Shanghai Da'an Jiaming Investment Management Co., Ltd. (上海達安嘉銘投資管理有限公司)	1,000,000.00	2019-6-24	2021-6-23	Renewed
Shanghai Da'an Jiaming Investment Management Co., Ltd. (上海達安嘉銘投資管理有限公司)	1,000,000.00	2019-7-25	2021-7-24	
Shanghai Da'an Jiaming Investment Management Co., Ltd. (上海達安嘉銘投資管理有限公司)	1,500,000.00	2019-4-10	2021-4-9	
Shanghai Da'an Jiaming Investment Management Co., Ltd. (上海達安嘉銘投資管理有限公司)	1,960,000.00	2020-8-25	2022-8-24	
Shanghai Da'an Jiaming Investment Management Co., Ltd. (上海達安嘉銘投資管理有限公司)	1,000,000.00	2011-4-24	2023-4-23	
Shanghai Da'an Jiaming Investment Management Co., Ltd. (上海達安嘉銘投資管理有限公司)	1,000,000.00	2021-6-24	2023-6-23	

(6) Amount due from/due to related parties

1. Accounts receivable

Item	Related parties	Closing balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Other receivables	Huang Jingxuan (黃敬軒)	18,500.00	7,250.00	18,500.00	7,250.00
Other receivables	Shanghai Qiangao Investment Management Partnership L.P. (上海謙高投資管理合夥企業(有限合夥))	100.00	5.00	100.00	5.00
Prepayments	Tian Lai Construction (Shanghai) Limited Company (天萊建設(上海)有限公司)	4,512,000.00	-	-	-

2. Accounts payable

Item	Related parties	Closing balance	Opening balance
Trade payables	Tian Lai Construction (Shanghai) Limited Company (天萊建設(上海)有限公司)	200,080.90	151,080.90
Other payables	Shanghai Da'an Jiaming Investment Management Co., Ltd. (上海達安嘉銘投資管理有限公司)	6,460,000.00	6,460,000.00

XI. COMMITMENTS AND CONTINGENCIES

1. Significant commitment events

On 6 August 2020, the Company entered into a share subscription agreement with Shanghai Da'an Jiaming Investment Management Co., Ltd. (上海達安嘉銘投資管理有限公司) ("Da'an Jiaming"), pursuant to which the Company issued not more than 993,000 ordinary shares of RMB1 each at an issue price of RMB10.07 per share to Da'an Jiaming. At the same day, Zhang Bowei (張博偉) and Wang Fuhua (王輔哈), the natural persons, entered into a cooperation agreement with Da'an Jiaming, pursuant to which Zhang Bowei (張博偉) and Wang Fuhua (王輔哈) promised Da'an Jiaming that the Company will achieve a net profit attributable to the parent in the consolidated financial statement of not less than RMB16 million and RMB20 million in 2020 and 2021, respectively. If the actual profit of KYMS in either of 2020 and 2021 is less than the performance commitment abovementioned, Wang Fuhua (王輔哈) and Zhang Bowei (張博偉) will compensate Da'an Jiaming in cash.

2. Contingencies

The Company had no important contingency that needs to be explained for the year.

XII. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE**1. Statements of other events subsequent to the balance sheet**

- (1) The Company held the 16th meeting of the third session of the board of directors on 19 July 2021, and reviewed and approved the Proposal Regarding the Company's Sale of Assets. On 31 May, the total unaudited assets of Xinyinzhong were RMB12,993,643.73, and the net assets were RMB8,541,510.81. After this equity transfer, the Company held 0.00% equity of Xinyinzhong. The counterparty Qian Jiangang (錢建綱) is the father of the Company's supervisor Qian Ziyang (錢子妍). This transaction constitutes a related transaction, but does not involve related directors avoiding voting.
- (2) On 25 May 2021, the Company convened the third extraordinary general meeting of shareholders for 2021 to consider and approve the proposal on the Manual of Private Placement of the Company's Shares, pursuant to which the Company issued 3,922,944 ordinary shares dominated in RMB to the subscriber Zhuhai Fuyin Yunlian Investment Management Co., Ltd. (珠海富銀雲聯投資管理有限公司) at a price of RMB3.96 per share. The total amount of funds raised by the Company in this private placement is RMB15,534,858.24. On 12 July 2021, the Company completed the registration of new shares for this private placement, and the Company's total share capital increased from 48,036,583 shares to 51,959,527 shares. This private placement reflects the Company's original shareholders and subscribers' confidence in the Company's future, which is conducive to the optimization of the Company's existing shareholder structure, and lays a solid foundation for the Company's further development.

XIII. OTHERS**1. Major shareholders' equity pledge**

- (1) Shi Yan (施豔), a shareholder of the Company, pledged 2,204,000 shares, accounting for 14.69% of the Company's total share capital. Among the shares pledged, 2,025,000 shares are subject to trading moratorium and 179,000 shares are not subject to trading moratorium. The pledge period is from 17 September 2019 to 15 August 2021. The pledged shares are used to provide guarantee for the Company's acceptance of the entrusted loan financing of Shanghai Zaidanbao Co., Ltd. (上海市再擔保有限公司) in favor of Shanghai Zaidanbao Co., Ltd.
- (2) Wang Fuhua (王輔哈), a shareholder of the Company, pledged 2,700,000 shares, accounting for 18.00% of the Company's total share capital. Among the shares pledged, 2,025,000 shares are subject to trading moratorium and 675,000 shares are not subject to trading moratorium. The pledge period is from 19 September 2019 to 15 August 2021. The pledged shares are used to provide guarantee for the Company's acceptance of the entrusted loan financing of Shanghai Zaidanbao Co., Ltd. in favor of Shanghai Zaidanbao Co., Ltd.
- (3) Wang Jianfeng (王建鋒), a shareholder of the Company, pledged 2,700,000 shares, accounting for 18.00% of the Company's total share capital. Among the shares pledged, 2,025,000 shares are subject to trading moratorium and 675,000 shares are not subject to trading moratorium. The pledge period is from 19 September 2019 to 15 August 2021. The pledged shares are used to provide guarantee for the Company's acceptance of the entrusted loan financing of Shanghai Zaidanbao Co., Ltd. in favor of Shanghai Zaidanbao Co., Ltd.
- (4) Shanghai Dangxian Business Information Consulting Co., Ltd. (上海當現商務信息諮詢有限公司), a shareholder of the Company, pledged 495,000 shares, accounting for 3.30% of the Company's total share capital. Among the shares pledged, 0 share is subject to trading moratorium and 495,000 shares are not subject to trading moratorium. The pledge period is from 11 September 2019 to 15 August 2021. The pledged shares are used to provide guarantee for the Company's acceptance of the entrusted loan financing of Shanghai Zaidanbao Co., Ltd. in favor of Shanghai Zaidanbao Co., Ltd.

- 5) Ying Wen (應文) pledged a property owned by she situated at Room 1201, No. 21, Lane 333, Fangdian Road, to Shanghai Zaidanbao Co., Ltd. as secured guarantee provided by Shanghai KYMS Enterprise Development Co., Ltd. to Shanghai Zaidanbao Co., Ltd. The security was valued at RMB20 million.

2. Guarantee provided by subsidiaries

Through the sale and leaseback business, the Company obtained a credit loan of RMB4 million from Chailease International Finance Corporation (仲利國際租賃有限公司), for which Wang Fuhan (王輔哈), Shi Yan (施豔), Zhang Bowei (張博偉), the Company's holding subsidiary Shanghai Kuaijie Enterprise Management Co., Ltd. (上海快韻企業管理有限公司) and its wholly-owned subsidiary Shanghai Kuaiye Enterprise Management Co., Ltd. (上海快也企業管理有限公司) have provided unlimited joint and several liabilities guarantee, with a credit period of 36 months.

XIV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. Accounts receivable

(1) Disclosure by aging

Aging	Closing book balance
Within 1 year	4,304,732.43
Less: bad debt provision	48,983.85
Total	<u>4,255,748.58</u>

(2) Classified disclosure by the method of bad debt provision

Category	Book balance	Percentage	Closing balance	Provision percentage	Carrying amount
			Bad debt provision		
Bad debt provision on individual basis	—	—	—	—	—
Bad debt provision on group basis	<u>4,304,732.43</u>	100.00%	<u>48,983.85</u>	1.14%	<u>4,255,748.58</u>
Total	<u>4,304,732.43</u>		<u>48,983.85</u>		<u>4,255,748.58</u>

(Continued)

Category	Book balance	Percentage	Opening balance	Provision percentage	Carrying amount
			Bad debt provision		
Bad debt provision on individual basis	—	—	—	—	—
Bad debt provision on group basis	<u>3,346,055.51</u>	100.00%	<u>1,050.00</u>	0.03%	<u>3,345,005.51</u>
Total	<u>3,346,055.51</u>		<u>1,050.00</u>		<u>3,345,005.51</u>

APPENDIX II FINANCIAL INFORMATION OF SHANGHAI KYMS

Bad debt provision on group basis:

Provision on group basis: accounts receivable – aging group

		Closing balance	
	Book	Bad debt	Provision
Disclosure by aging	balance	provision	percentage
Within 1 year	979,676.92	48,983.85	5.00%

(3) *Provision for bad debts*

			Changes during the period			
	Opening		Recovered	Resale or	Other	Closing
Category	balance	Provision	or reversed	written-off	changes	balance
Provision for bad debt of accounts receivable	1,050.00	47,933.85	–	–	–	48,983.85

(4) *There were no actual write-offs of accounts receivables during the period*

(5) *Details of the top five debtors of accounts receivables at the end of the period*

	Book	Bad debt	Percentage
Companies	balance	provision	of total amount
Shanghai Kuaijie Enterprise Management Co., Ltd. (上海快頤企業管理有限公司)	2,305,439.87	–	54.17%
Shanghai Kuaizhuo Apartment Management Co., Ltd. (上海快卓公寓管理有限公司)	800,000.00	40,000.00	17.86%
Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. (北京快易天地企業管理有限公司)	659,189.60	–	15.49%
Shanghai Kuaiming Enterprise Management Co., Ltd. (上海快銘企業管理有限公司)	360,426.04	–	8.47%
Chen Liang (陳亮)	113,776.26	5,688.81	2.54%
Total	<u>4,238,831.77</u>	<u>45,688.81</u>	<u>98.53%</u>

2. **Other receivables**

Items	Closing balance	Opening balance
Interest receivable	–	–
Dividends receivable	–	–
Other receivables	109,166,451.52	99,796,037.42
Total	<u>109,166,451.52</u>	<u>99,796,037.42</u>

(1) *Other receivables*

1. Disclosure by aging

Aging	Closing book balance
Within 1 year	86,595,693.64
1 to 2 years	20,515,170.94
2 to 3 years	52,100.00
Over 3 years	<u>2,130,273.10</u>
Sub-total	<u>109,293,237.68</u>
Less: provision for bad debts	<u>126,786.16</u>
Total	<u><u>109,166,451.52</u></u>

2. Other receivables classified by nature

Nature	Closing book balance	Opening book balance
Rent pledges and deposits	9,191,228.23	2,253,623.10
Account current	98,066,009.45	97,633,100.48
Contingency provision	36,000.00	36,100.00
Others	<u>2,000,000.00</u>	<u>—</u>
Total	<u><u>109,293,237.68</u></u>	<u><u>99,922,823.58</u></u>

3. Provision of bad debts

Provision of bad debts	Stage 1 Next 12-month ECLs	Stage 2 Lifetime ECLs (non-credit impaired)	Stage 3 Lifetime ECLs (credit impaired)	Total
Opening balance	126,786.16	—	—	126,786.16
Opening balance during the period	—	—	—	—
– Transferred to stage 2	—	—	—	—
– Transferred to stage 3	—	—	—	—
– Reversed to stage 2	—	—	—	—
– Reversed to stage 1	—	—	—	—
Provision for the period	—	—	—	—
Reversal for the period	—	—	—	—
Transfer for the period	—	—	—	—
Write-off for the period	—	—	—	—
Other changes	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Closing balance	<u><u>126,786.16</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>126,786.16</u></u>

4. Bad debts provision

Category	Opening balance	Provision	Changes during the period		Other changes	Closing balance
			Recovery or reversal	Transfer or write-off		
Pledges and deposits	112,681.16	-	-	-	-	112,681.16
Grouping by aging	14,105.00	-	-	-	-	14,105.00
Total	126,786.16	-	-	-	-	126,786.16

5. There were no actual write-offs of other receivables during the period

6. Details of the top five debtors of other receivables at the end of the period

Name	Nature	Closing balance	Aging	Percentage of total amount	Closing balance of bad debt provision
Shanghai Kuaiqin Enterprise Management Co., Ltd. (上海快沁企業管理有限公司)	Account current	35,156,780.63	Within 1 year	32.17%	-
Shanghai Kuaijie Enterprise Management Co., Ltd. (上海快頤企業管理有限公司)	Account current	31,922,863.44	Within 1 year	29.21%	-
Shanghai Kuaizhuo Apartment Management Co., Ltd. (上海快卓公寓管理有限公司)	Account current	20,029,170.94	Within 1 year, 1-2 years	18.33%	-
Shanghai Wantong Xindi Real Estate Co., Ltd. (上海萬通新地置業有限公司)	Rent pledges and deposits	6,775,828.23	Within 1 year	6.20%	-
Shanghai Kuaiming Enterprise Management Co., Ltd. (上海快銘企業管理有限公司)	Account current	5,172,581.23	Within 1 year	4.73%	-
Total		99,057,224.47		90.63%	-

3. Long-term equity investments

Item	Book balance	Closing balance Provision for impairment	Carrying amount	Opening balance		Carrying amount
				Book balance	Provision for impairment	
Investment in subsidiaries	37,128,000.00	-	37,128,000.00	37,628,000.00	-	37,628,000.00
Investment in associates	6,000,076.13	-	6,000,076.13	5,018,424.63	-	5,018,424.63
Total	43,128,076.13	-	43,128,076.13	42,646,424.63	-	42,646,424.63

(1) Investment in subsidiaries

Investee	Opening balance	Increase during the period	Decrease during the period	Closing balance	Provision for impairment during the period	Closing balance of provision for impairment
Shanghai Weiwo Investment Management Co., Ltd. (上海瑋沃投資管理有限公司)	600,000.00	-	-	600,000.00	-	-
Shanghai Darun Gongjiang Investment Management Co., Ltd. (上海達潤工匠投資管理有限公司)	1,000,000.00	-	-	1,000,000.00	-	-
Shanghai Kuaichang Maker Space Management Co., Ltd. (上海快長創客空間管理有限公司)	1,020,000.00	-	-	1,020,000.00	-	-
Shanghai Kuaiming Enterprise Management Co., Ltd. (上海快銘企業管理有限公司)	1,530,000.00	-	-	1,530,000.00	-	-
Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. (北京快易天地企業管理有限公司) (Note 1)	22,950,000.00	-	-	22,950,000.00	-	-
Shanghai Kuaiqin Enterprise Management Co., Ltd. (上海快沁企業管理有限公司) (Note 2)	10,028,000.00	-	10,028,000.00	-	-	-
Shanghai Kuaizhuo Apartment Management Co., Ltd. (上海快卓公寓管理有限公司) (Note 3)	500,000.00	-	500,000.00	-	-	-
Total	37,628,000.00	-	500,000.00	37,128,000.00	-	-

Note 1: Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. (北京快易天地企業管理有限公司) (hereinafter referred to as “**Kuaiyi Tiandi**”) is a joint venture company jointly funded and established by the Company and the Company’s shareholder Beijing Dayuan Tiandi Real Estate Brokerage Co., Ltd. (北京大苑天地房地產經紀有限責任公司), with a registered capital of RMB100 million, owned as to 51% by the Company and 49% by Beijing Dayuan Tiandi Real Estate Brokerage Co., Ltd. (北京大苑天地房地產經紀有限責任公司). On 2 September 2020, the Company held the fifth extraordinary general meeting of shareholders in 2020, and reviewed and approved the Proposal on Capital Reduction of the Company’s Holding Subsidiaries and Related Transactions. According to the Proposal, the Company and Beijing Dayuan Tiandi Real Estate Brokerage Co., Ltd. (北京大苑天地房地產經紀有限責任公司) reduced the capital of Kuaiyi Tiandi in the same proportion, as a result of which the registered capital of Kuaiyi Tiandi reduced from RMB100 million to RMB75 million, and their shareholding remained unchanged after the capital reduction. The Company recovered RMB12.75 million of capital reduction at a 51% ratio. On 29 April 2021, Beijing Dayuan Tiandi Real Estate Brokerage Co., Ltd. (北京大苑天地房地產經紀有限責任公司) transferred all its shares in Kuaiyi Tiandi to Beijing Ruiyuan Chenxing Enterprise Management Development Co., Ltd. (北京瑞苑辰星企業管理發展有限公司).

Note 2: On 25 May 2018, Shanghai Kuaiqin Enterprise Management Co., Ltd. (上海快沁企業管理有限公司) (hereinafter referred to as “**Kuaiqin Enterprise**”) was funded and established by the Company. On 28 November 2019, the Company transferred its 80% equity interest in Kuaiqin Enterprise to its holding subsidiary Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. (北京快易天地企業管理有限公司) (hereinafter referred to as “**Kuaiyi Tiandi**”). After the transfer, the Company directly held 20% equity interest in Kuaiqin Enterprise, and Kuaiyi Tiandi held 80% equity interest in Kuaiqin Enterprise. As of 31 December 2019, the Company directly held 20% equity of Kuaiqin Enterprise, and indirectly held 40.8% equity of Kuaiqin Enterprise through Kuaiyi Tiandi (the Company directly held 51% equity of Kuaiqin Tiandi), totally holding 60.8% equity. In 2019, the Company included Kuaiqin Enterprise into the Company’s consolidated financial statements. On 12 June 2020, the Company entered into an equity transfer contract with Kuaiyi Tiandi, and Kuaiyi Tiandi transferred its 80% equity of Kuaiqin Enterprise to the Company. Vocation (Beijing) International Asset Valuation Co., Ltd. (沃克森(北京)國際資產評估有限公司) conducted valuation on Kuaiqin Enterprise with 31 December 2019 as the valuation reference date, and issued the Wo Ke Sen [Vocation] Ping Bao Zi (2020) No. 0857 Valuation Report, confirming that the carrying amount of the net assets of Kuaiqin Enterprise was RMB-360,800 as of 31 December 2019, and the appraised price was RMB35,000. On 18 June 2020, the Company paid equity transfer consideration of RMB28,000 to Kuaiyi Tiandi. Kuaiqin Enterprise completed the industrial and commercial change registration on 14 August 2020. Since 1 July 2020, Kuaiqin Enterprise has been included in the consolidated financial statements as a wholly-owned subsidiary of the Company. As of 30 June 2020, the registered capital of Kuaiqin Enterprise was RMB10 million, the paid capital was nil, and the net book asset was RMB-927,539.69. The Company’s long-term equity investment in Kuaiqin Enterprise has a book value of RMB28,000, the equity premium in the capital reserve of the consolidated balance sheet was adjusted due to a difference of RMB-391,595.56 between the newly acquired long-term equity investment resulting from the purchase of minority equity and the share of the net assets in Kuaiqin Enterprise accumulated since the consolidation date based on the newly increased shareholding proportion. As of 30 June 2021, the Company has fulfilled its capital contribution obligations to Kuaiqin Enterprise. The registered capital of Kuaiqin Enterprise was RMB10 million, and the paid capital was RMB10 million.

Note 3: On 28 November 2018, Shanghai Kuaizhuo Apartment Management Co., Ltd. (上海快卓公寓管理有限公司) (hereinafter referred to as “**Kuaizhuo Company**”) was funded and established by the Company. On 31 March 2021, the Company transferred its 100% equity interest in Kuaizhuo Company to Chen Li (陳利). Upon the transfer, the Company no longer held any equity interest in Kuaizhuo Company.

(2) *Investment in associates*

Investee	Opening balance	Increase in investment	Decrease in investment	Increase or decrease for the period		Change in other equity
				Investment gains/losses recognised under equity method	Other comprehensive income adjustment	
Associates						
Shanghai Mingyuan Enterprise Development Co., Ltd. (上海銘苑企業發展有限公司) (Note 4)	107,598.52	-	-	-44.10	-	-
Shanghai Xinyinzhou Investment Management Co., Ltd. (上海新銀洲投資管理有限公司)	4,910,826.11	-	-	981,695.60	-	-
Total	5,018,424.63	-	-	981,651.50	-	-

(Continued)

Investee	Increase or decrease for the period			Closing balance	Closing balance of provision for impairment
	Distribution of cash dividends or profits declared	Provision for impairment	Others		
Associates					
Shanghai Mingyuan Enterprise Development Co., Ltd. (上海銘苑企業發展有限公司)	-	-	-	107,554.42	-
Shanghai Xinyinzhou Investment Management Co., Ltd. (上海新銀洲投資管理有限公司)	-	-	-	5,892,521.71	-
Total	-	-	-	6,000,076.13	-

Note 4: On 6 November 2019, Shanghai Mingyuan Enterprise Development Co., Ltd. (上海銘苑企業發展有限公司) (hereinafter referred to as “**Mingyuan Company**”), a joint venture company, was jointly funded and established by the Company, a holding subsidiary of the Company, i.e. Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. (北京快易天地企業管理有限公司) (hereinafter referred to as “**Kuaiyi Tiandi**”) and Shanghai Da’an Jiaming Investment Management Co., Ltd. (上海達安嘉銘投資管理有限公司) (hereinafter referred to as “**Da’an Jiaming**”). The Company and Da’an Jiaming held 24.5% equity interest in Mingyuan Company, respectively and Kuaiyi Tiandi held 51% equity interest in Mingyuan Company. Since the Company directly held 51% equity interest in Kuaiyi Tiandi, the Company indirectly held 26.01% equity interest in Mingyuan Company through Kuaiyi Tiandi. Therefore, the Company held a total of 50.51% equity interest in Mingyuan Company. Mingyuan Company was thus included in the Company’s consolidated financial statements. In the Company’s individual financial statements, Mingyuan Company was still accounted for by the equity method.

4. Operating revenue and operating cost

(1) Operating revenue and operating cost

Item	Amount for the current period		Amount for the prior period	
	Revenue	Cost	Revenue	Cost
Principal business	19,727,277.79	16,806,481.74	20,618,025.68	11,276,104.45
Other business	—	—	—	—
Total	<u>19,727,277.79</u>	<u>16,806,481.74</u>	<u>20,618,025.68</u>	<u>11,276,104.45</u>

XV. SUPPLEMENTARY

1. Breakdown of extraordinary profit or loss for the period

Item	Amount
Profit or loss on disposal of non-current assets	—
Tax refund or exemption with unauthorised approval or no formal approval document	—
Government grants included in profit or loss for the period (excluding those government grants that are closely related to the Group's business and are received with fixed amounts or with fixed percentage based on unified standards promulgated by government)	227,000.00
Capital use fee received from non-financial enterprises which are included in profit or loss for the period	—
Gain on the difference between investment cost of acquiring subsidiaries, associates and joint ventures and the share of the fair value of the investee's identifiable net assets, where investment cost is less than the share of the fair value	—
Gains or losses on exchange of non-monetary assets	—
Gains or losses on entrusted investment or management of assets	—
Provision for impairment of assets due to force majeure such as natural disasters	—
Gains or losses on debt restructuring	—
Expenses for reorganization such as expenditure for staffing and integration expenses	—
Gains or losses on the excess beyond fair value in the transaction with unfair price	—
Current gains or losses of subsidiaries from combination of enterprises under common control from the beginning of the period till the date of combination, net	—
Gains or losses on contingencies that is in no connection with the normal operation of the Company	—
Gains or losses on changes in fair value arising from trading financial assets, derivative financial assets, trading financial liabilities and derivative financial liabilities held (excluding the valid hedging of the Company in its ordinary course of business), as well as investment gains received from disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other debt investments	—

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Item	Amount
Reversal of provisions for impairment of account receivables and contract assets individually subjected to impairment test	–
Gains or losses from external entrusted loans	–
Gains or losses on changes in fair value in the investment property that are subsequently measured at fair value	–
Effects of one-off adjustments as required by taxation, accounting laws and regulations on the gains or losses for the period	–
Trustee fee income from entrusted operations	–
Other non-operating income and expenses other than the aforementioned items	625,483.22
Other items of gains or losses in accordance with the definition of extraordinary profit or loss	–
Total of extraordinary profit or loss	852,483.22
Less: Impact on income tax	214,370.81
Extraordinary profit or loss after deducting the impact on income tax	638,112.41
Including: extraordinary profit or loss attributable to shareholders of the parent company	453,849.11
extraordinary profit or loss attributable to minority shareholders	184,263.30

2. Return on net assets and earnings per share

	Weighted average return on net assets	Earnings per share	
		Basic earnings per share (RMB per share)	Diluted earnings per share (RMB per share)
Profit of the reporting period			
Net profit attributable to ordinary shareholders of the Company	10.82	0.22	0.22
Net profit attributable to ordinary shareholders of the Company after deducting extraordinary profit or loss	10.36	0.21	0.21

5. DIFFERENCES BETWEEN ACCOUNTING POLICIES ADOPTED BY THE COMPANY (HKFRS) AND SHANGHAI KYMS (CAS)

As described in the section entitled “Letter from the Board” of this circular, the Company has applied to the Stock Exchange for, and has been granted, a waiver from the requirement to include in this circular an accountants’ report on Shanghai KYMS and its consolidated subsidiaries (collectively referred to as the “**Shanghai KYMS Group**”) in accordance with Rule 19.67(6)(a)(i) and Chapter 7 of the GEM Listing Rules.

Instead, this circular contains a copy of the:

Financial statements of Shanghai KYMS for the two financial years ended 31 December 2018 and 2019, prepared in accordance with CAS and audited by Baker Tilly China Certified Public Accountants, financial year ended 31 December 2020, prepared in accordance with CAS and audited by Shanghai Certified Public Accountants (Special General Partnership), and six months ended 30 June 2021 prepared in accordance with CAS which are unaudited (collectively referred to the “**Shanghai KYMS Historical Track Record Accounts**”), as set out in Appendix II to this circular (the “**Shanghai KYMS’s Financial Information**”).

The Shanghai KYMS Historical Track Record Accounts cover the financial positions of Shanghai KYMS Group as at 31 December 2018, 2019, 2020 and six months ended 30 June 2021 and the results of the Shanghai KYMS Group for each of the three years ended 31 December 2018, 2019, 2020 and six months ended 30 June 2021 (the “**Relevant Periods**”).

In particular, disclosure is set out providing:

- a) a comparison between Shanghai KYMS’s consolidated statements of profit or loss as extracted from the Shanghai KYMS’s Financial Information on the one hand (prepared in accordance with CAS), and a restatement of such consolidated statements of profit or loss and other comprehensive income had they instead been prepared in accordance with accounting policies presently adopted by the Company which are in compliance with HKFRS. The process applied in the preparation of such restatement is set out below;
- b) a comparison between Shanghai KYMS’s consolidated statements of financial position as extracted from the Shanghai KYMS’s Financial Information on the one hand (prepared in accordance with CAS), and a restatement of such consolidated statements of financial position had they instead been prepared in accordance with accounting policies presently adopted by the Company which are in compliance with HKFRS. The process applied in the preparation of such restatement is set out below; and

- c) a discussion of the material financial statements line item differences arising out of the restatement exercise outlined in (a) and (b) above.

(the reconciliation for the Shanghai KYMS Historical Track Record Accounts is referred to as the “**Reconciliation Information**”)

Basis of Preparation

The Reconciliation Information as at and for the Relevant Periods restates the “Unadjusted Financial Information under CAS” of Shanghai KYMS as if it had been prepared in accordance with the accounting policies presently adopted by the Company which are in compliance with HKFRS.

Reconciliation Process

The Reconciliation Information has been prepared by the directors of the Company by comparing the differences between the accounting policies adopted by Shanghai KYMS for the Relevant Periods which are prepared in accordance with CAS, and the accounting policies presently adopted by the Company which are in compliance with HKFRS, and quantifying the relevant material financial effects of such differences, if any.

Your attention is drawn to the fact that the Reconciliation Information has not been subject to an independent audit. Accordingly, no opinion is expressed by an auditor on whether it presents a true and fair view of Shanghai KYMS’s financial positions as at 31 December 2018, 2019, 2020 and six months ended 30 June 2021, nor its results for each of the Relevant Periods then ended under the accounting policies presently adopted by the Company. Your attention is also drawn to the fact that the unaudited financial information does not constitute the first set of financial statements of the Shanghai KYMS Group prepared in accordance with HKFRS.

CL Partners CPA Limited (“**CL Partners**”) was engaged by the Company to conduct work in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” (“**HKSAE 3000 (Revised)**”) issued by the HKICPA on the Reconciliation Information. The work consisted primarily of:

- (i) comparing the unadjusted financial information of the Shanghai KYMS Group set out in the column “Unadjusted Financial Information under CAS” of the Reconciliation Information with the Shanghai KYMS Historical Track Record Accounts prepared under CAS as set out in the Shanghai KYMS Historical Track Record Accounts that has been included in the appendix II of the Circular;

- (ii) considering the adjustments made and evidence supporting the adjustments made in arriving at the “Adjusted Financial Information under the Company’s policies” also set out in the Reconciliation Information, which included examining the differences between the Shanghai KYMS Group’s accounting policies and the Company’s accounting policies; and
- (iii) checking the arithmetic accuracy of the computation of the restated amounts set out in the column “Adjusted Financial Information under the Company’s policies” of the reconciliation information.

CL Partners’ engagement did not involve independent examination of any of the underlying financial information. The work carried out in accordance with HKSAE 3000 (Revised) is different in scope from an audit or review conducted in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA and consequently, CL Partners did not express an audit opinion nor a review conclusion on the Reconciliation Information. CL Partners’ engagement was intended solely for the use of the directors of the Company in connection with this circular and may not be suitable for another purpose. Based on the work performed, CL Partners has concluded that:

- (i) the “Unadjusted Financial Information under CAS” as set out in the Reconciliation Information has been properly extracted from the Shanghai KYMS Historical Track Record Accounts;
- (ii) the adjustments reflect, in all material respects, the differences between the Shanghai KYMS Group’s accounting policies and the Company’s accounting policies; and
- (iii) the computation of the “Adjusted Financial Information under the Company’s policies” is arithmetically accurate.

Unaudited Adjusted Consolidated Statements of Profit or Loss under the Company's Policies

	Notes	For the year ended 31 December				For the six months ended 30 June			
		2018		2019		2020		2021	
		Unadjusted Financial Information under CAS (audited) RMB	Adjusted Financial Information under the Company's policies (unaudited) RMB	Unadjusted Financial Information under CAS (audited) RMB	Adjusted Financial Information under the Company's policies (unaudited) RMB	Unadjusted Financial Information under CAS (audited) RMB	Adjusted Financial Information under the Company's policies (unaudited) RMB	Unadjusted Financial Information under CAS (audited) RMB	Adjusted Financial Information under the Company's policies (unaudited) RMB
Revenue		54,942,827	54,942,827	68,391,339	68,391,339	124,353,583	124,353,583	76,423,123	76,423,123
Cost of sales	<i>e</i>	(43,637,163)	(43,637,163)	(58,565,745)	(58,758,569)	(93,913,167)	(72,716,781)	(53,273,358)	(55,557,534)
Gross profit		11,305,664	11,305,664	9,825,594	9,632,770	30,440,416	51,636,802	23,149,765	20,865,589
Other income and gains	<i>b, c, e</i>	341,973	127,944	1,492,539	1,576,774	1,364,645	1,106,437	227,000	5,443,879
Taxes and surcharges	<i>d</i>	(293,855)	-	(220,633)	-	(299,543)	-	(134,134)	-
Selling expenses		(26,488)	(26,488)	(21,931)	(21,931)	(20,330)	(20,330)	(9,354)	(9,354)
Administrative expenses	<i>b, d</i>	(7,303,618)	(7,632,195)	(6,910,688)	(7,180,301)	(4,452,160)	(4,818,530)	(1,206,604)	(1,390,019)
Credit impairment losses									
("Impairment losses)/reversal of impairment losses on account and other receivables" under the Company's Policies)		(893,167)	(893,167)	(510,083)	(510,083)	330,114	330,114	(164,041)	(164,041)
Finance costs	<i>b, e</i>	(1,229,285)	(1,279,188)	(1,114,956)	(19,539,579)	(8,178,274)	(35,362,491)	(16,364,532)	(24,630,389)
Investment income	<i>a</i>	-	-	-	-	525,610	-	4,868,731	-
Non-operating income	<i>c</i>	32,620	-	178,719	-	15,801	-	674,299	-
Non-operating expenses	<i>c</i>	(331,273)	-	(511,345)	-	(312,641)	-	(48,816)	-
Share of profits of an associate	<i>a</i>	-	-	-	-	-	525,610	-	2,481,652
Profit before tax	<i>e</i>	1,602,571	1,602,570	2,207,196	(16,042,400)	19,413,638	13,397,612	10,992,314	2,597,317
Income tax (expenses) credit	<i>e</i>	(836,312)	(836,312)	(420,636)	4,562,399	(4,587,258)	(3,083,251)	(651,224)	11,069,781
Profit (loss) for the year/period		766,258	766,258	1,786,560	(11,900,637)	14,826,380	10,314,361	10,341,090	13,667,098

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FINANCIAL INFORMATION OF SHANGHAI KYMS

	For the year ended 31 December				For the six months ended 30 June			
	2018		2019		2020		2021	
	Unadjusted Financial Information under CAS (audited) RMB	Adjusted Financial Information under the Company's policies (unaudited) RMB	Unadjusted Financial Information under CAS (audited) RMB	Adjusted Financial Information under the Company's policies (unaudited) RMB	Unadjusted Financial Information under CAS (audited) RMB	Adjusted Financial Information under the Company's policies (unaudited) RMB	Unadjusted Financial Information under CAS (audited) RMB	Adjusted Financial Information under the Company's policies (unaudited) RMB
Notes								
Other comprehensive income for the year/period, net of tax <i>Items that may be reclassified subsequently to profit or loss:</i>	-	-	-	-	-	-	-	-
Fair value change of available-for-sale financial assets	-	-	-	-	-	-	-	-
Exchange difference arising on translating foreign operations	-	-	-	-	-	-	-	-
Total comprehensive income for the year/period	766,258	766,258	1,786,560	(11,900,637)	14,826,380	10,314,361	10,341,090	13,667,098
Profit(loss) for the year/period attributable to:								
Owners of the Company	743,711	743,711	1,325,546	(11,205,097)	15,582,794	11,933,114	10,684,358	12,309,007
Non-controlling interests	22,547	22,547	461,014	(695,540)	(756,414)	(1,618,753)	(343,268)	1,358,091
	766,258	766,258	1,786,560	(11,900,637)	14,826,380	10,314,361	10,341,090	13,667,098
Total comprehensive income for the year/period attributable to:								
Owners of the Company	743,711	743,711	1,325,546	(11,205,097)	15,582,794	11,933,114	10,684,358	12,309,007
Non-controlling interests	22,547	22,547	461,014	(695,540)	(756,414)	(1,618,753)	(343,268)	1,358,091
	766,258	766,258	1,786,560	(11,900,637)	14,826,380	10,314,361	10,341,090	13,667,098

Unaudited Adjusted Consolidated Balance sheets under the Company's Policies

		As at 31 December 2018			As at 31 December 2019			2020			As at 30 June 2021		
	Notes	Unadjusted Financial Information under CAS (audited) RMB	Adjustments (unaudited) RMB	Adjusted Financial Information under the Company's policies (unaudited) RMB	Unadjusted Financial Information under CAS (audited) RMB	Adjustments (unaudited) RMB	Adjusted Financial Information under the Company's policies (unaudited) RMB	Unadjusted Financial Information under CAS (audited) RMB	Adjustments (unaudited) RMB	Adjusted Financial Information under the Company's policies (unaudited) RMB	Unadjusted Financial Information under CAS (audited) RMB	Adjustments (unaudited) RMB	Adjusted Financial Information under the Company's policies (unaudited) RMB
Non-current assets													
Property, plant and equipment	<i>e</i>	1,422,279	73,728,456	75,150,735	1,471,430	160,262,390	161,733,820	1,647,318	229,271,998	230,919,316	1,398,141	232,544,928	233,943,069
Intangible assets	<i>j</i>	11,775	(11,775)	-	373,684	(373,684)	-	559,151	(559,151)	-	609,244	(609,244)	-
Interest in an associate	<i>j</i>	-	-	-	-	-	-	-	4,910,826	4,910,826	-	5,892,522	5,892,522
Development cost	<i>j</i>	-	-	-	-	-	-	2,039,647	(2,039,647)	-	2,166,133	(2,166,133)	-
Right of use asset	<i>e</i>	-	-	-	-	508,786,149	508,786,149	-	599,280,512	599,280,512	538,885,455	(10,758,621)	528,126,834
Deposit for acquisition of property, plant and equipments	<i>j</i>	-	4,863,775	4,863,775	-	1,456,215	1,456,215	-	8,839,604	8,839,604	-	4,879,622	4,879,622
Construction in progress	<i>e</i>	44,395,846	(44,395,846)	-	55,514,654	(55,514,654)	-	55,259,293	(55,259,293)	-	22,632,037	(22,632,037)	-
Deferred tax assets	<i>e</i>	489,530	-	489,530	463,565	2,784,248	3,247,813	1,088,658	4,979,093	6,067,751	712,152	15,511,285	16,223,437
Prepayment and deposits	<i>j</i>	-	-	-	-	20,000	20,000	-	300,000	300,000	-	200,000	200,000
Long-term receivables	<i>j</i>	-	-	-	200,000	(20,000)	-	300,000	(300,000)	-	200,000	(200,000)	-
Long-term deferred expenses	<i>e</i>	29,320,835	(29,320,835)	-	92,716,397	(92,716,397)	-	162,742,551	(162,742,551)	-	197,213,294	(197,213,294)	-
Long-term equity investments	<i>j</i>	-	-	-	-	-	-	4,910,826	(4,910,826)	-	5,892,522	(5,892,522)	-
Other non-current assets	<i>j</i>	4,863,775	(4,863,775)	-	1,456,215	(1,456,215)	-	8,839,604	(8,839,604)	-	5,079,622	(5,079,622)	-
		<u>80,504,040</u>		<u>80,504,040</u>	<u>152,195,945</u>		<u>675,423,997</u>	<u>237,387,048</u>		<u>850,318,009</u>	<u>774,788,600</u>		<u>789,265,484</u>

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	Notes	As at 31 December				As at 30 June			
		2018		2019		2020		2021	
		Unadjusted Financial Information under CAS (audited) RMB	Adjusted Financial Information under the Company's policies (unaudited) RMB	Unadjusted Financial Information under CAS (audited) RMB	Adjusted Financial Information under the Company's policies (unaudited) RMB	Unadjusted Financial Information under CAS (audited) RMB	Adjusted Financial Information under the Company's policies (unaudited) RMB	Unadjusted Financial Information under CAS (audited) RMB	Adjusted Financial Information under the Company's policies (unaudited) RMB
Current assets									
Account receivables		116,874	116,874	732,190	1,456,103	4,108,380	8,160,545	8,160,545	8,160,545
Prepayments	<i>e</i>	3,357,238	3,357,238	4,350,517	1,066,058	703,078	16,593,321	(2,810,799)	13,782,522
Financial assets held for trading ("Financial assets at fair value through profit or loss" under the Company's Policies)		-	-	-	-	-	-	-	-
Other current assets	<i>j</i>	2,086,333	(2,086,333)	3,994,238	(3,994,238)	(5,136,771)	5,952,685	(5,952,685)	700,000
Amount due from related parties	<i>h</i>	-	498,126	-	11,225,118	1,613,795	-	1,681,268	1,681,268
Other receivables	<i>h, j</i>	19,904,335	21,492,542	28,766,996	(7,230,880)	17,920,688	49,165,672	6,154,980	55,320,652
Cash and cash equivalents		14,491,376	14,491,376	11,760,893	11,760,893	24,118,893	31,918,965	31,918,965	31,918,965
		<u>39,956,156</u>	<u>39,956,156</u>	<u>49,604,834</u>	<u>47,044,288</u>	<u>51,987,809</u>	<u>112,491,188</u>	<u>111,563,952</u>	

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		As at 31 December				As at 30 June			
		2018		2019		2020		2021	
	Notes	Unadjusted Financial Information under CAS (audited) RMB	Adjusted Financial Information under the Company's policies (unaudited) RMB	Unadjusted Financial Information under CAS (audited) RMB	Adjusted Financial Information under the Company's policies (unaudited) RMB	Unadjusted Financial Information under CAS (audited) RMB	Adjusted Financial Information under the Company's policies (unaudited) RMB	Unadjusted Financial Information under CAS (audited) RMB	Adjusted Financial Information under the Company's policies (unaudited) RMB
Current liabilities									
Account payables	<i>e</i>	9,478,426	(2,744,921)	9,998,953	(9,853,767)	26,428,656	(26,426,056)	24,846,328	(24,017,173)
Receipts in advance	<i>i</i>	1,601,277	(1,601,277)	6,876,939	(6,876,939)	3,212,513	(3,212,513)	2,938,800	(2,938,800)
Income tax payable	<i>f</i>	532,559	(532,559)	766,920	(372,249)	6,969,534	(1,529,859)	5,873,533	(2,489,567)
Short-term borrowings									
("Interest-bearing bank and									
other borrowings" under									
the Company's Policies)	<i>g</i>	7,160,000	53,500,000	4,160,000	20,970,000	19,239,632	57,727,918	30,239,632	34,157,271
Other payable	<i>g, h</i>	67,118,367	(52,034,754)	55,884,049	(31,271,920)	56,490,519	(24,184,627)	61,455,209	851,328
Contract liabilities	<i>i</i>	-	1,601,277	-	6,876,939	-	3,212,512	-	2,938,800
Lease liabilities	<i>e</i>	-	-	-	9,473,505	-	5,2798,382	-	50,422,260
Amount due to related parties	<i>h</i>	-	1,812,234	-	5,327,631	-	6,618,752	-	6,524,152
Non-current liabilities due within one year	<i>g</i>	-	-	5,970,000	(5,970,000)	38,548,480	(38,548,480)	30,995,000	(30,995,000)
Other current liabilities	<i>g</i>	-	-	-	-	155,604	(155,604)	155,604	(155,604)
		85,890,629	85,890,629	83,556,861	71,860,061	151,044,938	177,345,363	156,504,106	190,801,773
Net current (liabilities) assets									
		(45,934,473)	(45,934,473)	(33,952,027)	(24,815,773)	(94,522,458)	(125,357,554)	44,012,918	(79,237,821)
Total assets less current liabilities									
		34,569,567	34,569,567	118,243,918	650,608,224	142,864,590	724,960,455	730,775,682	710,027,663

FINANCIAL INFORMATION OF SHANGHAI KYMS

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APPENDIX II

FINANCIAL INFORMATION OF SHANGHAI KYMS

		As at 31 December				As at 30 June			
		2018		2019		2020		2021	
	Notes	Unadjusted Financial Information under CAS (audited) RMB	Adjusted Financial Information under the Company's policies (unaudited) RMB	Unadjusted Financial Information under CAS (audited) RMB	Adjusted Financial Information under the Company's policies (unaudited) RMB	Unadjusted Financial Information under CAS (audited) RMB	Adjusted Financial Information under the Company's policies (unaudited) RMB	Unadjusted Financial Information under CAS (audited) RMB	Adjusted Financial Information under the Company's policies (unaudited) RMB
Equity									
Share capital		10,000,000	10,000,000	14,999,999	14,999,999	18,475,609	18,475,609	51,959,527	51,959,527
Capital reserve	j	-	-	29,731,126	(29,731,126)	60,551,992	-	42,445,385	(42,445,385)
Surplus reserves	j	169,608	-	169,608	(169,608)	1,079,710	-	1,079,710	(1,079,710)
Reserves	j	-	169,608	-	29,900,734	29,900,734	61,631,702	-	43,445,962
Retained profits		(2,738,805)	(2,738,805)	(1,413,259)	(7,858,676)	13,259,433	1,751,077	(29,358,184)	56,135,236
Total equity attributable to equity shareholders of the Company		7,430,803	7,430,803	43,487,474	35,628,798	93,366,744	81,858,388	66,126,438	122,182,541
Non-controlling interests	e	27,138,764	27,138,764	37,399,777	36,905,710	24,389,459	23,033,054	9,907,467	344,953
Total equity		34,569,567	34,569,567	80,887,251	72,534,508	117,756,203	104,891,442	76,033,905	132,434,961

Note: Reclassification of accounts

Under Shanghai KYMS's CAS accounting policies, Shanghai KYMS has presented several items which are different in regard to the presentation or classification under the Company's HKFRS accounting policies. The details are as follows:

a) Share of result of an associate

Under Shanghai KYMS's CAS accounting policies, Shanghai KYMS has presented the share of result of an associate in "Investment income". According to HKFRS 1:82(c), the entity shall present the amount of share of result of an associate as a separate line item in the consolidated statement of profit or loss and other comprehensive income.

Had Shanghai KYMS adopted the Company's accounting policy, the impact of the adjustments on profit or loss for the three years ended 31 December 2018, 2019 and 2020 and six months ended 30 June 2021 would have been as follows:

				RMB
				For the
				six months
				ended 30 June
	For the year ended 31 December			2021
	2018	2019	2020	
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
	(Dr)/Cr	(Dr)/Cr	(Dr)/Cr	(Dr)/Cr
Investment income	–	–	(525,610)	(2,481,652)
Share of profit of an associate	–	–	525,610	2,481,652

b) Finance costs and other finance charges

Under Shanghai KYMS's CAS accounting policies, Shanghai KYMS has presented the bank charges and net exchange gain (loss) and bank interest income in "Finance costs". According to HKAS 18:35(b)(iii), the entity shall present the amount of interest income from bank deposits in a significant category of revenue. According to HKFRS 7:20, bank charges and net exchange gain (loss) did not fall into the scope of the definition of finance costs, and shall be presented as an expenses other than "finance costs".

Had Shanghai KYMS adopted the Company's accounting policy, the impact of the adjustments on profit or loss for the three years ended 31 December 2018, 2019 and 2020 and six months ended 30 June 2021 would have been as follows:

RMB

	For the year ended 31 December			For the six months ended 30 June
	2018	2019	2020	2021
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
	(Dr)/Cr	(Dr)/Cr	(Dr)/Cr	(Dr)/Cr
Other income and gain	(84,624)	(416,811)	(38,632)	(1,050,345)
Administrative expenses	34,722	48,959	66,827	49,281
Finance costs	49,902	367,852	(28,195)	1,001,064

c) Non-operating income/expense

Shanghai KYMS presents "Non-operating income" and "Non-operating expense" as separate line items on its consolidated statement of profit or loss and other comprehensive income. The Company presents them as components of "Other income and gains". Accordingly, "Non-operating income" and "Non-operating expense" are grouped together and presented as "Other income and gains".

Had Shanghai KYMS adopted the Company's accounting policy, the impact of the adjustments on profit or loss for the three years ended 31 December 2018, 2019 and 2020 and six months ended 30 June 2021 would have been as follows:

RMB

	As at 31 December			As at 30 June
	2018	2019	2020	2021
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
	(Dr)/Cr	(Dr)/Cr	(Dr)/Cr	(Dr)/Cr
Non-operating income	32,620	178,719	15,801	674,299
Non-operating expense	(331,273)	(511,345)	(312,641)	(48,816)
Other income and gains	298,653	332,626	296,840	625,483

d) Business tax and surcharges

Under Shanghai KYMS's CAS accounting policies, Shanghai KYMS has presented business tax and surcharges as separate line items on its consolidated statement of profit or loss and other comprehensive income. According to HKAS 18.8, the entity shall exclude the amounts collected on behalf of third parties such as sales taxes, goods and service taxes and value added taxes from revenue. According to HKAS 12.2, the entity shall present all domestic and foreign taxes which are based on taxable profits in "Income tax expenses". Other taxes and surcharges that do not fall into the scope of the definition of income taxes, shall be presented as an expense other than "Income tax expenses".

Had Shanghai KYMS adopted the accounting policies which are in compliance with HKFRS, the impact of the adjustments on profit or loss for the three years ended 31 December 2018, 2019 and 2020 and six months ended 30 June 2021 would have been as follows:

	As at 31 December		As at 30 June	
	2018	2019	2020	2021
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
	<i>(Dr)/Cr</i>	<i>(Dr)/Cr</i>	<i>(Dr)/Cr</i>	<i>(Dr)/Cr</i>
Taxes and surcharges	(293,855)	(220,633)	(299,543)	(134,134)
Administrative expenses	293,855	220,633	299,543	134,134

e) Lessee's accounting for operating leases

In accordance with CASBE, Shanghai KYMS adopted old CAS 21 "Leases" and operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease, while in accordance with the Company's Policies, the Group adopted IFRS 16 "Leases" for the year ended 31 December 2019 and consistently applied since then. Under IFRS 16, a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date, and subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

Had Shanghai KYMS adopted the Company's accounting policy, the impact of the adjustments on profit or loss for the three years ended 31 December 2018, 2019 and 2020 and six months ended 30 June 2021 and on the carrying amount of assets as at 31 December 2018, 2019 and 2020 and 30 June 2021 would have been as follows:

RMB

	As at 31 December		As at 30 June	
	2018	2019	2020	2021
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
	<i>(Dr)/Cr</i>	<i>(Dr)/Cr</i>	<i>(Dr)/Cr</i>	<i>(Dr)/Cr</i>
Construction in progress	–	5,912,973	(690,352)	(604,020)
Long-term deferred expenses	–	5,744,682	9,361,707	10,528,240
Right of use asset	–	508,786,149	599,280,512	(10,758,621)
Prepayments	–	(3,284,459)	(4,534,670)	(3,352,097)
Account payables	–	7,894,218	24,497,957	16,811,569
Lease liabilities – current	–	(9,473,505)	(52,798,381)	(50,422,260)
Lease liabilities – non current	–	(526,717,048)	(592,269,787)	77,197,431
Retained profits	–	(4,671,967)	8,846,808	(50,174,091)
Cost of sales	–	192,824	(21,196,387)	2,284,176
Finance cost	–	18,056,771	27,212,411	7,264,793
Other income	–	–	–	(1,153,972)
Deferred tax asset	–	3,556,398	4,979,092	15,511,284
Deferred tax liabilities	–	(772,150)	(690,838)	(55,022)
Income tax expense	–	(4,562,399)	(1,504,006)	(11,721,005)
Non-controlling interest	–	(662,488)	(494,066)	(1,356,405)

f) Income tax payables

Under Shanghai KYMS's CAS accounting policies, Shanghai KYMS has presented the current tax payables and other domestic tax payables or levies in "Income tax payables". According to HKAS 12:5, current tax is the amount of income tax payables in respect of the taxable profit for a period. According to HKAS 1:54(n), the entity shall present liabilities for current tax as defined in HKAS 12 Income tax in the consolidated statement of financial position. Since other domestic tax payables or levies are not arisen from the taxable profit, such liabilities shall not be presented in "Income tax payables".

Had Shanghai KYMS adopted the Company's accounting policy, the impact of the adjustments on the carrying amount of assets as at 31 December 2018, 2019 and 2020 and 30 June 2021 would have been as follows:

RMB

	As at 31 December		As at 30 June	
	2018	2019	2020	2021
	<i>Unaudited</i> (Dr)/Cr	<i>Unaudited</i> (Dr)/Cr	<i>Unaudited</i> (Dr)/Cr	<i>Unaudited</i> (Dr)/Cr
Accrual and other payables	(532,559)	(372,249)	(1,529,859)	(2,489,567)
Income tax payables	532,559	372,249	1,529,859	2,489,567

g) Bank borrowings

Under Shanghai KYMS's CAS accounting policies, Shanghai KYMS has presented the bank borrowings in "Other payables", "Non-current liabilities due within one year", "Other current liabilities" and "Long-term payables". According to HKAS 1:54(m), the entity shall present the financial liabilities in the consolidated statement of financial position.

Had Shanghai KYMS adopted the Company's accounting policy, the impact of the adjustments on the carrying amount of liabilities as at 31 December 2018, 2019 and 2020 and 30 June 2021 would have been as follows:

RMB

	As at 31 December		As at 30 June	
	2018	2019	2020	2021
	<i>Unaudited</i> (Dr)/Cr	<i>Unaudited</i> (Dr)/Cr	<i>Unaudited</i> (Dr)/Cr	<i>Unaudited</i> (Dr)/Cr
Bank borrowings – current	(53,500,000)	(20,970,000)	(57,727,918)	(34,157,271)
Bank borrowings – non current	–	(15,356,667)	(2,608,387)	
Other payables	53,500,000	29,000,000	21,023,833	3,000,000
Non-current liabilities due				
within one year	–	5,970,000	38,548,480	30,995,000
Other current liabilities	–	–	155,604	155,604
Long-term payables		1,356,667	608,387	6,667

h) Amount due from/to related companies

Under Shanghai KYMS's CAS accounting policies, Shanghai KYMS has presented the amount due from/to related parties in "Account payables", "Other payables" and "Other receivables". According to HKAS 24:18(b), the entity shall disclose the outstanding balance regarding to the related party transactions. According to HKAS 1:55, the entity shall present an additional line items in the consolidated statement of financial position when such presentation is relevant to an understanding of the entity's financial position.

Had Shanghai KYMS adopted the Company's accounting policy, the impact of the adjustments on the carrying amount of assets/liabilities as at 31 December 2018, 2019 and 2020 and 30 June 2021 would have been as follows:

	<i>RMB</i>			
	As at 31 December		As at 30 June	
	2018	2019	2020	2021
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
	<i>(Dr)/Cr</i>	<i>(Dr)/Cr</i>	<i>(Dr)/Cr</i>	<i>(Dr)/Cr</i>
Amount due from related parties	498,126	11,225,118	1,613,795	1,681,268
Amount due to related parties	(1,812,234)	(5,327,631)	(6,618,752)	(6,524,152)
Account payables	1,809,334	824,581	151,081	53,431
Other payables	2,900	4,503,050	6,467,671	6,470,721
Other receivables	(498,126)	(11,225,118)	(1,613,795)	(1,681,268)

i) Contract liabilities

Under Shanghai KYMS's CAS accounting policies, Shanghai KYMS has presented prepayment (including value-added taxes) of goods/services to be provided upon receipt of such prepayment from customers as a separate line item as "Receipts in advance" on its consolidated statement of financial position. The Company presents them as a separate line item as "Contract liabilities", accordingly, such items have been reclassified.

APPENDIX II	FINANCIAL INFORMATION OF SHANGHAI KYMS
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Had Shanghai KYMS adopted the Company's accounting policy, the impact of the adjustments on the carrying amount of liabilities as at 31 December 2018, 2019 and 2020 and 30 June 2021 would have been as follows:

	<i>RMB</i>		
	As at 31 December		As at 30 June
	2018	2019	2020
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
	<i>(Dr)/Cr</i>	<i>(Dr)/Cr</i>	<i>(Dr)/Cr</i>
Receipt in advance	1,601,277	6,876,939	3,212,513
Contract liabilities	(1,601,277)	(6,876,939)	(3,212,513)
			2,938,800
			(2,938,800)

j) Reclassifications

The adjustments below represent certain reclassification to conform with the presentation format of Shanghai KYMS's consolidated financial statements for the year ended 31 December 2018, 2019 and 2020 and 30 June 2021 prepared in accordance with HKFRS as disclosed in Appendix II-A.

Consolidated statement of financial position:

	<i>RMB</i>		
	As at 31 December		As at 30 June
	2018	2019	2020
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
	<i>(Dr)/Cr</i>	<i>(Dr)/Cr</i>	<i>(Dr)/Cr</i>
Intangible assets	(11,775)	(373,684)	(559,151)
Development cost	–	–	(2,039,647)
Property, plant and equipment	11,775	373,684	2,598,798
Interest in an associate	–	–	4,910,826
Long-term equity investments	–	–	(4,910,826)
Deposit for acquisition of property, plant and equipments	4,863,775	1,456,215	8,839,604
Other non-current assets	(4,863,775)	(1,456,215)	(8,839,604)
Prepayment and deposits	–	20,000	300,000
Long-term receivables	–	(20,000)	(300,000)
Other receivables	2,086,333	3,994,238	5,136,771
Other current assets	(2,086,333)	(3,994,238)	(5,136,771)
Capital reserve	–	(29,731,126)	(60,551,992)
Surplus reserve	(169,608)	(169,608)	(1,079,710)
Reserves	169,608	29,900,734	61,631,702
			43,525,095

MANAGEMENT DISCUSSION AND ANALYSIS OF SHANGHAI KYMS

Set out below is the management discussion and analysis of Shanghai KYMS for each of the three financial years ended 31 December 2020 and the six months ended 30 June 2021. The following financial information relates to the financial information of Shanghai KYMS as set out in Appendix II to this circular.

I. BUSINESS REVIEW

Shanghai KYMS is a limited liability company established on 25 February 2005 in the PRC and is principally engaged in leasing of serviced offices and provision of supporting value-added services. The shares of Shanghai KYMS have been listed on the National Equities Exchange and Quotations (全國中小企業股份轉讓系統) since 8 December 2014 (stock code: 831423).

Shanghai KYMS was committed to creating an intelligent and flexible office space with independent ecology by repositioning and transforming old stock properties or inefficient new properties. The customers of Shanghai KYMS were mainly SMEs with 10 to 100 people. Most of them were in the high-speed growth period with vigorous vitality. They pursued high-quality services and were sensitive to geographical locations, but due to their scale limitations, they did not have complete organizational systems as large enterprises. From the perspective of the industry sector, they were mainly corporate customers in modern service industry such as domestic and foreign cultural creativity, finance, TMT, catering, education and commerce. The Mingsheng Project of Shanghai Kuayi enjoys an advantageous geographical location. It is mainly located in the downtown area with convenient transportation such as Shanghai and Beijing, and a few are located in the core area of the sub-center.

In terms of its project development, Shanghai KYMS actively established strategic partnerships with large state-owned enterprise groups, first-line real estate developers, and domestic and foreign asset management funds. Moreover, it continued to explore new cooperation channels to help owners realize the preservation and appreciation of asset management while promoting the rapid and stable development of the Company's business, and continuously enhancing the Company's brand influence.

In terms of its operation and management, on the one hand, Shanghai KYMS actively deployed in the field of office intelligence, continuously upgraded its existing supporting facilities, introduced smart face recognition systems, smart conference systems, and remote authorisation systems to create smart building spaces; on the other hand, Shanghai KYMS realized the socialization of its customers and improved its service ecological management by developing its KYMS APP management platform. At the same time, adhered to the principle and original intention of refined operation, Shanghai KYMS continuously improved its service quality and customer experience by thinking about what the customers think and thinking about what the customers have never thought of.

In terms of its cloud platform construction, the KYMS cloud management platform system independently developed by Shanghai KYMS has covered 100% of our tenants and nearly 10,000 members, and the daily repeat login rate has exceeded 80%. With the continuous expansion of the project, the annual membership growth rate has exceeded 50%. The KYMS cloud management platform has perfectly connected people and things in the office space, allowing users to grasp and control information about equipment, energy consumption, and personnel in the property anytime and anywhere. Moreover, with applications such as smart access control and cloud office platforms, our members can work more conveniently and efficiently in the space.

Based on the public information available to the Board and the information provided by Shanghai KYMS, as at the Latest Practicable Date, Shanghai KYMS is owned as to :

- (i) 7.55% by the Subscriber;
- (ii) 13.51%, 13.11% and 11.03% by Wang Fuhun (王輔哈), Wang Jianfeng (王建鋒) and Shi Yan (施豔)^(Note), respectively;
- (iii) 6.99% by Shanghai Guanjun Bio-Technology Limited (上海冠菌生物科技有限公司) which was wholly-owned by Wang Fuhun; and
- (iv) 5% by Shanghai Qiangao Investment Management Partnership, L.P (上海謙高投資管理合夥企業(有限合夥)) where Wang Fuhun held 40% equity interest in and is an executive partner of such partnership.

Note :

On 18 July 2017, Wang Jianfeng, Wang Fushan, Shi Yan entered into a shareholders' agreement (the "Concert Parties Agreement") to regulate their decision making in dealing with Shanghai KYMS's affairs and their shareholders' rights in respect of their equity interests in Shanghai KYMS. They had been concert parties under the Concert Parties Agreement until 5 November 2021 when they entered into an agreement to terminate the Concert Parties Agreement.

5 November 2021, Wang Jianfeng and Shi Yan entered into an agreement with Wang Fuhun pursuant to which Wang Jianfeng and Shi Yan agreed to grant all the rights attached to the Shanghai KYMS shares held by them to Wang Fushan (the "Arrangement")

As Wang Fuhun though the above equity interests, the Arrangement and having the role of an executive partner in Shanghai Qiangao Investment Management Partnership, L.P, controls 49.65% voting right of Shanghai KYMS, he is the controlling shareholder of Shanghai KYMS.

II. FINANCIAL REVIEW

1. Revenue

Revenue derived from the principal business of Shanghai KYMS comprised revenue from property rental and revenue from value-added services; and the value-added services mainly include overrun charges of conference room and printer service charges. For the financial years ended 31 December 2018, 2019 and 2020 and the six months period ended 30 June 2021, its revenue was RMB54,942,827, RMB68,391,339, RMB124,353,583 and RMB76,423,123, respectively. During the reporting period, the revenue of Shanghai KYMS has been on the uptrend, mainly due to the expansion of property leasing business.

The gross profit margins of Shanghai KYMS for the financial years ended 31 December 2018, 2019 and 2020 and the six months period ended 30 June 2021 were 20.58%, 14.37%, 24.48% and 30.29%, respectively.

2. Net profit

For the financial years ended 31 December 2018, 2019 and 2020 and the six months period ended 30 June 2021, its net profit was RMB766,259, RMB1,786,559, RMB14,826,380 and RMB10,341,090, respectively. During the reporting period, the net profit of Shanghai KYMS has been on the uptrend, mainly due to the expansion of property leasing business resulting in the increase of revenue.

3. Operating costs

The operating costs of Shanghai KYMS mainly include: project rent expenses, amortisation of project long-term deferred expenses, project property management expenses, project energy expenditures, project staff compensation and other expenditures related to project expenses. For the financial years ended 31 December 2018, 2019 and 2020 and the six months period ended 30 June 2021, the operating costs were RMB43,637,163, RMB58,565,745, RMB93,913,167 and RMB53,273,358, respectively. During the reporting period, the operating cost of Shanghai KYMS showed an upward trend, mainly due to the expansion of property leasing business and the increase in project-related expenses.

4. Selling expenses

The selling expenses of Shanghai KYMS include: (1) Baidu's keyword search service fees and (2) sporadic business entertainment expenses incurred by the sales department. For the financial years ended 31 December 2018, 2019 and 2020 and the six months period ended 30 June 2021, the selling expenses were RMB26,488, RMB21,931, RMB20,330 and RMB9,354, respectively. The annual selling expenses of Shanghai KYMS are relatively stable, primarily due to the selling expenses of Shanghai KYMS are mainly the cost of Baidu's keyword search, which has little change every year.

5. Administrative costs

The administrative expenses of Shanghai KYMS include: the compensation, travel and communication expenses of management staff, various institutional expenses (such as audit fees, appraisal fees, attorney fees, securities supervision fees, etc.), business entertainment expenses, membership fees of industry associations and other management expenses. For the financial years ended 31 December 2018, 2019 and 2020 and the six months period ended 30 June 2021, the administrative expenses were RMB7,303,618, RMB6,910,688, RMB4,452,160 and RMB1,206,604, respectively.

In 2019, the administrative expenses decreased by approximately RMB0.4 million compared to that in 2018. The minor change was mainly due to lower business entertainment expenses.

Administrative costs in 2020 decreased by RMB2.4 million as compared to that in 2019, mainly due to the followings:

- (1) Shanghai KYMS obtained patent certificates for various software copyright patents developed by it, so the development costs were transferred from the Administrative costs to the development expenses;
- (2) Due to the impact of the pandemic, Shanghai KYMS streamlined its staff structure and optimized its organizational structure;

6. Finance costs

The finance costs of Shanghai KYMS include: (1) interest and related expenses (2) handling fee expenses (3) interest income from bank deposits. The finance costs for the financial years ended 31 December 2018, 2019 and 2020 and the six-month period ended 30 June 2021 were RMB1,229,285, RMB1,114,956, RMB8,178,274 and RMB16,364,532, respectively.

Finance costs in 2019 decreased by approximately RMB0.12 million as compared to that in 2018. The minor change was mainly due to changes in the company's financing situation each year, resulting in certain changes in interest expenses in finance costs. The relatively small amount of finance costs for 2018 and 2019 was due to the fact that three new projects in 2018 and 2019 were under construction and investment, and the main purpose of the company's financing is for upfront investment in new projects, so the resulting interest expenses in finance costs were mostly capitalized.

Finance costs in 2020 increased by approximately RMB7.06 million as compared to that in 2019, mainly due to the fact that the projects entered a period of maturity and stability, and the original capitalized expenses in finance costs were converted into one-time expenses in the following year, so the change was large.

7. Income tax expenses

The income tax expenses for the financial years ended 31 December 2018, 2019 and 2020 and the six-month period ended 30 June 2021 were RMB836,312, RMB420,636, RMB4,587,257 and RMB651,225, respectively.

The income tax expense for 2019 decreased by approximately RMB0.42 million as compared with 2018, which was mainly due to the impact on the income tax expense for subsequent years caused by the deferred income tax assets generated from the construction period of various early-stage projects of the Company.

The income tax expense for 2020 increased by approximately RMB4.17 million as compared with 2019, which was mainly due to an increase in revenue as new projects enter a period of mature operation, and an increase in profits with a reduction in certain rents for various projects on account of the epidemic, resulting in an increase in income tax expense.

8. Liquidity and capital resources

	2018	2019	2020	January to June 2021
Monetary funds	14,491,375.68	11,760,892.66	24,118,893.28	31,918,965.33
Net cash generated from operating activities	29,500,044.61	62,086,843.90	61,565,484.90	28,351,851.73
Net cash used in investing activities	-41,001,907.32	-86,015,905.39	-87,663,506.14	-33,149,598.24
Net cash generated from financing activities	14,788,296.14	21,198,578.47	38,456,021.86	12,597,818.56
Total current assets	<u>39,956,156.05</u>	<u>49,604,834.01</u>	<u>56,522,479.62</u>	<u>112,491,188.13</u>
Gearing ratio	<u>71.30%</u>	<u>59.92%</u>	<u>59.93%</u>	<u>91.43%</u>

The net cash generated from operating activities mainly includes: (1) cash received from sale of goods and rendering of services; (2) refund of taxes and levies; (3) other cash received/paid relating to operating activities; (4) cash paid for goods and services; (5) cash paid to and for employees; (6) payment of various taxes.

The net cash used in investing activities mainly includes: (1) cash from redemption of investments; (2) cash received from investment gains; (3) net cash recovered from disposal of fixed assets, intangible assets and other long-term assets; (4) Net cash received from disposal of subsidiaries and other business units; (5) other cash received/paid relating to investing activities; (6) cash paid for acquisition of fixed assets, intangible assets and other long-term assets; (7) cash paid for investments; and (8) net cash paid for acquisition of subsidiaries and other business units.

Net cash from financing activities mainly includes (1) cash received from capital contribution; (2) cash received from borrowings; (3) other cash received/paid relating to financing activities; (4) cash paid for debt repayment; and (5) cash paid for distributing dividends and profits or paying interest.

Current assets mainly include (1) monetary funds; (2) financial assets held for trading; (3) accounts receivable; (4) prepayments; (5) other receivables; and (6) other current assets (note: input tax credits pending). During the reporting period, the increase in Shanghai KYMS's current assets was mainly due to the increase in its monetary funds, accounts receivable, prepayments and other receivables.

Note: its gearing ratio was 91.43% for the six months ended 30 June 2021, mainly due to Shanghai KYMS's implementation of the Ministry of Finance's revised Accounting Standard for Business Enterprises No. 21 – Leases (2018) with effect from 1 January 2021. In accordance with the aforementioned standard regarding the transition, the Company adjusted its financial statements accordingly on 1 January 2021. In accordance with the transition provisions of the previous and new standards, the Company recognised right-of-use assets and lease liabilities for all leases(except short-term leases and leases of low-value assets) and adjusted the retained profits and other related items in the financial statements at the beginning of 2021 based on the accumulative effect of the first-time implementation of the new lease standard. As a result of the adjustment to the accounting standards by the new lease standard, the owner's equity newly added under non-current assets amounted to RMB538,885,500 and the lease liability newly added under non-current liabilities amounted to RMB619,235,100. Excluding the effect of such adjustment, the gearing ratio would be 55.11%.

9. Pledge of Assets

During the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021, no asset has been pledged by Shanghai KYMS.

10. Capital commitments

During the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021, Shanghai KYMS did not have any capital commitments.

11. Significant investments, material acquisitions or disposals

During the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021, Shanghai KYMS did not have any significant acquisitions, disposals or significant investments. Shanghai KYMS did not have any plans to acquire material investments or capital assets after the year of the Transaction.

12. Contingent liabilities

During the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021, Shanghai KYMS did not have any contingent liabilities.

13. Employee and remuneration policies

As at 31 December 2018, 2019 and 2020 and 30 June 2021, Shanghai KYMS had 84, 92, 94 and 105 employees respectively. Shanghai KYMS recruits, hires, promotes and remunerates employees based on their qualifications, experience, skills, performance and contributions. Remuneration is also determined with reference to market trends, employee's experience and seniority. Other benefits offered by Shanghai KYMS include, but are not limited to, social insurance and housing provident fund. Shanghai KYMS also implements various staff training and development programmes. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021, Shanghai KYMS incurred staff costs of RMB7.16 million, RMB7.88 million, RMB7.42 million and RMB5.52 million respectively, mainly comprising salaries, wages and other benefits and defined contribution pension schemes.

14. Foreign exchange risk

The functional currency of KYMS is RMB, in which all of the transactions are denominated. KYMS currently does not have a foreign currency hedging policy. However, the management of KYMS monitors foreign exchange risk and will consider hedging significant foreign exchange risk should the need arises. As at 31 December 2018, 2019 and 2020 and 30 June 2021, KYMS did not hold significant foreign currency financial assets and liabilities, and KYMS did not have any significant foreign currency exposure.

15. BANK AND OTHER BORROWINGS

The bank and other borrowings of Shanghai KYMS for the year ended 31 December 2018 are set out as follows:

Unit: RMB

Approach of Financing	Borrower	Amount	Duration		Interest Rate (%)
			Start date	Termination date	
Guarantee and pledge	Shanghai Rural Commercial Bank Co., Ltd. (Hongkou Branch) (上海農商銀行虹口支行)	12,000,000	2018/7/20	2018/11/8	4.785
Guarantee	Shanghai Pudong Development Bank Co., Ltd. (Songjiang Branch) (上海浦發銀行松江支行)	3,000,000	2018/12/12	2019/12/11	5.09
Guarantee	Zhejiang Tailong Commercial Bank Co., Ltd. (Zhabei Branch) (浙江泰隆商業銀行閘北支行)	2,200,000	2018/10/24	2019/10/18	10.34
Credit loan	Shanghai Pudong Development Bank Co., Ltd. (Putuo Branch) (上海浦發銀行普陀支行)	1,960,000	2018/8/24	2019/8/23	7.125
Business factoring	Shan Shan Fullin Factoring Co., Ltd. (杉杉富銀商業保理有限公司)	5,000,000	2018/12/25	2019/12/24	13.00
Total		24,160,000			

The bank and other borrowings of Shanghai KYMS for the year ended 31 December 2019 are set out as follows:

Unit: RMB

Loan approach	Loan provider	Loan size	Start date	Duration	Interest Rate(%)
				Termination date	
Guarantee	Zhejiang Tailong Commercial Bank Co., Ltd. (Zhabei Branch) (浙江泰隆商業銀行閘北支行)	2,200,000.00	21 October 2019	15 October 2020	9.852
Guarantee	Bank of China(Minhang, Shanghai Branch) (中國銀行上海市閘行支行)	15,000,000.00	30 January 2019	25 October 2019	6.20
Entrusted loan	Bank of Shanghai (pudong Branch) (上海銀行浦東分行)	40,000,000.00	15 August 2019	15 August 2021	8.50
Guarantee, pledge	東莞市展生實業投資有限公司	5,000,000.00	25 April 2019	22 August 2019	0
Guarantee, pledge	Shan Shan Fullin Factoring Co., Ltd. (杉杉富銀商業保理有限公司)	10,000,000.00	25 October 2019	30 October 2021	13.00
Guarantee, pledge	Shan Shan Fullin Factoring Co., Ltd. (杉杉富銀商業保理有限公司)	15,000,000.00	20 November 2019	30 September 2021	13.00
Guarantee, pledge	Chongqing Changjiang Financial Factoring Co., Ltd. (重慶長江金融保理有限公司)	2,000,000.00	20 August 2019	23 January 2020	12.00
Guarantee	Chailease International Finance Corporation (仲利國際租賃有限公司)	4,000,000.00	26 April 2019	26 April 2022	6.25
		<u>93,200,000.00</u>			

The bank and other borrowings of Shanghai KYMS for the year ended 31 December 2020 are set out as follows:

Unit: RMB

Loan approach	Loan provider	Loan size	Start date	Duration	Interest rate (%)
				Termination date	
Credit loan	Bank of Shanghai, Jingan Branch (上海銀行靜安支行)	5,000,000.00	22 January 2020	22 January 2021	5.22
Credit loan	Bank of Shanghai, Jingan Branch (上海銀行靜安支行)	5,000,000.00	17 December 2020	17 December 2021	4.85
Credit loan	Tailong Bank, Zhabei Branch* (泰隆銀行閘北支行)	2,200,000.00	13 October 2020	13 October 2021	9.18
Credit loan	Shanghai Minhang Venture Relay Microfinance Co., Ltd.* (上海閔行創業接力小額貸款股份有限公司)	2,000,000.00	17 December 2020	16 March 2021	14.40
Credit loan	Shanghai Baoshan Yangzi Village Bank* (上海寶山楊子鎮銀行)	3,000,000.00	20 May 2020	20 May 2021	5.50
Credit loan	Bank of Ningbo, Shanghai Branch (寧波銀行上海分行)	2,000,000.00	26 August 2020	18 August 2021	5.00
Credit loan	Chailease International Finance Corp. (仲利國際租賃有限公司)	1,500,000.00	15 June 2020	15 June 2023	6.13
Credit loan	Rural Commercial Bank, Baode Road Branch (農商銀行保德路支行)	5,000,000.00	9 October 2020	8 October 2023	4.65
Credit loan	SPD Bank, Putuo Branch (浦發銀行普陀支行)	10,000,000.00	23 July 2020	22 July 2022	9.00
Credit loan	SPD Bank, Putuo Branch (浦發銀行普陀支行)	10,000,000.00	7 September 2020	6 September 2022	9.00
		<u>45,700,000.00</u>			

The bank and other borrowings of Shanghai KYMS for the six months ended 30 June 2021 are set out as follows:

Loan approach	Loan provider	Type of Loan Provider	Loan size	Duration		Interest Rate (%)
				Start date	Termination date	
Credit loan	Bank of Shanghai, Jingan Branch (上海銀行靜安支行)	Bank	5,000,000.00	3 March 2021	3 March 2022	4.85
Credit loan	Bank of Shanghai, Jingan Branch (上海銀行靜安支行)	Bank	5,000,000.00	17 December 2020	17 December 2021	4.85
Credit loan	Tailong Bank, Zhabei Branch* (泰隆銀行閘北支行)	Bank	2,200,000.00	13 October 2020	13 October 2021	9.18
Credit loan	Shanghai Minhang Venture Relay Microfinance Co., Ltd.* (上海閔行創業接力小額貸款股份 有限公司)	Non-Banking Financial Institution	2,000,000.00	1 June 2021	29 August 2021	9
Credit loan	Shanghai Baoshan Yangzi Village Bank* (上海寶山楊子鎮銀行)	Bank	3,000,000.00	14 May 2021	14 May 2022	5.50
Credit loan	Bank of Ningbo, Shanghai Branch (寧波銀行上海分行)	Bank	2,000,000.00	26 August 2020	18 August 2021	5.00
Credit loan	Chailease International Finance Corp. (仲利國際租賃有限公司)	Non-Banking Financial Institution	1,500,000.00	15 June 2020	15 June 2023	6.13
Credit loan	Rural Commercial Bank, Jingan Branch (農商銀行靜安支行)	Bank	5,000,000.00	9 October 2020	8 October 2023	4.65
Credit loan	SPD Bank, Putuo Branch (浦發銀行普陀支行)	Bank	10,000,000.00	23 July 2020	22 July 2022	9.00
Credit loan	SPD Bank, Putuo Branch (浦發銀行普陀支行)	Bank	10,000,000.00	7 September 2020	6 September 2022	9.00
Credit loan	Rural Commercial Bank, Jingan Branch (農商銀行靜安支行)	Bank	10,000,000.00	29 June 2021	28 June 2026	5.65
Credit loan	Rural Commercial Bank, Jingan Branch (農商銀行靜安支行)	Bank	5,000,000.00	4 January 2021	3 January 2022	4.00
Credit loan	Rural Commercial Bank, Jingan Branch (農商銀行靜安支行)	Bank	5,000,000.00	26 March 2021	25 March 2022	3.65
			<u>65,700,000.00</u>			

16. Analysis of major holding and invested companies

For the year ended 31 December 2018:

As of 31 December 2017, Shanghai KYMS had 4 holding subsidiaries. Together with 7 new holding subsidiaries with no subsidiary disposed of in 2018, Shanghai KYMS had 11 holding subsidiaries and 0 invested subsidiaries as of 31 December 2018, of which the holding subsidiaries whose net profit accounted for more than 10% of the consolidated net profit include Shanghai Darun Gongjiang Investment Management Co., Ltd. (上海達潤工匠投資管理有限公司), Shanghai Kuaichang Chuangke Space Management Co., Ltd. (上海快長創客空間管理有限公司), Shanghai Kuaiming Enterprise Management Co., Ltd. (上海快銘企業管理有限公司) and Shanghai Kuaijie Enterprise Management Co., Ltd. (上海快頤企業管理有限公司). The details of the holding subsidiaries of Shanghai KYMS are as follows:

- (1) Shanghai Darun Gongjiang Investment Management Co., Ltd. (上海達潤工匠投資管理有限公司), Date of Establishment: 2 December 2009; Registered Address: Room 306, No. 555 Wuding Road, Jing'an District, Shanghai; Legal Representative: Shi Yan (施豔); Registered Capital: RMB1,000,000, 100.00% of shares held by Shanghai Kuaiyi Mingshang Enterprise Development Co., Ltd. (上海快易名商企業發展股份有限公司); Scope of Business: Investment management, enterprise management, office equipment lease, exhibition and conference services, property management, retail of prepackaged food (excluding cooked marinated food and frozen and refrigerated food).

As of 31 December 2018, the company had total assets of RMB1,054,700 and net assets of RMB8,200. For the year of 2018, the company recorded operating revenue of RMB1,288,200, operating profit of RMB-114,400 and net profit of RMB-114,000. The operating revenue was derived from the property service fees paid by project companies, which were retained as strategic preparation for the expected business expansion.

- (2) Shanghai Weiwo Investment Management Co., Ltd. (上海瑋沃投資管理有限公司), Date of Establishment: 28 September 2009; Registered Address: Room B01, No. 622 Shunchang Road, Huangpu District, Shanghai; Legal Representative: Wang Fuhua (王輔哈); Registered Capital: RMB600,000, 100.00% of shares held by Shanghai Kuaiyi Mingshang Enterprise Development Co., Ltd. (上海快易名商企業發展股份有限公司); Scope of Business: Investment management (except for equity investment and equity investment management), enterprise management, office equipment lease, exhibition and conference services, exhibition & display services.

As of 31 December 2018, the company had total assets of RMB45,600 and net assets of RMB40,500. For the year of 2018, the company recorded operating revenue of RMB0, operating profit of RMB-700 and net profit of RMB19,300. The company currently has not carried out business, which is for the purpose of strategic preparation for the expected business expansion of Shanghai KYMS.

- (3) Shanghai Kuaichang Chuangke Space Management Co., Ltd. (上海快長創客空間管理有限公司), Date of Establishment: 23 December 2015; Registered Address: Room 101, No. 276 Ningbo Road, Huangpu District, Shanghai; Registered Capital: RMB2,000,000, among which, RMB1,020,000 contributed by the Company and RMB980,000 contributed by Shanghai Changjiang Asset Management Co., Ltd. (上海長江資產經營有限公司), accounting for 51.00% and 49.00% of the registered capital, respectively. Shanghai Kuaichang Chuangke Space Management Co., Ltd. (上海快長創客空間管理有限公司) is in charge of the operation and management of project at No. 276 Ningbo Road.

As of 31 December 2018, the company had total assets of RMB6,305,400 and net assets of RMB3,130,500. For the year of 2018, the company recorded operating revenue of RMB6,385,600, operating profit of RMB1,058,500 and net profit of RMB791,300. Such holding joint venture is in the normal course of business with in charge of the operation and management of the project at No. 276 Ningbo Road, Huangpu District, which occupancy rate has maintained at 98%.

- (4) Shanghai Kuaiming Enterprise Management Co., Ltd. (上海快銘企業管理有限公司), Date of Establishment: 17 April 2018; Registered Address: Room 101, No. 1 Anyuan Road, Jing'an District, Shanghai; Registered Capital: RMB3,000,000, among which, RMB1,530,000 contributed by the Company and RMB1,470,000 contributed by Shanghai Da'an Jiaming Investment Management Co., Ltd. (上海達安嘉銘投資管理有限公司), accounting for 51.00% and 49.00% of the registered capital, respectively. Shanghai Kuaiming Enterprise Management Co., Ltd. (上海快銘企業管理有限公司), is in charge of the operation and management of project at No. 1 Anyuan Road.

As of 31 December 2018, the company had total assets of RMB9,173,000 and net assets of RMB2,266,400. For the year of 2018, the company recorded operating revenue of RMB592,200, operating profit of RMB-733,600 and net profit of RMB-733,600. The project was at early renovation for floor stratifying and advertising for partial lease. The building was designed with 4 floors and the renovation of the 4th and ground floors as well as the overall façade of the building got started in May 2018 and completed basically in September 2018, followed by the advertising for lease of the 4th floor. As of the end of the reporting period, the occupancy rate of the 4th floor reached 80% smoothly. As of

the date of the report being printed, the ground to the 3rd floors was already in renovation with partial areas thereof being pre-leased and the overall occupancy rate reached 42.03%.

- (5) Shanghai Kuaizhuo Apartment Management Co., Ltd. (上海快卓公寓管理有限公司), Date of Establishment: 28 November 2018; Registered Address: Room 209, No. 599 Lingling Road, Xuhui District, Shanghai; Registered Capital: RMB500,000, 100.00% of shares held by Shanghai Kuaiyi Mingshang Enterprise Development Co., Ltd. (上海快易名商企業發展股份有限公司); Shanghai Kuaizhuo Apartment Management Co., Ltd. (上海快卓公寓管理有限公司) is in charge of the operation and management of project at No. 83 Huizhan Street.

As of 31 December 2018, the company had total assets of RMB2,206,200 and net assets of RMB500,000. For the year of 2018, the company recorded operating revenue of RMB0, operating profit of RMB0 and net profit of RMB0. The project was at early-stage of renovation and began preliminary surveying and pipe transformation after the delivery in December 2018.

- (6) Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. (北京快易天地企業管理有限公司), Date of Establishment: 19 April 2018; Registered Address: Room 101-7, 1/F, Building 17, Fuxiali, Changqian Garden, Haidian District, Beijing; Registered Capital: RMB50,000,000, among which, RMB25,500,000 contributed by the Company and RMB24,500,000 by Beijing Dayuan Tiandi Real Estate Brokerage Co., Ltd. (北京大苑天地房地產經紀有限公司), accounting for 51.00% and 49.00% of the registered capital, respectively. Scope of Business: Enterprise management, enterprise management consultation, property management, etc.

As of 31 December 2018, the company had total assets of RMB49,988,300 and net assets of RMB49,988,300. For the year of 2018, the company recorded operating revenue of RMB0, operating profit of RMB-11,700 and net profit of RMB-11,700. At present, such holding joint venture wholly owns Shanghai Kuaijie Enterprise Management Co., Ltd. (上海快頤企業管理有限公司), and Shanghai Kuaijie Enterprise Management Co., Ltd. (上海快頤企業管理有限公司) is responsible for the operation and management of Hongqiao Wantong Project at No. 333 Suhong Road, Shanghai.

- (7) Shanghai Kuaijie Enterprise Management Co., Ltd. (上海快頡企業管理有限公司), Date of Establishment: 1 November 2017; Registered Address: Room 218, No. 333 Suhong Road, Minhang District, Shanghai; The registered capital is RMB20,000,000, and it is wholly owned by the holding joint venture, Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. (北京快易天地企業管理有限公司). Scope of Business: Enterprise management, property management, office equipment lease, etc.. Shanghai Kuaijie Enterprise Management Co., Ltd. (上海快頡企業管理有限公司) is responsible for the operation and management of Hongqiao Wantong Project at No. 333 Suhong Road.

As of 31 December 2018, the company had total assets of RMB60,606,500 and net assets of RMB522,300. For the year of 2018, the company recorded operating revenue of RMB0, operating profit of RMB-477,700 and net profit of RMB-477,700. The project is at early-stage of renovation.

- (8) Shanghai Kuaiye Enterprise Management Co., Ltd. (上海快也企業管理有限公司), Date of Establishment: 15 May 2018; Registered Address: Room J3038, Building 4, Block B, No.925 Yecheng Road, Jiading Industrial Zone, Shanghai; The registered capital is RMB10,000,000, with 100.00% of shares held by Shanghai Kuaiyi Mingshang Enterprise Development Co., Ltd.(上海快易名商企業發展股份有限公司); Scope of Business: Enterprise management, property management, office equipment lease, etc.

As of 31 December 2018, the company had total assets of RMB749,600 and net assets of RMB0. For the year of 2018, the company recorded operating revenue of RMB0, operating profit of RMB0 and net profit of RMB0. The company currently has not carried out business, which is for the purpose of strategic preparation for the expected business expansion of Shanghai KYMS.

- (9) Shanghai Lanzi Network Technology Co., Ltd. (上海嵐孜網絡科技有限公司), Date of Establishment: 15 March 2017; Registered Address: Room 208, No. 599 Lingling Road, Xuhui District, Shanghai; Registered Capital: RMB5,000,000; 100.00% of shares held by Shanghai Kuaiyi Mingshang Enterprise Development Co., Ltd. (上海快易名商企業發展股份有限公司); Scope of Business: Technology development, technology transfer, technology consulting services in fields of network technology and information technology and property management, etc.

As of 31 December 2018, the company had total assets of RMB0 and net assets of RMB-1,100. For the year of 2018, the company recorded operating revenue of RMB0, operating profit of RMB-1,100 and net profit of RMB-1,100. The company currently has not carried out business, which is for the purpose of strategic preparation for the expected business expansion of Shanghai KYMS.

- (10) Shanghai Kuaiqin Enterprise Management Co., Ltd. (上海快沁企業管理有限公司), Date of Establishment: 25 May 2018; Registered Address: Room J3085, Building 4, Block B, No.925, Yecheng Road, Jiading Industrial Zone, Shanghai; Registered Capital: RMB10,000,000; 100.00% of shares held by Shanghai Kuaiyi Mingshang Enterprise Development Co., Ltd. (上海快易名商企業發展股份有限公司); Scope of Business: Corporation management, property management and office equipment rental services, etc. The company currently has not carried out business, which is for the purpose of strategic preparation for the expected business expansion of Shanghai KYMS.
- (11) Shanghai Kuaizheng Decoration Design Co., Ltd. (上海快徵裝飾設計有限公司), Date of Establishment: 22 June 2018; Registered Address: Room J3086, Building 4, Block B, No.925 Yecheng Road, Jiading Industrial Zone, Shanghai; Registered Capital: RMB5,000,000, among which, RMB2,550,000 contributed by the Company and 2,450,000 capital contributed by Li Siqi, accounting for 51.00% and 49.00% of the registered capital, respectively. Scope of Business: Indoor and outdoor decoration design, urban planning and design, and the integration of design and construction in respect of building decoration and renovation engineering. The company currently has not carried out business, which is for the purpose of strategic preparation for the expected business expansion of Shanghai KYMS.

For the year ended 31 December 2019:

As of 31 December 2018, Shanghai KYMS had 11 holding subsidiaries. Together with 1 new holding subsidiaries with no subsidiary disposed of in 2019, Shanghai KYMS had 12 holding subsidiaries and 0 invested subsidiaries as of 31 December 2019, of which the holding subsidiaries whose net profit accounted for more than 10% of the consolidated net profit include Shanghai Kuaichang Chuangke Space Management Co., Ltd. (上海快長創客空間管理有限公司), Shanghai Kuaiming Enterprise Management Co., Ltd. (上海快銘企業管理有限公司), Shanghai Kuaijie Enterprise Management Co., Ltd. (上海快頤企業管理有限公司), Shanghai Kuaizhuo Apartment Management Co., Ltd. (上海快卓公寓管理有限公司), Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. (北京快易天地企業管理有限公司) and Shanghai Kuaiqin Enterprise Management Co., Ltd. (上海快沁企業管理有限公司). The details of the holding subsidiaries of Shanghai KYMS are as follows:

- (1) Shanghai Darun Gongjiang Enterprise Management Co., Ltd. (上海達潤工匠企業管理有限公司), Date of Establishment: 2 December 2009; Registered Address: Room 306, No. 555 Wuding Road, Jing'an District, Shanghai; Legal Representative: Shi Yan (施豔); Registered Capital: RMB1,000,000, 100.00% of shares held by Shanghai Kuaiyi Mingshang Enterprise Development Co., Ltd. (上海快易名商企業發展股份有限公司); Scope of Business: Investment management, enterprise management, office equipment lease, exhibition and conference services, property management, retail of prepackaged food (excluding cooked marinated food and frozen and refrigerated food).

As of 31 December 2019, the company had total assets of RMB2,313,600 and net assets of RMB-8,900. For the year of 2019, the company recorded operating revenue of RMB1,224,600, operating profit of RMB-17,800 and net profit of RMB-17,000. The operating revenue was derived from the property service fees paid by project companies, which were retained as strategic preparation for the expected business expansion.

- (2) Shanghai Weiwo Investment Management Co., Ltd. (上海瑋沃投資管理有限公司), Date of Establishment: 28 September 2009; Registered Address: Room B01, No. 622 Shunchang Road, Huangpu District, Shanghai; Legal Representative: Wang Fuhan (王輔晗); Registered Capital: RMB600,000, 100.00% of shares held by Shanghai Kuaiyi Mingshang Enterprise Development Co., Ltd. (上海快易名商企業發展股份有限公司); Scope of Business: Investment management (except for equity investment and equity investment management), enterprise management, office equipment lease, exhibition and conference services, exhibition & display services.

As of 31 December 2019, the company had total assets of RMB44,700 and net assets of RMB39,600. For the year of 2019, the company recorded operating revenue of RMB0, operating profit of RMB-900 and net profit of RMB-900. The company currently has not carried out business, which is for the purpose of strategic preparation for the expected business expansion of Shanghai KYMS.

- (3) Shanghai Kuaichang Chuangke Space Management Co., Ltd. (上海快長創客空間管理有限公司), Date of Establishment: 23 December 2015; Registered Address: Room 101, No. 276 Ningbo Road, Huangpu District, Shanghai; Registered Capital: RMB2,000,000, among which, RMB1,020,000 contributed by the Company and RMB980,000 contributed by Shanghai Changjiang Asset Management Co., Ltd. (上海長江資產經營有限公司), accounting for 51.00% and 49.00% of the registered capital, respectively. Shanghai Kuaichang Chuangke Space Management Co., Ltd. (上海快長創客空間管理有限公司) is in charge of the operation and management of project at No. 276 Ningbo Road.

As of 31 December 2019, the company had total assets of RMB6,299,000 and net assets of RMB3,662,900. For the year of 2019, the company recorded operating revenue of RMB5,789,900, operating profit of RMB589,300 and net profit of RMB532,400. Such holding joint venture is in the normal course of business with in charge of the operation and management of the project at No. 276 Ningbo Road, Huangpu District, which occupancy rate maintains above 90%.

- (4) Shanghai Kuaiming Enterprise Management Co., Ltd. (上海快銘企業管理有限公司), Date of Establishment: 17 April 2018; Registered Address: Room 101, No. 1 Anyuan Road, Jing'an District, Shanghai; Registered Capital: RMB3,000,000, among which, RMB1,530,000 contributed by the Company and RMB1,470,000 contributed by Shanghai Da'an Jiaming Investment Management Co., Ltd. (上海達安嘉銘投資管理有限公司), accounting for 51.00% and 49.00% of the registered capital, respectively. Shanghai Kuaiming Enterprise Management Co., Ltd. (上海快銘企業管理有限公司), is in charge of the operation and management of project at No. 1 Anyuan Road.

As of 31 December 2019, the company had total assets of RMB21,710,200 and net assets of RMB3,132,700. For the year of 2019, the company recorded operating revenue of RMB6,207,900, operating profit of RMB1,332,800 and net profit of RMB866,300. The holding joint venture was advertising for lease and in charge of the operation and management of project at No. 1 Anyuan Road. The building currently is advertising for lease, which was designed with 4 floors and the renovation of the 4th and ground floors as well as the overall façade of the building got started in May 2018. The renovation of the ground to the 3rd floors was commenced on January 2019. As of the end of the period, the overall occupancy rate reached 88.05%.

- (5) Shanghai Kuaizhuo Apartment Management Co., Ltd. (上海快卓公寓管理有限公司), Date of Establishment: 28 November 2018; Registered Address: Room 209, No. 555 Lingling Road, Xuhui District, Shanghai (上海市徐匯區零陵路599號209室); Registered Capital: RMB500,000, 100.00% of shares held by Shanghai Kuaiyi Mingshang Enterprise Development Co., Ltd.(上海快易名商企業發展股份有限公司); Shanghai Kuaizhuo Apartment Management Co., Ltd. (上海快卓公寓管理有限公司) is in charge of the operation and management of project at No. 83 Huizhan Street.

As of 31 December 2019, the company had total assets of RMB23,742,100 and net assets of RMB95,900. For the year of 2019, the company recorded operating revenue of RMB175,500, operating profit of RMB-406,100 and net profit of RMB-404,100. The project was advertising for lease on October 2019. As of the end of the period, the occupancy rate was 30.88%.

- (6) Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. (北京快易天地企業管理有限公司), Date of Establishment: 19 April 2018; Registered Address: Room 101-7, 1/F, Building 17, Fuxiali, Changqian Garden, Haidian District, Beijing(北京市海澱區暢茜園馥霞裡17號樓1層101-7號); Registered Capital: RMB100,000,000, among which, RMB35,700,000 contributed by the Company and RMB34,300,000 by Beijing Dayuan Tiandi Real Estate Brokerage Co., Ltd. (北京大苑天地房地產經紀有限責任公司), accounting for 51.00% and 49.00% of the registered capital, respectively. Scope of Business: Enterprise management, enterprise management consultation, property management, etc.

As of 31 December 2019, the company had total assets of RMB70,469,100 and net assets of RMB69,819,100. For the year of 2019, the company recorded operating revenue of RMB596,500, operating profit of RMB-169,200 and net profit of RMB-169,200. At present, such holding joint venture is in charge of the operation and management of project at Jinbao Street, Beijing, and wholly owns Shanghai Kuaijie Enterprise Management Co., Ltd. (上海快頡企業管理有限公司), and Shanghai Kuaijie Enterprise Management Co., Ltd. (上海快頡企業管理有限公司) is responsible for the operation and management of Hongqiao Wantong Project at No. 333 Suhong Road, Shanghai.

- (7) Shanghai Kuaijie Enterprise Management Co., Ltd. (上海快頡企業管理有限公司), Date of Establishment: 1 November 2017; Registered Address: Room 218, No. 333 Suhong Road, Minhang District, Shanghai; The registered capital is RMB20,000,000, and it is wholly owned by the holding joint venture, Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. (北京快易天地企業管理有限公司). Scope of Business: Enterprise management, property management, office equipment lease, etc.. Shanghai Kuaijie Enterprise Management Co., Ltd. (上海快頡企業管理有限公司) is responsible for the operation and management of Hongqiao Wantong Project at No. 333 Suhong Road.

As of 31 December 2019, the company had total assets of RMB116,760,400 and net assets of RMB500,500. For the year of 2019, the company recorded operating revenue of RMB19,671,400, operating profit of RMB1,189,000 and net profit of RMB978,200. The project was advertising for lease during the period. As of the end of the period, the occupancy rate had reached 94.17%.

- (8) Shanghai Kuaiye Enterprise Management Co., Ltd. (上海快也企業管理有限公司), Date of Establishment: 15 May 2018; Registered Address: Room J3083, Building 4, Block B, No.925 Yecheng Road, Jiading Industrial Zone, Shanghai; The registered capital is RMB10,000,000, with 100.00% of shares held by Shanghai Kuaiyi Mingshang Enterprise Development Co., Ltd.(上海快易名商企業發展股份有限公司); Scope of Business: Enterprise management, property management, office equipment lease, etc.

As of 31 December 2019, the company had total assets of RMB20,000 and net assets of RMB00,000. For the year of 2019, the company recorded operating revenue of RMB00,000, operating profit of RMB00,000 and net profit of RMB00,000. The company currently has not carried out business, which is for the purpose of strategic preparation for the expected business expansion of Shanghai KYMS.

- (9) Shanghai Lanzi Network Technology Co., Ltd. (上海嵐孜網絡科技有限公司), Date of Establishment: 15 March 2017; Registered Address: Room 208, No. 599 Lingling Road, Xuhui District, Shanghai; Registered Capital: RMB5,000,000; 100.00% of shares held by Shanghai Kuaiyi Mingshang Enterprise Development Co., Ltd. (上海快易名商企業發展股份有限公司); Scope of Business: Technology development, technology transfer, technology consulting in fields of network technology and information technology and property management etc.

As of 31 December 2019, the company had total assets of RMB38,300 and net assets of RMB-2,200. For the year of 2019, the company recorded operating revenue of nil, operating profit of RMB-1,200 and net profit of RMB-1,200; The company currently has not carried out business, which is for the purpose of strategic preparation for the expected business expansion of Shanghai KYMS.

- (10) Shanghai Kuaiqin Enterprise Management Co., Ltd. (上海快沁企業管理有限公司), Date of Establishment: 25 May 2018; Registered Address: Room 409, 4/F, No.1 Anyuan Road, Jingan District, Shanghai; Registered capital is RMB10,000,000, of which the Company contributed capital of RMB2,000,000, accounting for 20.00% of the registered capital, Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. (北京快易天地企業管理有限公司), a holding joint venture, contributed capital of RMB8,000,000, accounting for 80.00% of the registered capital; Scope of Business: Corporation management, property management and office equipment rental services, etc.. Shanghai Kuaiqin Enterprise Management Co., Ltd. is responsible for the operation and management of Project Beier in No.525 North Xizang Road.

As of 31 December 2019, the company had total assets of RMB35,007,200 and net assets of RMB-360,800. For the year of 2019, the company recorded operating revenue of RMB64,600, operating profit of RMB-271,500 and net profit of RMB-360,800. The project is still being reconstructed during the Period.

- (11) Shanghai Kuaizheng Decoration Design Co., Ltd. (上海快徵裝飾設計有限公司), Date of Establishment: 22 June 2018; Registered Address: Room J3086, Building 4, Block B, No.925 Yecheng Road, Jiading Industrial Zone, Shanghai; Registered Capital: RMB5,000,000, among which, RMB2,550,000 contributed by the Company and 2,450,000 capital contributed by Li Siqi, accounting for 51.00% and 49.00% of the registered capital, respectively. Scope of Business: Indoor and outdoor decoration design, urban planning and design, and the integration of design and construction in respect of building decoration and renovation engineering. The company currently has not carried out business, which is for the purpose of strategic preparation for the expected business expansion of Shanghai KYMS.

- (12) Shanghai Mingyuan Enterprise Development Co., Ltd.(上海銘苑企業發展有限公司), Date of Establishment: 6 November 2019; Registered Address: No.492 Qiaosong Road, Chongming District, Shanghai; The registered capital is RMB10,000,000, of which the Company contributed capital of RMB2,450,000, accounting for 24.50% of the registered capital, Shanghai Da'an Jiaming Investment Management Co., Ltd. (上海達安嘉銘投資管理有限公司) contributed capital of RMB2,450,000, accounting for 24.50% of the registered capital, Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. (北京快易天地企業管理有限公司), a holding joint venture, contributed capital of RMB5,100,000, accounting for 51.00% of the registered capital; Scope of Business: Corporation management, commercial information consultation and corporate management consultation, etc.. The company currently has not carried out business, which is for the purpose of strategic preparation for the expected business expansion of Shanghai KYMS.

For the year ended 31 December 2020:

As of 31 December 2019, Shanghai KYMS had 12 holding subsidiaries. Together with 4 new holding subsidiaries and 1 new invested subsidiary with no subsidiary disposed of in 2020, Shanghai KYMS had 16 holding subsidiaries and 1 invested subsidiary as of 31 December 2020, of which the holding subsidiaries whose net profit accounted for more than 10% of the consolidated net profit include Shanghai Kuaichang Chuangke Space Management Co., Ltd. (上海快長創客空間管理有限公司), Shanghai Kuaiming Enterprise Management Co., Ltd. (上海快銘企業管理有限公司), Shanghai Kuaijie Enterprise Management Co., Ltd. (上海快頡企業管理有限公司), Shanghai Kuaizhuo Apartment Management Co., Ltd. (上海快卓公寓管理有限公司), Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. (北京快易天地企業管理有限公司) and Shanghai Kuaiqin Enterprise Management Co., Ltd. (上海快沁企業管理有限公司). The details of the holding subsidiaries and invested subsidiaries of Shanghai KYMS are as follows:

- (1) Shanghai Darun Gongjiang Enterprise Management Co., Ltd. (上海達潤工匠企業管理有限公司), Date of Establishment: 2 December 2009; Registered Address: Room 306, No. 555 Wuding Road, Jing'an District, Shanghai; Legal Representative: Shi Yan (施豔); Registered Capital: RMB40,000,000, 100.00% of shares held by Shanghai KYMS Cloud Technology Co., Ltd. (上海快易名商雲科技股份有限公司); Scope of Business: Enterprise management, office equipment lease, exhibition and conference services, property management, food sales and catering management.

- (2) Shanghai Weiwo Enterprise Management Co., Ltd. (上海瑋沃企業管理有限公司), Date of Establishment: 28 September 2009; Registered Address: Room 123, Building 2, No. 525 North Xizang Road, Jingan District, Shanghai; Legal Representative: Wang Fuhan (王輔晗); Registered Capital: RMB6,000,000, 100.00% of shares held by Shanghai KYMS Cloud Technology Co., Ltd. (上海快易名商雲科技股份有限公司); Scope of Business: Enterprise management, office equipment lease, property management, exhibition and conference services, exhibition & display services.
- (3) Shanghai Kuaichang Chuangke Space Management Co., Ltd. (上海快長創客空間管理有限公司), Date of Establishment: 23 December 2015; Registered Address: Room 101, No. 276 Ningbo Road, Huangpu District, Shanghai; Registered Capital: RMB2,000,000, among which, RMB1,020,000 contributed by the Company and RMB980,000 contributed by Shanghai Changjiang Asset Management Co., Ltd. (上海長江資產經營有限公司), accounting for 51.00% and 49.00% of the registered capital, respectively. Shanghai Kuaichang Chuangke Space Management Co., Ltd. (上海快長創客空間管理有限公司) is in charge of the operation and management of project at No. 276 Ningbo Road.
- (4) Shanghai Kuaiming Enterprise Management Co., Ltd. (上海快銘企業管理有限公司), Date of Establishment: 17 April 2018; Registered Address: Room 101, No. 1 Anyuan Road, Jing'an District, Shanghai; Registered Capital: RMB3,000,000, among which, RMB1,530,000 contributed by the Company and RMB1,470,000 contributed by Shanghai Da'an Jiaming Investment Management Co., Ltd. (上海達安嘉銘投資管理有限公司), accounting for 51.00% and 49.00% of the registered capital, respectively. Shanghai Kuaiming Enterprise Management Co., Ltd. (上海快銘企業管理有限公司) is in charge of the operation and management of project at No. 1 Anyuan Road.
- (5) Shanghai Kuaizhuo Apartment Management Co., Ltd. (上海快卓公寓管理有限公司), Date of Establishment: 28 November 2018; Registered Address: Room 209, No. 599 Lingling Road, Xuhui District, Shanghai (上海市徐匯區零陵路599號209室); Registered Capital: RMB500,000, 100.00% of shares held by Shanghai Kuaiyi Mingshang Cloud Technology Co., Ltd. (上海快易名商雲科技股份有限公司); Shanghai Kuaizhuo Enterprise Management Co., Ltd. (上海快卓企業管理有限公司) is in charge of the operation and management of project at No. 83 Huizhan Street.

- (6) Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. (北京快易天地企業管理有限公司), Date of Establishment: 19 April 2018; Registered Address: Room 101-7, 1/F, Building 17, Fuxiali, Changqian Garden, Haidian District, Beijing(北京市海澱區暢茜園馥霞裡17號樓1層101-7號); Registered Capital: RMB75,000,000, among which, RMB38,250,000 contributed by the Company and RMB36,750,000 by Beijing Dayuan Tiandi Real Estate Brokerage Co., Ltd. (北京大苑天地房地產經紀有限責任公司), accounting for 51.00% and 49.00% of the registered capital, respectively. Scope of Business: Enterprise management, enterprise management consultation, property management, etc.
- (7) Shanghai Kuaijie Enterprise Management Co., Ltd. (上海快頤企業管理有限公司), Date of Establishment: 1 November 2017; Registered Address: Room 218, No. 333 Suhong Road, Minhang District, Shanghai; The registered capital is RMB20,000,000, and it is wholly owned by the holding joint venture, Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. (北京快易天地企業管理有限公司). Scope of Business: Enterprise management, property management, office equipment lease, etc. Shanghai Kuaijie Enterprise Management Co., Ltd. (上海快頤企業管理有限公司) is responsible for the operation and management of Hongqiao Wantong Project at No. 333 Suhong Road.
- (8) Shanghai Kuaiye Enterprise Management Co., Ltd. (上海快也企業管理有限公司), Date of Establishment: 15 May 2018; Registered Address: Room 109, Building 2, No. 525 Xizang North Road, Jing'an District, Shanghai; The registered capital is RMB10,000,000, with 100.00% of shares held by Shanghai KYMS Cloud Technology Co., Ltd. (上海快易名商雲科技股份有限公司); Scope of Business: Enterprise management, property management, office equipment lease, etc.
- (9) Shanghai Lanzi Network Technology Co., Ltd. (上海嵐孜網絡科技有限公司), Date of Establishment: 15 March 2017; Registered Address: Room 208, No. 599 Lingling Road, Xuhui District, Shanghai; Registered Capital: RMB5,000,000; 100.00% of shares held by Shanghai KYMS Cloud Technology Co., Ltd. (上海快易名商雲科技股份有限公司); Scope of Business: Technology development, technology transfer, technology consulting in fields of network technology and information technology and property management etc.

- (10) Shanghai Kuaiqin Enterprise Management Co., Ltd.(上海快沁企業管理有限公司), Date of Establishment: 25 May 2018; Registered Address: Room 110, Building 2, No. 525 Xizang North Road, Jing 'an District, Shanghai; Registered capital is RMB10,000,000, with 100.00% of shares held by Shanghai KYMS Cloud Technology Co., Ltd. (上海快易名商雲科技股份有限公司); Scope of Business: Corporation management, property management and office equipment rental services, etc. Shanghai Kuaiqin Enterprise Management Co., Ltd. (上海快沁企業管理有限公司) is responsible for the operation and management of Project Beier in No.525 Xizang North Road, Shanghai.
- (11) Shanghai Kuaizheng Decoration Design Co., Ltd. (上海快徵裝飾設計有限公司), Date of Establishment: 22 June 2018; Registered Address: Room J3086, Building 4, Block B, No.925 Yecheng Road, Jiading Industrial Zone, Shanghai; Registered Capital: RMB5,000,000, among which, RMB2,550,000 contributed by the Company and 2,450,000 capital contributed by Li Siqu, accounting for 51.00% and 49.00% of the registered capital, respectively. Scope of Business: Indoor and outdoor decoration design, urban planning and design, and the integration of design and construction in respect of building decoration and renovation engineering. The company currently has not carried out business, which is for the purpose of strategic preparation for the expected business expansion of Shanghai KYMS.
- (12) Shanghai Mingyuan Enterprise Development Co., Ltd.(上海銘苑企業發展有限公司), Date of Establishment: 6 November 2019; Registered Address: No.492 Qiaosong Road, Chengqiao Town, Chongming District, Shanghai; The registered capital is RMB10,000,000, of which the Company contributed capital of RMB2,450,000, accounting for 24.50% of the registered capital, Shanghai Da'an Jiaming Investment Management Co., Ltd. (上海達安嘉銘投資管理有限公司) contributed capital of RMB2,450,000, accounting for 24.50% of the registered capital, Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. (北京快易天地企業管理有限公司), a holding joint venture, contributed capital of RMB5,100,000, accounting for 51.00% of the registered capital. Scope of Business: Corporation management, commercial information consultation and corporate management consultation, etc.. The company currently has not carried out business, which is for the purpose of strategic preparation for the expected business expansion of Shanghai KYMS.

- (13) Shanghai Kuaizhe Enterprise Management Co., Ltd. (上海快喆企業管理有限公司), Date of Establishment: 18 August 2020; Registered Address: No.492, Qiaosong Road, Chengqiao Town, Chongming District, Shanghai (Shanghai Chengqiao Economic Development Zone); 100.00% of shares held by Shanghai KYMS Cloud Technology Co., Ltd. (上海快易名商雲科技股份有限公司); Scope of Business: Corporation management, conference services and technology services, etc.. Shanghai Kuaizhe Enterprise Management Co., Ltd. (上海快喆企業管理有限公司) is responsible for the operation management of Eshan Road Project located in No.101 Eshan Road.
- (14) Shanghai Kuailing Enterprise Management Co., Ltd. (上海快菱企業管理有限公司), Date of Establishment: 18 August 2020; Registered Address: No.492, Qiaosong Road, Chengqiao Town, Chongming District, Shanghai (Shanghai Chengqiao Economic Development Zone); Registered Capital: RMB20,000,000, 100.00% of shares held by Shanghai KYMS Enterprise Development Co., Ltd. (上海快易名商雲科技股份有限公司); Scope of Business: Enterprise management, commercial information consultation and technology development in the field of network technology, etc.. The company currently has not carried out business, which is for the purpose of strategic preparation for the expected business expansion of Shanghai KYMS.
- (15) Shanghai Kuaifeng Office Technology Co., Ltd. (上海快豐辦公科技有限公司), Date of Establishment: 25 August 2020; Registered Address: Room 125, Building 2, No. 525, Xizang North Road, Jing'an District, Shanghai; Registered Capital: RMB10,000,000, 100.00% of shares held by Shanghai KYMS Enterprise Development Co., Ltd. (上海快易名商雲科技股份有限公司); Scope of Business: Property management, technology service, information consultation service and office equipment rental service, etc.. The company currently has not carried out business, which is for the purpose of strategic preparation for the expected business expansion of Shanghai KYMS.
- (16) Shanghai Kuaihui Commercial Management Co., Ltd. (上海快惠商業管理有限公司), Date of Establishment: 22 October 2020; Registered Address: Room 101, Building 2, No. 525, Xizang North Road, Jing'an District, Shanghai; Registered Capital: RMB10,000,000, 100.00% of shares held by Shanghai KYMS Enterprise Development Co., Ltd. (上海快易名商雲科技股份有限公司); Scope of Business: Enterprise management, information consultation service and property management, etc.. The company currently has not carried out business, which is for the purpose of strategic preparation for the expected business expansion of Shanghai KYMS.

- (17) Shanghai Xinyinzhou Investment Management Co., Ltd. (上海新銀洲投資管理有限公司), Date of Establishment: 11 July 2008; Registered Address: Room 103B, 1st Floor, Building 10, No.258 Chengjiaqiao Road, Minhang District, Shanghai; Registered Capital: RMB10,000,000, among which, RMB4,600,000 contributed by the Company, RMB2,500,000 contributed by Qian Ziyan (錢子妍), RMB1,900,000 contributed by Qian Jiangang (錢建鋼) and RMB1,000,000 contributed by Gao Changhui (高長輝), accounting for 46.00%, 25.00%, 19.00% and 10.00% of the registered capital, respectively. Scope of Business: Enterprise management, commercial information consultation and conference affairs consultation, etc.

For the six months ended 30 June 2021:

Shanghai KYMS had 16 holding subsidiaries and 1 invested subsidiary as of 31 December 2020. Together with 7 new holding subsidiaries with 1 subsidiary disposed of for the six months ended 30 June 2021, Shanghai KYMS had 22 holding subsidiaries and 1 invested subsidiary as of 30 June 2021. The details of the holding subsidiaries and invested subsidiaries of Shanghai KYMS are as follows:

- (1) Shanghai Darun Gongjiang Enterprise Management Co., Ltd. (上海達潤工匠企業管理有限公司), Date of Establishment: 2 December 2009; Registered Address: Room 306, No. 555 Wuding Road, Jing'an District, Shanghai; Legal Representative: Shi Yan (施豔); Registered Capital: RMB40.00 million, 100.00% of shares held by Shanghai KYMS Cloud Technology Co., Ltd. (上海快易名商雲科技股份有限公司); Scope of Business: Enterprise management, office equipment lease, exhibition and conference services, property management, food sales and catering management.
- (2) Shanghai Weiwo Enterprise Management Co., Ltd. (上海瑋沃企業管理有限公司), Date of Establishment: 28 September 2009; Registered Address: Room 123, Building 2, No. 525 North Xizang Road, Jingan District, Shanghai; Legal Representative: Wang Fuhan (王輔晗); Registered Capital: RMB0.6 million, 100.00% of shares held by Shanghai KYMS Cloud Technology Co., Ltd. (上海快易名商雲科技股份有限公司); Scope of Business: Enterprise management, office equipment lease, property management, exhibition and conference services, exhibition & display services.

- (3) Shanghai Kuaichang Chuangke Space Management Co., Ltd. (上海快長創客空間管理有限公司), Date of Establishment: 23 December 2015; Registered Address: Room 101, No. 276 Ningbo Road, Huangpu District, Shanghai; Registered Capital: RMB2.00 million, among which, RMB1.02 million contributed by the Company and RMB0.98 million contributed by Shanghai Changjiang Asset Management Co., Ltd. (上海長江資產經營有限公司), accounting for 51.00% and 49.00% of the registered capital, respectively. Shanghai Kuaichang Chuangke Space Management Co., Ltd. (上海快長創客空間管理有限公司) is in charge of the operation and management of project at No. 276 Ningbo Road.
- (4) Shanghai Kuaiming Enterprise Management Co., Ltd. (上海快銘企業管理有限公司), Date of Establishment: 17 April 2018; Registered Address: Room 101, No. 1 Anyuan Road, Jing'an District, Shanghai; Registered Capital: RMB3,000,000, among which, RMB1,530,000 contributed by the Company and RMB1,470,000 contributed by Shanghai Da'an Jiaming Investment Management Co., Ltd. (上海達安嘉銘投資管理有限公司), accounting for 51.00% and 49.00% of the registered capital, respectively. Shanghai Kuaiming Enterprise Management Co., Ltd. (上海快銘企業管理有限公司) is in charge of the operation and management of project at No. 1 Anyuan Road.
- (5) Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. (北京快易天地企業管理有限公司), Date of Establishment: 19 April 2018; Registered Address: Room 101-7, 1/F, Building 17, Fuxiali, Changqian Garden, Haidian District, Beijing; Registered Capital: RMB75,000,000, among which, RMB38,250,000 contributed by the Company and RMB36,750,000 by Beijing Dayuan Tiandi Real Estate Brokerage Co., Ltd. (北京大苑天地房地產經紀有限責任公司), accounting for 51.00% and 49.00% of the registered capital, respectively. Scope of Business: Enterprise management, enterprise management consultation, property management, etc.
- (6) Shanghai Kuaijie Enterprise Management Co., Ltd. (上海快頤企業管理有限公司), Date of Establishment: 1 November 2017; Registered Address: Room 218, No. 333 Suhong Road, Minhang District, Shanghai; Registered Capital : RMB20.00 million, and it is wholly owned by Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. (北京快易天地企業管理有限公司), a holding joint venture. Scope of Business: Enterprise management, property management, office equipment lease, etc. Shanghai Kuaijie Enterprise Management Co., Ltd. (上海快頤企業管理有限公司) is responsible for the operation and management of Hongqiao Wantong Project at No. 333 Suhong Road.

- (7) Shanghai Kuaiye Enterprise Management Co., Ltd. (上海快也企業管理有限公司), Date of Establishment: 15 May 2018; Registered Address: Room 109, Building 2, No. 525 Xizang North Road, Jing'an District, Shanghai; Registered Capital : RMB10.00 million, 100.00% of shares held by Shanghai KYMS Cloud Technology Co., Ltd. (上海快易名商雲科技股份有限公司); Scope of Business: Enterprise management, property management, office equipment lease, etc.
- (8) Shanghai Lanzi Network Technology Co., Ltd. (上海嵐孜網絡科技有限公司), Date of Establishment: 15 March 2017; Registered Address: Room 208, No. 599 Lingling Road, Xuhui District, Shanghai; Registered Capital: RMB5.00 million; 100.00% of shares held by Shanghai KYMS Cloud Technology Co., Ltd. (上海快易名商雲科技股份有限公司); Scope of Business: Technology development, technology transfer, technology consulting in fields of network technology and information technology and property management etc.
- (9) Shanghai Kuaiqin Enterprise Management Co., Ltd. (上海快沁企業管理有限公司), Date of Establishment: 25 May 2018; Registered Address: Room 110, Building 2, No. 525 Xizang North Road, Jing'an District, Shanghai; Registered Capital : RMB10.00 million, 100.00% of shares held by Shanghai KYMS Cloud Technology Co., Ltd. (上海快易名商雲科技股份有限公司); Scope of Business: Corporation management, property management and office equipment rental services, etc. Shanghai Kuaiqin Enterprise Management Co., Ltd. (上海快沁企業管理有限公司) is responsible for the operation and management of Project Beier in No.525 Xizang North Road.
- (10) Shanghai Kuaizheng Decoration Design Co., Ltd. (上海快徵裝飾設計有限公司), Date of Establishment: 22 June 2018; Registered Address: Room J3086, Building 4, Block B, No.925 Yecheng Road, Jiading Industrial Zone, Shanghai; Registered Capital: RMB5,000,000, among which, RMB2,550,000 contributed by the Company and 2,450,000 capital contributed by Li Siqi, accounting for 51.00% and 49.00% of the registered capital, respectively. Scope of Business: Indoor and outdoor decoration design, urban planning and design, and the integration of design and construction in respect of building decoration and renovation engineering. The company currently has not carried out business, which is for the purpose of strategic preparation for the expected business expansion of Shanghai KYMS.

- (11) Shanghai Mingyuan Enterprise Development Co., Ltd. (上海銘苑企業發展有限公司), Date of Establishment: 6 November 2019; Registered Address: No.492 Qiaosong Road, Chengqiao Town, Chongming District, Shanghai; Registered Capital: RMB10.00 million, among which, RMB2.45 million capital contributed by the Company, RMB2.45 million capital contributed by Shanghai Da'an Jiaming Investment Management Co., Ltd. (上海達安嘉銘投資管理有限公司) and RMB5.10 million capital contributed by Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd. (北京快易天地企業管理有限公司), a holding joint venture, accounting for 24.50%, 24.50% and 51.00%, respectively. Scope of Business: Corporation management, commercial information consultation and corporate management consultation, etc.. The company currently has not carried out business, which is for the purpose of strategic preparation for the expected business expansion of Shanghai KYMS.
- (12) Shanghai Kuaizhe Enterprise Management Co., Ltd. (上海快喆企業管理有限公司), Date of Establishment: 18 August 2020; Registered Address: No.492 Qiaosong Road, Chengqiao Town, Chongming District, Shanghai (Shanghai Chengqiao Economic Development Zone); Registered Capital: RMB10,000,000, 100.00% of shares held by Shanghai KYMS Cloud Technology Co., Ltd. (上海快易名商雲科技股份有限公司); Scope of Business: Corporation management, conference service and technology service, etc.. Shanghai Kuaizhe Enterprise Management Co., Ltd. (上海快喆企業管理有限公司) is responsible for the operation management of Eshan Road Project located in No.101 Eshan Road.
- (13) Shanghai Kuailing Enterprise Management Co., Ltd. (上海快菱企業管理有限公司), Date of Establishment: 18 August 2020; Registered Address: No.492, Qiaosong Road, Chengqiao Town, Chongming District, Shanghai (Shanghai Chengqiao Economic Development Zone); Registered Capital: RMB20,000,000, 100.00% of shares held by Shanghai KYMS Cloud Technology Co., Ltd. (上海快易名商雲科技股份有限公司); Scope of Business: Enterprise management, commercial information consultation and technology development in the field of network technology, etc.. The company currently has not carried out business, which is for the purpose of strategic preparation for the expected business expansion of Shanghai KYMS.

- (14) Shanghai Kuaifeng Office Technology Co., Ltd. (上海快豐辦公科技有限公司), Date of Establishment: 25 August 2020; Registered Address: Room 125, Building 2, No. 525, Xizang North Road, Jing'an District, Shanghai; Registered Capital: RMB10,000,000, 100.00% of shares held by Shanghai KYMS Cloud Technology Co., Ltd. (上海快易名商雲科技股份有限公司); Scope of Business: Property management, technology service, information consultation service and office equipment rental service, etc.. The company currently has not carried out business, which is for the purpose of strategic preparation for the expected business expansion of Shanghai KYMS.
- (15) Shanghai Kuaihui Commercial Management Co., Ltd. (上海快惠商業管理有限公司), Date of Establishment: 22 October 2020; Registered Address: Room 101, Building 2, No. 525, Xizang North Road, Jing'an District, Shanghai; Registered Capital: RMB10,000,000, 100.00% of shares held by Shanghai KYMS Cloud Technology Co., Ltd. (上海快易名商雲科技股份有限公司); Scope of Business: Enterprise management, information consultation service and property management, etc.. The company currently has not carried out business, which is for the purpose of strategic preparation for the expected business expansion of Shanghai KYMS.
- (16) Shanghai Kuaipeng Enterprise Management Co., Ltd. (上海快蓬企業管理有限公司), Date of Establishment: 28 May 2021; Registered Address: J, No. 912, Yecheng Road, Jiading Industrial Zone, Shanghai; Registered Capital: RMB500,000, 100.00% of shares held by Shanghai KYMS Cloud Technology Co., Ltd. (上海快易名商雲科技股份有限公司); Scope of Business: Enterprise management, enterprise management consultation and property management, etc.. The company currently has not carried out business, which is for the purpose of strategic preparation for the expected business expansion of Shanghai KYMS.
- (17) Shanghai Kuaiheng Enterprise Management Co., Ltd. (上海快珩企業管理有限公司), Date of Establishment: 1 June 2021; Registered Address: J, No. 912, Yecheng Road, Jiading Industrial Zone, Shanghai; Registered Capital: RMB500,000, 100.00% of shares held by Shanghai KYMS Cloud Technology Co., Ltd. (上海快易名商雲科技股份有限公司); Scope of Business: Enterprise management, enterprise management consultation and property management, etc.. The company currently has not carried out business, which is for the purpose of strategic preparation for the expected business expansion of Shanghai KYMS.

- (18) Shanghai Kuaili Enterprise Management Co., Ltd. (上海快笠企業管理有限公司), Date of Establishment: 2 June 2021; Registered Address: No. 912 J, Yecheng Road, Jiading Industrial Zone, Shanghai (上海市嘉定工業區葉城路912號J) ; Registered Capital: RMB500,000, 100.00% of shares held by Shanghai KYMS Cloud Technology Co., Ltd. (上海快易名商雲科技股份有限公司). Scope of Business: Enterprise management, enterprise management consulting, property management, etc.. The company currently has not carried out business, which is for the purpose of strategic preparation for the expected business expansion of Shanghai KYMS.
- (19) Shanghai Kuaijing Enterprise Management Co., Ltd. (上海快璟企業管理有限公司), Date of Establishment: 8 June 2021; Registered Address: No. 912 J, Yecheng Road, Jiading Industrial Zone, Shanghai (上海市嘉定工業區葉城路912號J) ; Registered Capital: RMB20 million, 100.00% of shares held by Shanghai KYMS Cloud Technology Co., Ltd. (上海快易名商雲科技股份有限公司). Scope of Business: Enterprise management, property management, information system integration service, office service, etc.. The company currently has not carried out business, which is for the purpose of strategic preparation for the expected business expansion of Shanghai KYMS.
- (20) Shanghai Kuaiyu Enterprise Management Co., Ltd. (上海快喻企業管理有限公司), Date of Establishment: 8 June 2021; Registered Address: No. 912 J, Yecheng Road, Jiading Industrial Zone, Shanghai (上海市嘉定工業區葉城路912號J) ; Registered Capital: RMB1 million, 100.00% of shares held by Shanghai KYMS Cloud Technology Co., Ltd. (上海快易名商雲科技股份有限公司). Scope of Business: Enterprise management, property management, information system integration service, office service, etc.. The company currently has not carried out business, which is for the purpose of strategic preparation for the expected business expansion of Shanghai KYMS.
- (21) Shanghai Kuairui Enterprise Management Co., Ltd. (上海快睿企業管理有限公司), Date of Establishment: 16 June 2021; Registered Address: No. 912 J, Yecheng Road, Jiading Industrial Zone, Shanghai (上海市嘉定工業區葉城路912號J) ; Registered Capital: RMB10 million, 100.00% of shares held by Shanghai KYMS Cloud Technology Co., Ltd. (上海快易名商雲科技股份有限公司). Scope of Business: Enterprise management, property management, information system integration service, office service, etc.. The company currently has not carried out business, which is for the purpose of strategic preparation for the expected business expansion of Shanghai KYMS.

- (22) Shanghai Kuaixin Enterprise Management Co., Ltd. (上海快芯企業管理有限公司), Date of Establishment: 18 June 2021; Registered Address: No. 912 J, Yecheng Road, Jiading Industrial Zone, Shanghai (上海市嘉定工業區葉城路912號J); Registered Capital: RMB1 million, 100.00% of shares held by Shanghai KYMS Cloud Technology Co., Ltd. (上海快易名商雲科技股份有限公司). Scope of Business: Enterprise management, property management, information system integration service, office service, etc.. The company currently has not carried out business, which is for the purpose of strategic preparation for the expected business expansion of Shanghai KYMS.
- (23) Shanghai Xinyin Zhou Investment Management Co., Ltd. (上海新銀洲投資管理有限公司), Date of Establishment: 11 July 2008; Registered Address: Room 103B, 1st Floor, Building 10, No.258 Chengjiaqiao Road, Minhang District, Shanghai; Registered Capital: RMB10.00 million, among which, RMB4.60 million contributed by the Shanghai KYMS, RMB2.50 million contributed by Qian Ziyang (錢子妍), RMB1.90 million contributed by Qian Jiangang (錢建綱) and RMB1.00 million contributed by Gao Changhui (高長輝), accounting for 46.00%, 25.00%, 19.00% and 10.00% of the registered capital, respectively. Scope of Business: Enterprise management, commercial information consultation and conference affairs consultation, etc..

Disposal of subsidiaries and investee companies

Name	Ways of disposal of subsidiaries and investee companies during the reporting period	Impact on overall production operations and performance
Shanghai Kuaizhuo Apartment Management Co., Ltd. (上海快卓公寓管理有限公司)	<p>In 2020, Shanghai KYMS held 100% equity interest in Shanghai Kuaizhuo Apartment Management Co., Ltd. (上海快卓公寓管理有限公司), which was included in the consolidated financial statements.</p> <p>On March 2021, Shanghai KYMS transferred its 100% equity interest in Kuaizhuo to Chen Li (陳利). Upon the transfer, Shanghai KYMS no longer held any equity interest in Kuaizhuo Company.</p>	<p>Since Shanghai KYMS no longer held any equity interest in Kuaizhuo, Kuaizhuo was no longer included in the consolidated financial statements of Shanghai KYMS; at the end of the period, the impact of the transfer on the consolidated statements was recognised as investment income.</p>

17. Future development

Upon the Completion of the transaction, Shanghai KYMS will continue to engage in leasing of serviced offices and provision of supporting value-added services, further broaden the scope of business to the first and second tier cities such as Beijing, Shenzhen, Hangzhou and Chengdu. As for operation, Shanghai KYMS will establish a standardized product system of KYMS with the coverage of design, construction, promotion and operation; further enhance smart and information-based products and build smart buildings with Shanghai KYMS characteristic.

This Unaudited Pro Forma Financial Information has been prepared for the purpose of providing shareholders of the Company with information about how the acquisition of 14.35% equity interests in Shanghai KYMS might have affected the financial position of the Group as at 30 June 2021, had the completion of the Second Subscription taken place on 30 June 2021.

The Unaudited Pro Forma Financial Information has been prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purpose only. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the actual financial position of the FY Financial (Shenzhen) Co., Ltd. that would have been attained had the Second Subscription been completed on 30 June 2021. Neither does the Unaudited Pro Forma Financial Information purport to predict the future financial position of the FY Financial (Shenzhen) Co., Ltd.

This Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group following the completion of the Second Subscription.

The Unaudited Pro Forma Financial Information is prepared based on the audited consolidated statement of financial position of the Group as at 30 June 2021, which has been extracted from the interim report of the Company for the six-month period ended 30 June 2021, after making certain pro forma adjustments that are (i) directly attributable to the Second Subscription; and (ii) factually supportable, as further described in the accompanying notes.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.

APPENDIX IV
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**
**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL
POSITION**

	The Group as at 30 June 2021 RMB Note (1)	Pro forma adjustments RMB Note (2)		Unaudited pro forma of the Enlarge Group RMB Note (3)
NON-CURRENT ASSETS				
Property, plant and equipment	720,761			720,761
Intangible asset	2,262,812			2,262,812
Financial asset at fair value through profit or loss ("FVTPL")	5,000,000			5,000,000
Financial asset at fair value through other comprehensive income ("FVTOCI")	–	15,534,858	(15,534,858)	–
Right-of-use assets	1,457,100			1,457,100
Investments in associates	–	–	49,999,997	49,999,997
Deferred tax assets	13,032,600			13,032,600
Accounts receivables	119,744,654			119,744,654
Total non-current assets	142,217,927			192,217,924
CURRENT ASSETS				
Accounts receivable	325,364,176			325,364,176
Bills receivable	–			–
Prepayments, deposits and other receivables	20,401,393			20,401,393
Restricted bank deposits	–			–
Cash and cash equivalents	109,192,843	(15,534,858)	(34,465,139)	59,192,846
Total current assets	454,958,412			404,958,415
CURRENT LIABILITIES				
Other payables and accruals	46,384,237			46,384,237
Interest-bearing bank and other borrowings	21,054,297			21,054,297
Receipts in advance	481,997			481,997
Lease liabilities	963,586			963,586
Tax payables	7,602,911			7,602,911
Total current liabilities	76,487,028			76,487,028
Net current assets	378,471,384			328,471,387
Total assets less current liabilities	520,689,311			520,689,311

APPENDIX IV
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

	The Group as at 30 June 2021 RMB Note (1)	Pro forma adjustments RMB Note (2)	RMB Note (3)	Unaudited pro forma of the Enlarge Group RMB
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	954,507			954,507
Receipts in advance	1,089,427			1,089,427
Deposits from finance lease customers and suppliers	48,511,991			48,511,991
Lease liabilities	522,174			522,174
Total non-current liabilities	<u>51,078,099</u>			<u>51,078,099</u>
Net assets	<u>469,611,212</u>			<u>469,611,212</u>
EQUITY				
Equity attributable to owners of the Company				
Share capital	359,340,000			359,340,000
Reserves	110,271,212			110,271,212
Total equity	<u>469,611,212</u>			<u>469,611,212</u>

Notes:

- (1) The consolidated statement of financial position of the Group as at 30 June 2021 is extracted from the Group's published interim report for the six-month ended 30 June 2021.
- (2) The adjustments represent the financial impact as a result of the First Subscription which has been completed in July 2021. In accordance with HKFRS 9 Financial Instruments, the 7.55% equity interest in Shanghai KYMS will be accounted for as FVTOCI in the consolidated financial statement of the Group.

For the purpose of the unaudited pro forma financial information, the Directors have assessed the cost of this investment as at 30 June 2021 is approximate to the fair value by reference to an independent valuation.

- (3) According to the second Equity Transfer Agreement, the Company will acquire 14.35% equity interest of Shanghai KYMS. The Group has already owned 7.55% of equity interest of Shanghai KYMS in July 2021. Upon the completion of the Second Subscription, the Company will hold 20.81% equity interest of Shanghai KYMS and over which the Company is in the position to exercise significant influences over Shanghai KYMS.

The consideration of the Second Subscription of RMB34,465,139 will be settled in cash, as set out in Letter From The Board to this Circular.

Shanghai KYMS will be accounted for using the equity method of accounting in accordance with HKAS 28 Investments in Associates and Joint Ventures in the consolidated financial statements of the Group. In accordance with HKAS 28, on acquisition of the investment of associates, any difference between the total consideration and the Group's share of the net fair value of Shanghai KYMS's identifiable assets and liabilities is accounted for as follows (a) goodwill relating to an associate is included in the carrying amount of the investment in Shanghai KYMS; or (b) excess of the Group's share of the net fair value of Shanghai KYMS's identifiable assets and liabilities over the total consideration is included as income in the determination of the Group's share of Shanghai KYMS's profit or loss in the period in which the investment is acquired, as illustrated below:

	<i>RMB</i>
The Group's share of the net fair value of the identifiable assets and liabilities of Shanghai KYMS	15,822,655
Fair value of previously-held interest	(15,534,858)
Goodwill	<u>34,177,342</u>
Total Consideration	<u><u>34,465,139</u></u>

For the purpose of this Unaudited Pro Forma Financial Information, the Directors assumed that the Group's share of the net fair value of the identifiable assets and liabilities of Shanghai KYMS is approximate to the carrying value of the 20.81% equity interest of Shanghai KYMS, being RMB15,822,655, which is determined based on the net assets of Shanghai KYMS as at 30 June 2021. Since the fair value of the identifiable net assets of Shanghai KYMS at the acquisition date may be substantially different from the fair value used in the preparation of the Unaudited Pro Forma Financial Information purpose, the goodwill recognised at the completion date may be different from the amount presented above.

The investment cost in Shanghai KYMS are subject to impairment assessment in accordance with HKAS 36 Impairment of Assets, by comparing the recoverable amounts to the carrying amount, wherever there are indicators that the investment may be impaired.

In the opinion of the Directors, there is no impairment indicators that the investment in Shanghai KYMS may be impaired as the assets and liabilities of Shanghai KYMS were carried at fair value at completion date.

- (4) The transaction costs of the Second Subscription are immaterial and have not been taken into account for the purpose of preparing the Unaudited Pro Forma Financial Information.
- (5) Except for Note 2, no adjustments have been made to adjust any trading results or other transactions of the Group and Shanghai KYMS entered into subsequent to 30 June 2021.

The following is the text of a report received from the reporting accountants of the Company, BDO Limited, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this circular, in respect of the unaudited pro forma financial information of the Enlarged Group.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of FY Financial (Shenzhen) Co., Ltd.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of FY Financial (Shenzhen) Co., Ltd. (the **"Company"**) and its subsidiaries (hereinafter collectively referred to as the **"Group"**), Shanghai KYMS Cloud Technology Co., Ltd. (together, the **"Target"**) (the Group and the Target are hereinafter collectively referred to as the **"Enlarged Group"**) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 30 June 2021 and related notes as set out on pages 558 to 561 of the circular dated 22 December 2021 issued by the Company (the **"Circular"**) in connection with the second subscription of 14.35% equity interest in the Target (the **"Second Subscription"**). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described in Appendix IV of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the directors of the Company to illustrate the impact of the Second Subscription on the Group's financial position as at 30 June 2021 as if the Second Subscription had taken place at 30 June 2021. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the Group's financial statements for the year ended 30 June 2021, on which a review report has been published.

DIRECTORS' RESPONSIBILITY FOR THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the **"GEM Listing Rules"**) and with reference to Accounting Guideline 7 (**"AG7"**) *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the **"HKICPA"**).

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is found on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *“Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements”*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

REPORTING ACCOUNTANTS’ RESPONSIBILITIES

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *“Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus”* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of the unaudited pro forma financial information included in the Circular is solely to illustrate the impact of the Second Subscription on the unadjusted financial information of the Group as if the Second Subscription had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Second Subscription would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the Second Subscription, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the Second Subscription in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully,

BDO LIMITED

Certified Public Accountants

Hong Kong

22 December 2021

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Interests and short positions of the Directors, Supervisors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations

As at the Latest Practicable Date, none of the Directors, Supervisors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions taken or deemed to have taken under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register of the Company referred to therein; or (c) were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Interests and short positions of the substantial shareholders of the Company in the Shares and underlying Shares

As at the Latest Practicable Date, to the best knowledge of the Directors, the following persons (other than the Directors, Supervisors and chief executive of the Company) had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Class of Shares	Nature of interest	Shares held in the relevant class of Shares		Shares held in the total share capital of the Company	
			Number ⁽¹⁾	Percentage (approx.)	Number ⁽¹⁾	Percentage (approx.)
Beijing Municipality Dayuan Tiandi Property Development Co., Ltd. (北京市大苑天地房地產開發有限公司) ("Dayuan Tiandi") ⁽²⁾	Domestic shares	Beneficial owner	80,000,000 (L)	66.67%	80,000,000 (L)	22.26%
Mr. Zhao Dehua ⁽²⁾	Domestic shares	Interest of a controlled corporation	80,000,000 (L)	66.67%	80,000,000 (L)	22.26%
Mr. Gong Liang ⁽²⁾	Domestic shares	Interest of a controlled corporation	80,000,000 (L)	66.67%	80,000,000 (L)	22.26%
Shenzhen Zhonglian Financial Holding Investment Development Co., Ltd. (深圳眾聯金控投資發展有限公司) ("Shenzhen Zhonglian") ⁽³⁾	Unlisted foreign shares	Beneficial owner	70,445,200 (L)	47.12%	70,445,200 (L)	19.60%
	Domestic shares	Beneficial owner	5,000,000 (L)	4.17%	5,000,000 (L)	1.39%
Mr. Zheng Bin ⁽³⁾	Unlisted foreign shares	Interest of a controlled corporation	70,445,200 (L)	47.12%	70,445,200 (L)	19.60%
	Domestic shares	Interest of a controlled corporation	5,000,000 (L)	4.17%	5,000,000 (L)	1.39%

APPENDIX V

GENERAL INFORMATION

Name of Shareholder	Class of Shares	Nature of interest	Shares held in the relevant class of Shares		Shares held in the total share capital of the Company	
			Number ⁽¹⁾	Percentage (approx.)	Number ⁽¹⁾	Percentage (approx.)
Beijing Youke Yu Technology Development Co., Ltd. (北京優科玉科技發展有限公司) (“Youke Yu”) ⁽⁴⁾	Unlisted foreign shares	Beneficial owner	46,714,200 (L)	31.25%	46,714,200 (L)	13.00%
Beijing Xinmao Licheng Trading Co., Ltd. (北京鑫茂立成商貿有限公司) (“Xinmao Licheng”) ⁽⁴⁾	Unlisted foreign shares	Interest of a controlled corporation	46,714,200 (L)	31.25%	46,714,200 (L)	13.00%
Mr. Guo Lidong ⁽⁴⁾	Unlisted foreign shares	Interest of a controlled corporation	46,714,200 (L)	31.25%	46,714,200 (L)	13.00%
Mr. Yan Wenge ⁽⁴⁾	Unlisted foreign shares	Interest of a controlled corporation	46,714,200 (L)	31.25%	46,714,200 (L)	13.00%
Beijing Hengsheng Rongcheng Trading Co., Ltd. (北京恆盛融誠商貿有限公司) (“Beijing Hengsheng”) ⁽⁵⁾	Unlisted foreign shares	Beneficial owner	32,340,600 (L)	21.63%	32,340,600 (L)	9.00%
Ms. Wu Yue ⁽⁵⁾	Unlisted foreign shares	Interest of a controlled corporation	32,340,600 (L)	21.63%	32,340,600 (L)	9.00%
KKC Capital SPC – KKC Capital High Growth Fund Segregated Portfolio	H Shares	Beneficial owner	9,408,000 (L)	10.47%	9,408,000 (L)	2.62%
KKC Capital Limited	H Shares	Investment manager	9,408,000 (L)	10.47%	9,408,000 (L)	2.62%
Tiger Capital Fund SPC – Tiger Global SP	H Shares	Beneficial owner	9,318,000 (L)	10.37%	9,318,000 (L)	2.59%
A Plus Capital Management Limited	H Shares	Investment manager	9,318,000 (L)	10.37%	9,318,000 (L)	2.59%

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares or underlying Shares. As at the Latest Practicable Date, the Company issued a total of 359,340,000 Shares, including 120,000,000 Domestic Shares, 89,840,000 H Shares and 149,500,000 Unlisted Foreign Shares.
- (2) Dayuan Tiandi was owned as to 55% by Mr. Zhao Dehua and 45% by Mr. Gong Liang. Mr. Gong Liang is the father of Ms. Gong Xiaoting, an executive Director. By virtue of the SFO, Mr. Zhao Dehua and Mr. Gong Liang were deemed to be interested in the Shares held by Dayuan Tiandi.
- (3) Shenzhen Zhonglian was owned as to 90% by Mr. Zheng Bin. By virtue of the SFO, Mr. Zheng Bin was deemed to be interested in the Shares held by Shenzhen Zhonglian.
- (4) Youke Yu was owned as to 20% by Mr. Guo Lidong and 80% by Xinmao Licheng. Xinmao Licheng was in turn owned as to 50% by Mr. Guo Lidong and 50% by Mr. Yan Wenge. By virtue of the SFO, Xinmao Licheng, Mr. Guo Lidong and Mr. Yan Wenge were deemed to be interested in the Shares held by Youke Yu.
- (5) Beijing Hengsheng was wholly owned by Ms. Wu Yue. By virtue of the SFO, Ms. Wu Yue was deemed to be interested in the Shares held by Beijing Hengsheng.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any other person who had any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

As at the Latest Practicable Date, Mr. Peng Qilei is the deputy general manager of Dayuan Tiandi; Ms. Liu Jing is the deputy general manager of Dayuan Tiandi and Mr. Zhu Xiadong is the chief financial officer at Dayuan Tiandi. Save as disclosed above, none of the Directors was a director or employee of a company that had an interest or short position in the shares and underlying shares that would need to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(c) Directors’ and Supervisors’ service contracts

As at the Latest Practicable Date, none of the Directors or Supervisors had or proposed to have any service contract with any member of the Group which is not expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation).

(d) Directors’ or Supervisors’ interest in assets, contracts or arrangements

As at the Latest Practicable Date, none of the Directors or Supervisors (i) had any interest, direct or indirect, in any assets which have been, since the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group; or (ii) were materially interested in any contract or arrangement subsisting and which is significant in relation to the business of the Group.

(e) Directors' interests in competing businesses

As at the Latest Practicable Date, to the best knowledge of the Directors, none of the Directors or their respective close associates were interested in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

3. EXPERT AND CONSENT

The following is the qualification of the expert who has given its opinions or advices contained in this circular:

Name	Qualification
BDO Limited	Certified public accountants, Hong Kong
CL Partners CPA Limited	Certified public accountants, Hong Kong
Baker Tilly China Certified Public Accountants (special general partnership)	Certified public accountants, the PRC
Shanghai Certified Public Accountants (special general partnership)	Certified public accountants, the PRC

As at the Latest Practicable Date, each of the above experts:

- (a) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name and logo in the form and context in which it appears;
- (b) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (c) did not have any interest, direct or indirect, in any assets which had been, since the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

4. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

5. AUDIT COMMITTEE

The audit committee of the Company comprises three independent non-executive Directors, namely Mr. Fung Che Wai Anthony (Chairman), Mr. Hong Leung and Mr. Liu Shengwen. The primary duties of the audit committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of the Company, to oversee the audit process, to develop and review the Company's policies and to perform other duties and responsibilities as assigned by the Board.

Set out below are details of the members of the audit committee of the Company as at the Latest Practicable Date:

Mr. Fung Che Wai Anthony (馮志偉)

Mr. Fung has extensive experience in accounting and corporate finance. From August 1992 to September 1999, he successively served as a staff accountant, semi senior accountant, senior accountant and manager in Deloitte Touche Tohmatsu, where he was mainly responsible for audit planning and control. From October 1999 to August 2007, Mr. Fung was a director of Winsmart Consultants Limited (弘陞投資顧問有限公司), a financial consulting company, where he was responsible for advising the client on corporate finance and investor relations related matters. From January 2008 to August 2010, Mr. Fung was the vice president of NagaCorp Limited (金界控股有限公司), a licensed casino listed on the Main Board of the Stock Exchange (stock code: 3918), where he was responsible for development of investor relations procedures, policies and strategies for the company and liaison with existing and potential investors as well as analysts. From January 2011 to July 2014, Mr. Fung was the chief financial officer and company secretary of Zall Development (Cayman) Holding Co., Ltd. (卓爾發展(開曼)控股有限公司), now known as Zall Smart Commence Group Ltd. (卓爾智聯集團有限公司), a property developer listed on the Main Board of the Stock Exchange (stock code: 2098), where he was responsible for financial and compliance matters. From July 2014 to April 2017, Mr. Fung was the chief financial officer and company secretary of Kong Sun Holdings Limited (江山控股有限公司), a solar power plants investor and operator listed on the Main Board of the Stock Exchange (stock code: 0295), where he was responsible for the overall financial operation, company secretarial matters and investor relations. From May 2017, Mr. Fung serves as the chief financial officer of Beijing Enterprises Urban Resources Group Limited (北控城市資源集團有限公司) (stock code: 3718), a company engaged in the provision of environmental hygiene services and hazardous waste treatment business. From June 2017 to October 2021, Mr. Fung served as an independent non-executive director of S&P International Holding Limited (椰豐集團有限公司) (stock code: 1695), a company listed on the Main Board of the Stock Exchange. From October 2020, Mr. Fung serves as an independent non-executive director of KWG Living Group Holdings Limited (合景悠活集團控股有限公司) (stock code: 3913), a comprehensive property management service provider in China. From November 2021, Mr. Fung serves as an independent non-executive director of Zhong An Group Limited (眾安集團有限公司) (stock code: 672), a real estate developer in China.

Mr. Fung was admitted as a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants (the "HKICPA") in October 2001 and September 2005, respectively. Mr. Fung obtained his bachelor's degree in accountancy from Hong Kong Polytechnic University in October 1992.

Mr. Hon Leung (韓亮)

Mr. Hon has extensive experience in accounting. Mr. Hon joined KPMG in October 2008 and he was responsible for providing audit services. He left KPMG as an audit manager in May 2014. From May 2014 to February 2015, he was a financial manager in King and Wood Mallesons, where he was responsible for financial management. From March 2015 to June 2018, he worked for King and Wood Mallesons on a part-time basis. In February 2015, Mr. Hon founded William Hon & Co., an accounting firm, where he has been responsible for general management. Since November 2015, Mr. Hon has been an independent non-executive director of China Investment and Finance Group Limited (中國投融資集團有限公司), an investment holding company listed on the Main Board of the Stock Exchange (Stock code: 1226), where he has also served as the chairman of the audit committee of the company. Mr. Hon qualified as a certified public accountant by the HKICPA in November 2012. Mr. Hon obtained his bachelor's degree in accounting and finance from the University of Hong Kong in November 2007.

Mr. Liu Shengwen (劉升文)

Mr. Liu has extensive experience in accounting. From February 1998 to June 2010, he worked at several accounting firms where he was responsible for auditing and audit risk control. From June 2010 to October 2014, Mr. Liu was the deputy director of Baker Tilly China Certified Public Accountants Shenzhen Branch, where he was responsible for audit risk control. From November 2014 to July 2018, Mr. Liu was the deputy director of Beijing Tianyuanquan Accounting Firm (北京天圓全會計師事務所) Shenzhen Branch, where he was responsible for audit risk control. Since July 2018, Mr. Liu has become a member of Da Hua Certified Public Accountants (大華會計師事務所) Shenzhen Branch and Mr. Liu became a partner from March 2021. From September 2015 to February 2021, Mr. Liu served as an independent director of Shenzhen Techand Ecology & Environment Co., Ltd. (深圳市鐵漢生態環境股份有限公司), a company primarily engaged in the eco-environment protection and ecotourism, which is listed on the Shenzhen Stock Exchange (stock code: 300197). Mr. Liu qualified as a certified public valuer and an accountant by China Appraisal Society (中國資產評估協會) and The Chinese Institute of Certified Public Accountants of the PRC in May 2000 and February 2000, respectively. Mr. Liu obtained a master's degree in software engineering from Yunnan University (雲南大學) in the PRC in June 2012.

6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by the members of the Group within the two years immediately preceding the issue of this circular and are or may be material:

- (a) the limited partnership agreement dated 22 June 2021 (the “**Partnership Agreement**”) entered into by and amongst the Zhuhai Huihe Xinye Technology Industry Investment Enterprise, L.P.* (珠海匯合信業科技產業投資企業(有限合夥)) as general partner and executive partner, Zhuhai Jingcheng Private Equity Fund Management Co., Ltd.* (珠海境成私募基金管理有限公司) as general partner and manager and the Subscriber, and nine other parties as limited partners in respect of, among other matters, the establishment of the fund named Zhuhai Huihe Guangjing Chuangye Investment Fund, L.P.* (珠海匯合廣境創業投資基金(有限合夥)). Pursuant to the Partnership Agreement, the Subscriber shall contribute RMB30,000,000 to the partnership;
- (b) The First Subscription Agreement pursuant to which the Subscriber shall acquire 3,922,944 Shanghai KYMS shares at a consideration of RMB15,534,858.24; and
- (c) the Second Subscription Agreement.

7. MISCELLANEOUS

- (a) The registered office of the Company is at Room 201, Block A, No.1 Qianwan First Road, Qianhai, Shenzhen-Hong Kong Cooperation Zone, Shenzhen, Guangdong, PRC and the principal place of business of the Company in Hong Kong is at 40th Floor, Dah Sing Financial Centre, No. 248 Queen’s Road East, Wanchai, Hong Kong.
- (b) The Company’s Hong Kong H Share registrar and transfer office is Tricor Investor Services Limited at Level 54, Hopewell Centre 183 Queen’s Road East Hong Kong.
- (c) The joint company secretaries of the Company is Ms. Ng Wing Shan and Ms. Xie Ying. Ms. Ng Wing Shan is a fellow member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.
- (d) The compliance officer of the Company is Mr. Li Peng (“**Mr. Li**”). Mr. Li obtained his bachelor’s degree in Law from Peking University in the PRC and has extensive legal knowledge. For biographical details of Mr. Li, please refer to page 15 of the annual report of the Company for the year ended 31 December 2020 published by the Company on 26 March 2021.

- (e) The English text of this circular shall prevail over its respective Chinese text for the purpose of interpretation.

8. DOCUMENTS ON DISPLAY

Copies of the following documents are displayed on the GEM website (www.hkgem.com) and the Company's website (www.fyleasing.com) for a period of 14 days from the date of this circular:

- (a) the annual report of Shanghai KYMS for the three years ended 31 December 2020 and the Shanghai KYMS 2021 Interim Report, the text of which is set out in Appendix II to this circular;
- (b) the report on the unaudited pro forma financial information of the Enlarged Group from BDO Limited, the text of which is set out in Appendix IV to this circular;
- (c) the written consents referred to in the paragraph headed "Expert and Consent" in this appendix; and
- (d) each of the material contracts referred to in the paragraph headed "Material Contracts" of this appendix.

NOTICE OF EGM

FY FINANCIAL (SHENZHEN) CO., LTD.

富銀融資租賃(深圳)股份有限公司

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

(Stock Code: 8452)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of FY Financial (Shenzhen) Co., Ltd. (the “**Company**”) will be held at Room 1603, Cheung Kei Building, No. 128 Xinzhou 11th Street, Futian District, Shenzhen, the PRC on Friday, 21 January 2022 at 10:30 a.m. for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT

- (a) the subscription agreement dated 30 September 2021 (the “**Second Subscription Agreement**”) entered into between Zhuhai Fuyin Yunlian Investment Management Co., Ltd.* (a wholly-owned subsidiary of the Company) (the “**Subscriber**”) and Shanghai KYMS Cloud Technology Co., Ltd. (上海快易名商雲科技股份有限公司) (“**Shanghai KYMS**”) in relation to 8,703,318 new shares of Shanghai KYMS to be allotted and issued to the Subscriber pursuant to the Second Subscription Agreement, and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (b) the directors of the Company (the “**Directors**”) be and are hereby authorised to do all such acts, deeds and things and to sign, execute and deliver all such documents as they may, in their absolute discretion, consider necessary, desirable or expedient to give effect, determine, revise, supplement or complete any matters relating to or in connection with the Second Subscription Agreement and the transactions contemplated thereunder.

By Order of the Board
FY Financial (Shenzhen) Co., Ltd.
Li Peng
Chairman

Hong Kong, 22 December 2021

NOTICE OF EGM

Notes:

1. For determining the entitlement to attend and vote at the EGM, the transfer books and register of members of the Company will be closed from Saturday, 1 January 2022 to Friday, 21 January 2022, both days inclusive, during which period no share transfers will be registered. In order to be eligible to attend and vote at the EGM, all transfer documents of shares of the Company accompanied by the relevant share certificates must be lodged with the H Share registrar of the Company in Hong Kong (the “**H Share Registrar**”), Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong (for holders of H shares of the Company) or the Company’s head office in the People’s Republic of China (the “**PRC**”) at Room 1603, Cheung Kei Building, No. 128 Xinzhou 11th Street, Futian District, Shenzhen, the PRC (for holders of domestic shares and/or unlisted foreign shares of the Company) for registration not later than 4:30 p.m. on Friday, 31 December 2021.

Shareholders whose names appear on the register of members of the Company after the close of business on Friday, 31 December 2021 are entitled to attend and vote at the EGM.

2. Shareholder entitled to attend and vote at the EGM is entitled to appoint another person as his/her/its proxy to attend and vote instead of him/her/it. A proxy need not be a shareholder of the Company.
3. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, at the EGM in respect of such shares as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the EGM, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members of the Company in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.
4. The instrument appointing the proxy must be in writing and signed by the appointor or his/her/its attorney duly authorised in writing, or if the appointer is a legal person, either under a legal person’s seal or signed by its director or an attorney duly authorised in writing.
5. In order to be valid, a form of proxy must be deposited at the H Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong (for holders of H shares of the Company), or the Company’s head office in the PRC at Room 1603, Cheung Kei Building, No. 128 Xinzhou 11th Street, Futian District, Shenzhen, the PRC (for holders of domestic shares and/or unlisted foreign shares of the Company) together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy shall not preclude shareholders of the Company from attending and voting in person at the EGM or any adjournment thereof (as the case may be) if they so wish, and in such event, the form of proxy shall be deemed to be revoked.
6. The EGM (or any adjournment thereof) is expected to be concluded within a day. Shareholders or their proxies attending the EGM (or any adjournment thereof) shall be responsible for their own travelling and accommodation expenses.
7. To safeguard the health and safety of shareholders and to prevent the spreading of coronavirus disease (COVID-19) pandemic, the following measures will be implemented at the EGM:
 - mandatory body temperature check;
 - compliance with the latest epidemic prevention policy requirement of the PRC government and presentation of the corresponding health certificate;
 - mandatory wearing of surgical face masks; and
 - no refreshments for attendees.

The Company reserves the right to deny entry into or require any person to leave the EGM venue if such person: (i) refuses to comply with any of the above precautionary measures; (ii) is having a body temperature of over 37.4 degree Celsius; and/or (iii) has any flu-like symptoms.

For the health and safety of shareholders, the Company would like to encourage its shareholders to appoint the chairman of the EGM as their proxy to vote on the resolution to be put at the EGM, instead of attending the EGM in person.

NOTICE OF EGM

As at the date of this notice, the executive directors of the Company are Mr. Li Peng, Mr. Weng Jianxing and Ms. Gong Xiaoting; the non-executive directors of the Company are Mr. Peng Qilei, Ms. Liu Jing and Ms. Tong Fangyan; and the independent non-executive directors of the Company are Mr. Fung Che Wai Anthony, Mr. Hon Leung and Mr. Liu Shengwen.

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

This notice will remain on the GEM's website at www.hkgem.com on the "Latest Listed Company Information" pages for 7 days from the date of this posting and it will be also posted on the Company's website at www.fyleasing.com.