

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

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

TAISHAN CITY INVESTMENT CO., LIMITED

泰山城市投資有限公司

(incorporated with limited liability in the British Virgin Islands)

U.S.\$100,000,000 4.50 per cent. Guaranteed Notes due 2022 (the “Notes”)

unconditionally and irrevocably guaranteed by

TAIAN CITY DEVELOPMENT AND INVESTMENT CO., LTD.

(泰安市城市發展投資有限公司)

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

(Stock Code: 40608)

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

China International Capital Corporation Guotai Junan International

Joint Bookrunner and Joint Lead Manager

Bank of China

PUBLICATION OF THE OFFERING CIRCULAR

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

Please refer to the offering circular dated 1 March 2021 (the “**Offering Circular**”) appended herein in relation to the issuance of the Notes. As disclosed in the Offering Circular, the Notes were intended for purchase by professional investors only (as defined in Chapter 37 of the Listing Rules) (“**Professional Investors**”) and will be listed on the Hong Kong Stock Exchange on that basis.

Notice to Hong Kong Investors: Taishan City Investment Co., Limited 泰山城市投資有限公司 (the “**Issuer**”) and Taian City Development and Investment Co., Ltd. (泰安市城市發展投資有限公司) (the “**Guarantor**”) confirm that the Notes are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer and the Guarantor confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

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

The Offering Circular must not be regarded as an inducement to subscribe for or purchase any securities of the Issuer and the Guarantor, and no such inducement is intended. No investment decision should be made based on the information contained in the Offering Circular.

Hong Kong, 9 March 2021

As at the date of this announcement, the sole director of Taishan City Investment Co., Limited. is Ms. SONG Ping.

As at the date of this announcement, the sole director of Taian City Development and Investment Co., Ltd. is Ms. HUANG Dongxin.

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES. THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE ADDRESSEES OUTSIDE OF THE UNITED STATES.

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

Confirmation of Your Representation: In order to be eligible to view this Offering Circular or make an investment decision with respect to the Notes, and the Guarantee described herein, investors must not be located in the United States. This Offering Circular is being sent to you at your request and by accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to represent to China International Capital Corporation Hong Kong Securities Limited, Guotai Junan Securities (Hong Kong) Limited and Bank of China Limited (together and acting in their various capacities, the “Joint Lead Managers”) that (1) you and any customers you represent are not located in the United States, (2) the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions, and (3) you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

The attached Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently neither the Joint Lead Managers, the Trustee or the Agents (as defined in the attached Offering Circular) nor their affiliates, directors, officers, employees, representatives, agents and each person who controls any of them or their respective affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. A hard copy version will be provided to you upon request.

Restrictions: The attached document is being furnished in connection with an offering in offshore transactions in compliance with Regulation S under the U.S. Securities Act of 1933, as amended (the “Securities Act”) solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein.

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

THIS OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY PERSON OR ADDRESS IN THE UNITED STATES. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of either the Issuer (as defined in this Offering Circular) of the securities or the Joint Lead Managers to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute in the United States or elsewhere a general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licenced broker or dealer and the Joint Lead Managers or any affiliate of them is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the Issuer in such jurisdiction.

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

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

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

Taishan City Investment Co., Limited
泰山城市投资有限公司

(incorporated with limited liability in British Virgin Islands)

U.S.\$100,000,000 4.50 per cent. Guaranteed Notes due 2022

unconditionally and irrevocably guaranteed by

TAIAN CITY DEVELOPMENT AND INVESTMENT CO., LTD.
(泰安市城市發展投资有限公司)

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

Issue Price: 100 per cent.

The 4.50 per cent. Guaranteed Notes due 2022 in the aggregate principal amount of U.S.\$100,000,000 (the “Notes”) will be issued by Taishan City Investment Co., Limited 泰山城市投资有限公司 (the “**Issuer**”) and will be unconditionally and irrevocably guaranteed (the “**Guarantee**”) by Taian City Development and Investment Co., Ltd. (泰安市城市發展投资有限公司) (the “**Guarantor**”). The Issuer is an indirect wholly-owned subsidiary of the Guarantor. The PRC government is not an obligor and Noteholders shall have no recourse to the PRC government in respect of any obligation arising out of or in connection with the Notes or the Guarantee in lieu of the Issuer or the Guarantor. See “*Risk Factors — The PRC government has no obligations under the Notes and the Guarantee.*”

Interest on the Notes is payable in arrear on 8 September 2021 and 7 March 2022. The Notes shall constitute direct, unsubordinated, unconditional and (subject to Condition 5.1 of the Terms and Conditions of the Notes) unsecured obligations of the Issuer and (subject as stated above) rank and will rank *pari passu* and without any preference among themselves with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, save for such exceptions as may be provided by applicable legislation. The obligations of the Guarantor under the Guarantee shall constitute direct, unconditional, unsubordinated and (subject to Condition 5.1 of the Terms and Conditions of the Notes) unsecured obligations of the Guarantor and (subject as stated above) rank and will rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Guarantor, present and future, save for such exceptions as may be provided by applicable legislation. Payments on the Notes will be made free and clear of, and without withholding or deduction for or on account of any present or future taxes, duties assessments or governmental charges of whatever nature (“**Taxes**”) imposed, levied, collected, withheld or assessed by or on behalf of the Relevant Jurisdictions (as defined in the Terms and Conditions of the Notes), unless the withholding or deduction of the Taxes is required by law. See “*Terms and Conditions of the Notes — Taxation.*”

The Guarantor undertakes that it shall (i) register or cause the Guarantee to be registered with SAFE (as defined in Condition 8.3 of the Terms and Conditions of the Notes), in accordance with, and within the time period prescribed by Foreign Exchange Administration Rules on Cross-Border Security (《跨境擔保外匯管理規定》) promulgated by SAFE on 12 May 2014 and any implementation rules as issued by SAFE from time to time (the “**Cross-border Security Registration**”), (ii) complete the Cross-border Security Registration and obtain a valid certificate of registration from SAFE or any other document evidencing the completion of registration issued by SAFE on or before the Registration Deadline (as defined in Condition 8.3 of the Terms and Conditions of the Notes) and (iii) comply with all applicable PRC laws and regulations in relation to the Guarantee.

Unless previously redeemed or purchased and cancelled, the Issuer will redeem the Notes at their principal amount on 7 March 2022. The Notes are subject to redemption, in whole but not in part, at their principal amount, together with interest accrued up to but excluding the date of redemption, at the option of the Issuer at any time in the event of certain changes affecting taxes of a Relevant Jurisdiction (as defined in the Terms and Conditions of the Notes). At any time following the occurrence of a Change of Control or No Registration Event (as defined in the Terms and Conditions of the Notes), the holders of the Notes (the “**Noteholders**”) will have the right, at such Noteholder’s option, to require the Issuer to redeem all, but not some only, of that Noteholder’s Notes at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount together with accrued interest up to but excluding the Put Settlement Date (as defined in the Terms and Conditions of the Notes). See “*Terms and Conditions of the Notes — Redemption and Purchase.*”

Investing in the Notes involves certain risks. See “*Risk Factors*” beginning on page 11.

The Notes and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act**”), and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only outside the United States in offshore transactions in compliance with Regulation S under the Securities Act (“**Regulation S**”).** For a description of these and certain further restrictions on offers and sales of the Notes and the distribution of this Offering Circular, see the section entitled “*Subscription and Sale*” on page 110.

Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore), as modified or amended from time to time (the “**SFA**”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Securities are “prescribed capital markets products” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

The denomination of the Notes shall be U.S.\$200,000 each and integral multiples of U.S.\$1,000 in excess thereof.

Application will be made to The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) for listing of the Notes by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) (“**Professional Investors**”) only. This document is for distribution to Professional Investors only. **Notice to Hong Kong investors:** The Issuer and the Guarantor confirm that the Notes are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer and the Guarantor confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

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

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

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

China International Capital Corporation

Guotai Junan International

Joint Bookrunner and Joint Lead Manager

Bank of China

Offering Circular dated 1 March 2021

IMPORTANT NOTICE

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

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

Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore), as modified or amended from time to time (the “SFA”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Securities are “prescribed capital markets products” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

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

Hong Kong Exchanges and Clearing Limited and Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular. The Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this Offering Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

Each of the Issuer and the Guarantor, having made all reasonable inquiries, confirm that: (i) this Offering Circular contains all information with respect to the Issuer and the Guarantor and the Group referred to in this Offering Circular, the Notes and the Guarantee that is material in the context of the issue and offering of the Notes, including all information required by applicable laws and according to the particular nature of the Issuer, the Group, the Guarantee and the Notes, and necessary to enable investors to make an

informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Guarantor and the Group and of the rights attaching to the Notes and the Guarantee; (ii) there are no other facts in relation to the Issuer, the Guarantor, the Group, the Guarantee or the Notes the omission of which would, in the context of the issue and offering of the Notes, make any statement in the Offering Circular in any material respect misleading; (iii) the Offering Circular does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (iv) all statements of fact contained in the Offering Circular relating to the Issuer, the Group, the Guarantee and the Notes are in every material respect true and accurate and not misleading; (v) all statements of opinion, intention, belief or expectation contained in the Offering Circular are truly and honestly held and were or have been made after due and careful consideration of all relevant circumstances and were based on reasonable assumptions; (vi) all reasonable enquiries have been and will be made by the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such statements; and (vii) the statistical, industry and market-related data and forward-looking statements, each of which are based on or derived or extracted from sources which each of the Issuer and the Guarantor believes to be accurate and reliable and represent each of their good faith estimates that are made on the basis of data so derived from such sources. Each of the Issuer and the Guarantor has taken reasonable care in reproducing or extracting such data into the Offering Circular, to the extent required, the Issuer and the Guarantor have obtained the written consent to the use of such data from such sources.

Prospective investors in the Notes should rely only on the information contained in this Offering Circular. None of China International Capital Corporation Hong Kong Securities Limited, Guotai Junan Securities (Hong Kong) Limited and Bank of China Limited (together and acting in their various capacities, the “**Joint Lead Managers**”), the Issuer, the Guarantor, the Trustee or the Agents (each as defined in the Terms and Conditions of the Notes) has authorised the provision of information different from that contained in this Offering Circular, to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor or any of the Joint Lead Managers. The information contained in this Offering Circular is accurate in all material respects only as of the date of this Offering Circular, regardless of the time of delivery of this Offering Circular or of any sale of the Notes. Neither the delivery of this Offering Circular nor any sale made hereunder shall under any circumstances imply that there has not been a change in affairs of the Issuer, the Guarantor, the Group or any of them or that the information set forth herein is correct in all material respects as of any date subsequent to the date hereof. None of the Joint Lead Managers, the Trustee or the Agents undertakes to review the financial condition and affairs of the Issuer or the Guarantor following the date of this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of the Joint Lead Managers, the Trustee or the Agents.

This Offering Circular is highly confidential and has been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering of the Notes described in this Offering Circular.

This Offering Circular is intended solely for use in connection with the proposed offering of the Notes, and does not purport to summarise all of the terms, conditions, covenants and other provisions contained in the Trust Deed, the Deed of Guarantee and other transaction documents described herein. The information provided is not all-inclusive.

This Offering Circular is personal to the prospective investors to whom it has been delivered by the Joint Lead Managers and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire securities. Investors may not reproduce or distribute this Offering Circular, in whole or in part, and investors may not disclose any of the contents of this Offering Circular or use any information herein for any purpose other than considering an investment in the Notes. Distribution of this Offering Circular to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised, and any disclosure of any of its contents, without prior written consent of the Issuer and the Guarantor, is prohibited. By accepting delivery of this Offering Circular, the prospective investor agrees to the foregoing and to make no photocopies or other reproduction of this Offering Circular.

Market data and certain industry forecast and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although this information is believed to be reliable, it has not been independently verified by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents or their respective affiliates, advisers, directors, employees, agents and representatives and neither the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents nor their respective affiliates, advisers, directors, employees, agents and representatives make any representation as to the accuracy or completeness of that information. Such information may not be consistent with other information compiled within or outside the PRC. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified.

None of the Issuer, the Guarantor and the Joint Lead Managers is making an offer to sell the Notes in any jurisdiction except where an offer or sale is permitted. The distribution of this Offering Circular and the offering of the Notes may in certain jurisdictions be restricted by law. None of the Issuer, the Guarantor and the Joint Lead Managers represents that this Offering Circular may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor or the Joint Lead Managers which is intended to permit a public offering of the Notes or the distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor and the Joint Lead Managers to inform themselves about and to observe any such restrictions.

Each prospective purchaser of the Notes must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes or possesses or distributes this Offering Circular and must obtain any consent, approval or permission required under any regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and none of the Issuer, the Guarantor and the Joint Lead Managers shall have any responsibility therefor.

The Notes have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Offering Circular. Any representation to the contrary is a criminal offence. These securities are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws or exemption therefrom. Investors should be aware that they may be required to bear financial risks of this investment for an indefinite period of time.

No representation or warranty, express or implied, is made by the Joint Lead Managers, the Trustee (as defined in the Terms and Conditions of the Notes) or the Agents (as defined in the Terms and Conditions of the Notes) or any of their respective affiliates, advisers, directors, employees, agents or representatives as to the accuracy or completeness of the information set forth herein and investors should not rely on anything contained in this Offering Circular as a promise or representation by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, advisers, directors, employees, agents or representatives. The Joint Lead Managers, the Trustee, the Agents and their respective affiliates, advisers, directors, employees, agents and representatives have not independently verified the information contained herein (financial, legal or otherwise) and, to the fullest extent permitted by law, assume no responsibility for the contents, accuracy or completeness of any such information or for any other statement, made or purported to be made by the Joint Lead Managers or on their behalf in connection with the Issuer, the Guarantor or the issue and offering of the Notes. Each of the Joint Lead Managers, the Trustee, the Agents and their respective affiliates, advisers, directors, employees, agents and representatives accordingly disclaims all and any liability whether arising in tort or contract or otherwise which they might otherwise have in respect of this information memorandum or any such statement.

Each person receiving this Offering Circular acknowledges that: (a) such person has not relied on the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, advisers, directors, employees, agents or representatives in connection with any investigation of the accuracy or completeness of such information or its investment decision; and (b) no person has been authorised to give any information or to make any representation concerning the Issuer, the Guarantor and their respective affiliates, the Group, the Guarantee and the Notes (other than as contained herein) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents.

Neither this Offering Circular nor any other information supplied in connection with the offering of the Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents that any recipient of this Offering Circular, or any other information supplied in connection with the offering of the Notes, should purchase the Notes. In making an investment decision, investors must rely on their own independent examination of the Issuer, the Guarantor, the Group and the terms of the offering, including the merits and risks involved. Prospective investors should not construe anything in this Offering Circular as legal, business or tax advice. Each prospective investor should determine for itself the relevance of the information contained in this Offering Circular and consult its own legal, business and tax advisors as needed to make its investment decision and determine whether it is legally able to purchase the Notes under applicable laws or regulations, in making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor and the terms of the offering, including the merits and risks involved.

None of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents, or any of their respective affiliates, advisers, directors, employees, agents or representatives is or are making any representation to investors regarding the legality of an investment in the Notes by them under any legal, investment or similar laws or regulations. Investors should not consider any information in this Offering Circular to be legal, business or tax advice. Investors should consult their own attorney, business adviser and tax adviser for legal, business and tax advice regarding an investment in the Notes. See “*Risk Factors*” for a discussion of certain factors to be considered in connection with an investment in the Notes.

This Offering Circular has been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering of the Notes. The Issuer and the Guarantor reserve the right to withdraw the offering of the Notes at any time. The Issuer, the Guarantor and the Joint Lead Managers also reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the Notes offered hereby. You should read this Offering Circular before making a decision whether to purchase the Notes.

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

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

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

This Offering Circular has been prepared using a number of conventions, which investors should consider when reading the information contained herein. When using the terms the “**Guarantor**”, the “**Company**”, the “**Group**” and words of similar import, Taian City Development and Investment Co., Ltd. (泰安市城市發展投資有限公司) itself, is being referred to, or to Taian City Development and Investment Co., Ltd. (泰安市城市發展投資有限公司) and its consolidated subsidiaries, as the context requires. When using the term the “**Issuer**”, Taishan City Investment Co., Limited 泰山城市投資有限公司, an indirect wholly-owned subsidiary of the Guarantor, is being referred to.

This Offering Circular summarises certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents. In making an investment decision, each investor must rely on its own examination of the Issuer, the Guarantor, the Group and the terms of the offering and the Notes, including the merits and risks involved.

In this Offering Circular, all references to “**U.S.\$**”, “**USD**” and “**U.S. dollars**” are to United States dollars, the lawful currency of the United States; all references to “**HK\$**”, “**HKD**”, “**HK cents**” or “**HK¢**” and “**HK dollars**” are to Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC (“**Hong Kong**” or “**HK**”); and all references to “**RMB**”, “**Renminbi**” or “**CNY**” are to Renminbi, the lawful currency of the People’s Republic of China.

This Offering Circular contains translations of certain Renminbi amounts and Hong Kong dollars amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless indicated otherwise, all translations from Renminbi into U.S. dollars in this Offering Circular were made at the rate of RMB7.0651 to U.S.\$1.00, based on the noon buying rate as set forth in the H.10 statistical release of the US Federal Reserve Board (the “**Noon Buying Rate**”) on 30 June 2020. No representation is made that the U.S. dollars, HK dollars or Renminbi amounts referred to in this Offering Circular could have been or could be converted into Renminbi, U.S. dollars or HK dollars, as the case may be, at any particular rate or at all. For further information relating to exchange rates, see “*Exchange Rate Information*”.

References to “**PRC**” and “**China**” are to the People’s Republic of China and, for the purposes of this Offering Circular, except where the context otherwise requires, do not include Hong Kong, the Macau Special Administrative Region of the PRC (“**Macau**”) or Taiwan. “**PRC government**” or the “**State**” means the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governmental entities) and instrumentalities thereof, or, where the context requires, any of them.

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

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

- “**CBIRC**” are to China Banking and Insurance Regulatory Commission;
- “**GDP**” are to gross domestic product;
- “**GFA**” are to gross floor area;
- “**MOF**” are to the Ministry of Finance of the PRC;
- “**MOFCOM**” are to the Ministry of Commerce of the PRC or its competent local counterpart;
- “**MOHURD**” are to the Ministry of Housing and Urban-Rural Development of the PRC (formerly Ministry of Construction of the PRC, the “**MOC**”);

- “**NDRC**” are to the National Development and Reform Commission of the PRC or its local counterparts;
- “**PBOC**” are to the People’s Bank of China, the central bank of the PRC;
- “**PRC government**” are to the central government of China and its political subdivisions, including provincial, municipal and other regional or local government entities, and instrumentalities thereof, or where the context requires, any of them;
- “**SAFE**” are to the State Administration of Foreign Exchange of the PRC or its local counterparts;
- “**SAT**” are to the State Administration of Taxation of the PRC;
- “**State Council**” are to the State Council of the PRC;
- “**Tai’an Finance Bureau**” are to the Finance Bureau of Tai’an City (泰安市財政局);
- “**Tai’an Municipal Government**” are to the Tai’an Municipal People’s Government (泰安市人民政府); and
- “**VAT**” are to value-added tax.

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

PRESENTATION OF FINANCIAL INFORMATION

This Offering Circular contains the Guarantor’s consolidated financial information as at and for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020. The Guarantor’s consolidated financial information as at and for the years ended 31 December 2017, 2018 and 2019 has been extracted from the Guarantor’s audited consolidated financial statements as at and for the years ended 31 December 2018 and 2019 (together, the “**Audited Financial Statements**”) included elsewhere in this Offering Circular. The Guarantor’s consolidated financial information as at and for the six months ended 30 June 2019 and 2020 has been extracted from the Guarantor’s unaudited but reviewed consolidated financial statements as at and for the six months ended 30 June 2020 (the “**Reviewed Financial Statements**”, together with the Audited Financial Statements, the “**Historical Financial Statements**”) included elsewhere in this Offering Circular. Asia Pacific (Group) Certified Public Accountants (Special General Partnership) (亞太(集團)會計師事務所(特殊普通合夥)) (“**Asia Pacific**”) has audited the Audited Financial Statements and reviewed the Reviewed Financial Statements.

The Historical Financial Statements were prepared and presented in accordance with the Accounting Standards for Business Enterprises in China (“**PRC GAAP**”). PRC GAAP differs in certain respects from International Financial Reporting Standards (“**IFRS**”). See “*Summary of Certain Differences Between PRC GAAP and IFRS*”.

The Reviewed Financial Statements have not been audited by independent auditors. As a result, the Reviewed Financial Statements should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit. Potential investors must exercise caution when using such data to evaluate the Group’s financial condition and results of operations. None of the Joint Lead Managers makes any representation or warranty, express or implied, regarding the sufficiency of the Reviewed Financial Statements for an assessment of, and potential investors must exercise caution when using such data to evaluate, the Group’s financial condition and results of operations. The Reviewed Financial Statements should not be taken as an indication of the expected financial condition, results of operations and results of the Group for the full financial year ending 31 December 2020.

FORWARD-LOOKING STATEMENTS

The Issuer and the Guarantor have made certain forward-looking statements in this Offering Circular regarding, among other things, the Group's financial conditions, future expansion plans and business strategy. These forward-looking statements are based on the Group's current expectations about future events. Although the Issuer and the Guarantor believe that these expectations and projections are reasonable, such forward-looking statements are inherently subject to risks, uncertainties and assumptions, including, among other things:

- the Group's strategies, plans, objectives and goals and its ability to implement such strategies and achieve its plans, objectives and goals;
- future developments, trends and conditions in the industry and markets in which the Group operates;
- the Group's business prospects and capital expenditure plans;
- the actions and developments of the Group's competitors;
- the Group's financial condition and performance;
- the availability and costs of bank loans and other forms of financing;
- various business opportunities that the Group may pursue;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of the Group's business;
- general political and economic conditions, including those related to the PRC;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which the Group operates;
- macroeconomic measures taken by the PRC government to manage economic growth; and
- the Group's ability to identify factors other than those discussed under "*Risk Factors*" and elsewhere in this Offering Circular.

The words "aim", "anticipate", "assume", "believe", "contemplate", "continue", "estimate", "expect", "future", "goal", "intend", "may", "objective", "plan", "predict", "positioned", "project", "risk", "seek to", "shall", "should", "will likely result", "will pursue" and similar expressions are intended to identify a number of these forward-looking statements. In particular, the statements under the headings "Risk Factors" and "Description of the Group" regarding the Group's financial condition and other future events or prospects are forward-looking statements. The Issuer and the Guarantor undertake no obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur and the Issuer's, the Guarantor's or the Group's actual results could differ materially from those anticipated in these forward-looking statements. Accordingly, investors are cautioned not to place undue reliance on these forward-looking statements.

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

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

TABLE OF CONTENTS

	<i>Page</i>
SUMMARY	1
THE OFFERING	3
SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF THE GUARANTOR	6
RISK FACTORS	11
TERMS AND CONDITIONS OF THE NOTES	47
SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM	68
USE OF PROCEEDS	70
CAPITALISATION AND INDEBTEDNESS	71
DESCRIPTION OF THE ISSUER	72
DESCRIPTION OF THE GROUP	73
DIRECTOR, SUPERVISOR AND SENIOR MANAGEMENT	89
THE GUARANTEE	92
EXCHANGE RATE INFORMATION	93
PRC REGULATIONS	95
TAXATION	106
SUBSCRIPTION AND SALE	110
SUMMARY OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS	115
GENERAL INFORMATION	116
INDEX TO FINANCIAL STATEMENTS	F-1

SUMMARY

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

OVERVIEW

Founded in December 2008, the Group is the core operating entity for municipal construction and public utility services within Tai'an City, Shandong Province, and is indirectly wholly-owned by the Tai'an Finance Bureau, a government organ of the Tai'an Municipal Government. Leveraging on the development of Tai'an City, strong shareholder's support and its stable business model, the Group has undertaken and completed a number of development projects which are of strategic importance to Tai'an City.

The Group primarily conducts its business within Tai'an City. Tai'an City is a prefecture-level city in western Shandong Province. Centred on Mount Tai and bordered the provincial capital of Jinan, Tai'an City serves as an important transportation hub of Shandong Province which connects to a number of national economic and industrial development zones, including Shandong Peninsula Blue Economic Zone (山東半島藍色經濟區), Jiaodong Peninsula High-end Industrial Cluster Zone (膠東半島高端產業聚集區) and Lunan Economic Belt (魯南經濟帶). Meanwhile, as a national historical and cultural city and a major city in Shandong Province, Tai'an City has all time been highly valued by the government. Tai'an City was designated by the State Council as one of the earliest tourism cities to open to the world, one of the earliest Cities with Comprehensive Environmental Excellence at National Level (全國城市環境綜合優秀城市) and one of China's Top Tourism Cities (中國優秀旅遊城市). With a dynamic regional economy and strong financial strength, Tai'an City experienced significant development over the past few years, which has driven the demand for municipal infrastructure construction and public utility services.

The Group's main business segments are as follows:

- **Gas Supply.** The Group is a major gas supplier in Tai'an City. The Group's gas supply business primarily involves distribution of centralised natural gas supply to residential households and commercial and industrial users, as well as provision of compressed natural gas (CNG) for vehicles in Tai'an City. The Group also engages in natural gas storage in Tai'an City. As at 30 June 2020, the Group had gas storage capacity of approximately 150,000 to 200,000 cubic metres and operated approximately 2,920 kilometres of gas connection pipelines, covering approximately 750,000 residential households and other end users.
- **Property Development.** The Group's property development business includes the investment, development and sales of residential properties in Tai'an High-speed Railway New District (泰安市高鐵新區) ("**Tai'an HRND**") and Tai'an Tourism Economic Development Zone (泰安旅遊經濟開發區) ("**Tai'an TEDZ**"), both of which are new development zones in Tai'an City. As at 30 June 2020, the Group had a land bank with total site area of 13,100 square metres. As at the same date, the Group had a total of eight projects at various stage of development, including three completed projects and five projects under development.
- **Heating.** The Group is a major heat supplier in Tai'an City. The Group's heating business primarily involves distribution of centralised heating to residential households and commercial and industrial users. As at 30 June 2020, the Group operated three regional heat supply stations, three boiler plants for peak shaving purposes (調峰鍋爐房) and 406 heat exchange stations, covering approximately 105,000 end users in Tai'an City.
- **Water Supply.** The Group is a major water supplier in Tai'an City. The Group's water supply business primarily involves distribution of tap water to residential households and commercial and

industrial users. As at 30 June 2020, the Group operated three water plants, with a daily water supply capacity of approximately 210,000 tonnes, covering more than 1,000,000 end users in Tai'an City.

- *Infrastructure Construction.* The Group is a major municipal infrastructure construction entity in Tai'an City focusing on infrastructure construction, affordable housing development and shantytown redevelopment in the main urban area of Tai'an City, Tai'an HRND and Tai'an TEDZ. Over the years, the Group has undertaken and completed a number of major infrastructure construction projects, including, among others, the new area of the Tai'an Station of Beijing-Shanghai High-speed Railway (京滬高鐵泰安站新區), the western and middle part of Huanshan Road (環山路西段及中段), Pan River Phase III (泮河三期) and Wanguan Road (萬官大街). The Group has also undertaken a number of affordable housing development projects and shantytown redevelopment projects, including, among others, the Affordable Housing Zone A, Zone B and Zone C in the Tai'an High-speed Rail New District (泰安市高鐵新區回遷安置A區、B區和C區). As at 30 June 2020, the Group had 20 completed municipal infrastructure construction projects with a total investment of approximately RMB5.0 billion and three municipal infrastructure construction projects under construction with an estimated investment of approximately RMB8.5 billion.
- *Others.* In addition to its main business segments, the Group also participated in other businesses, primarily including project construction and property management business.

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, total operating revenue from the Group's business operation was RMB2,276.4 million, RMB2,228.5 million, RMB4,926.2 million, RMB1,458.3 million and RMB2,654.3 million, respectively; total operating cost from the Group's business operation was RMB1,982.3 million, RMB1,969.9 million, RMB4,385.3 million, RMB1,262.2 million and RMB2,371.4 million, respectively. As at 31 December 2017, 2018 and 2019 and 30 June 2020, total assets of the Group were RMB18.1 billion, RMB25.0 billion, RMB26.6 billion and RMB23.9 billion, respectively.

COMPETITIVE STRENGTHS

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

- Well-positioned to leverage the excellent location and rapid economic growth of Tai'an City to achieve business growth;
- Strong support from the Tai'an Municipal Government;
- The core operating entity for municipal construction and public utility services within Tai'an City that has extensive experience and strong presence in urban development; and
- Sound corporate governance with experienced senior management team.

STRATEGIES

The Group intends to focus on the following business strategies:

- Continue to capture the great opportunities arising from the economic development and transformation of Shandong Province and Tai'an City in order to solidify and extend the Group's position;
- Continue to diversify the Group's business portfolio and expand into industries that provide synergies with the Group's core business; and
- Enhance the Group's management capabilities and optimise the structure of its talent pool.

THE OFFERING

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

Issuer	Taishan City Investment Co., Limited 泰山城市投資有限公司.
Guarantor	Taian City Development and Investment Co., Ltd. (泰安市城市發展投資有限公司).
Status of the Guarantee	The Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Notes and the Trust Deed. The obligations of the Guarantor under the Guarantee shall constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 5.1 of the Terms and Conditions of the Notes) unsecured obligations of the Guarantor and (subject as stated above) rank and will rank <i>pari passu</i> with all other outstanding unsecured and unsubordinated obligations, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors’ rights. The Guarantor’s obligations in respect of the Notes and the Trust Deed are contained in the Deed of Guarantee (and any supplement thereto). The Guarantor is required to register the Guarantee with SAFE in accordance with the Cross-border Guarantee Rules. See also “ <i>The Guarantee</i> ” and “ <i>Risk Factors — Risks relating to the Notes and the Guarantee — If the Guarantor fails to complete the SAFE registration in connection with the Guarantee, there may be hurdles for cross-border payment under the Guarantee</i> ”.
Issue	U.S.\$100,000,000 aggregate principal amount of 4.50 per cent. Guaranteed Notes due 2022.
Issue Price	100 per cent.
Form and Denomination	The Notes will be issued in registered form in the denomination of U.S.\$200,000 each and integral multiples of U.S.\$1,000 in excess thereof.
Interest and Interest Payment Dates	The Notes will bear interest from and including 8 March 2021 at the rate of 4.50 per cent. per annum, payable in arrear on 8 September 2021 and 7 March 2022.
The Offering	The Notes are being offered outside the United States in reliance on Regulation S (Category 1) under the Securities Act. See “ <i>Subscription and Sale</i> ” in this Offering Circular.
Issue Date	8 March 2021.
Maturity Date	7 March 2022.

Status of the Notes	The Notes shall constitute direct, unconditional, unsubordinated and (subject to Condition 5.1 of the Terms and Conditions of the Notes) unsecured obligations of the Issuer and (subject as stated above) rank and will rank <i>pari passu</i> and without any preference among themselves with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.
Negative Pledge	The Notes contain a negative pledge provision as further described in Condition 5.1 of the Terms and Conditions of the Notes.
Events of Default	The Notes contain certain events of default provisions as further described in Condition 11 of the Terms and Conditions of the Notes.
Taxation	All payments of principal, premium and interest in respect of the Notes by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (" Taxes ") imposed, levied, collected, withheld or assessed by or on behalf of any of the Relevant Jurisdictions (as defined in the Terms and Conditions of the Notes), unless the withholding or deduction of the Taxes is required by law, as further described in Condition 9 of the Terms and Conditions of the Notes. In such event, the Issuer or, as the case may be, the Guarantor shall, subject to the limited exceptions specified in the Terms and Conditions of the Notes, pay such additional amounts as may be necessary in order that the net amount received by Noteholders after such withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction.
Final Redemption	Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount on the Maturity Date.
Redemption for Taxation Reasons .	The Notes may be redeemed at the option of the Issuer in whole, but not in part, at their principal amount, together with interest accrued up to but excluding the date of redemption, at any time in the event of certain changes affecting taxes of a Relevant Jurisdiction (as defined in the Terms and Conditions of the Notes), as further described in Condition 8.2 of the Terms and Conditions of the Notes.

Redemption for Change of Control or No Registration Event	At any time following the occurrence of a Change of Control or No Registration Event, the holder of any Note will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of that holder's Notes at 101 per cent. (in the case of a redemption of a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together with accrued interest up to, but excluding, the Put Settlement Date, as further described in Condition 8.3 of the Terms and Conditions of the Notes.
Further Issues	The Issuer is at liberty from time to time without the consent of the Noteholders to create and issue further notes or bonds having the same terms and conditions as the Notes in all respects (or in all respects save for their issue date and the first payment of interest thereon and the deadline for completing the Cross-Border Security Registration) and so that the same shall be consolidated and form a single series with the outstanding notes or securities of any series (including the Notes) constituted by the Trust Deed or any supplemental deed, as further described in Condition 18 of the Terms and Conditions of the Notes.
Clearing Systems	The Notes will be represented initially by beneficial interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on the Issue Date with, a common depositary for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on and transfers whereof will be effected only through records maintained by Euroclear and Clearstream. Except as described herein, certificates for the Notes will not be issued in exchange for beneficial interests in the Global Certificate.
Governing Law	English law.
Jurisdiction	Exclusive jurisdiction of the Hong Kong courts.
Trustee	Citicorp International Limited
Principal Paying Agent, Registrar and Transfer Agent . . .	Citibank, N.A., London Branch
Listing	Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Notes by way of debt issues to Professional Investors only and such permission is expected to become effective on or about 9 March 2021. A confirmation of the eligibility for the listing of the Notes has been received from the Hong Kong Stock Exchange.
Use of Proceeds	See the section entitled " <i>Use of Proceeds</i> ".
ISIN of the Notes	XS2281816178
Common Code of the Notes	228181617
Legal Entity Identifier of the Issuer	6556008DFM8B82FDIS22

SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF THE GUARANTOR

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

The summary audited consolidated financial information of the Group as at and for the years ended 31 December 2017, 2018 and 2019 and as at and for the six months ended 30 June 2019 and 2020, set forth below, is derived from the Group's Historical Financial Statements, which are included elsewhere in this Offering Circular.

None of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors or advisors makes any representation or warranty, express or implied, regarding the accuracy, completeness or sufficiency of such audited consolidated financial statements for an assessment of, and potential investors therefore should not rely upon such information as providing the same quality as audited information, and potential investors must exercise caution when using such information to evaluate the Group's financial condition and results of operations. None of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors or advisors has independently verified any of the information contained therein and can give assurance that such information is accurate, truthful or complete.

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

The Group's Audited Financial Statements were prepared in accordance with the PRC GAAP and have been audited by Asia Pacific, independent auditor of the Company. The Reviewed Consolidated Interim Financial Statements have been reviewed by Asia Pacific but have not been audited.

The Reviewed Financial Statements have not been audited by independent auditors. As a result, the Reviewed Financial Statements should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit. Potential investors must exercise caution when using such data to evaluate the Group's financial condition and results of operations. The Group's reviewed interim consolidated financial statements as at and for the six months ended 30 June 2020 should not be taken as an indication of the expected financial condition or results of operations of the Group for the full financial year ending 31 December 2020.

PRC GAAP differs in certain material respects from the IFRS. For a discussion of certain differences between PRC GAAP and IFRS, please see the section entitled "Description of Certain Differences between PRC GAAP and IFRS".

Summary Consolidated Balance Sheet Data

	As at 31 December				As at 30 June	
	2017	2018	2019		2020	
	(RMB)	(RMB)	(RMB)	(U.S.\$)	(RMB)	(U.S.\$)
	(audited)	(audited)	(audited)	(unaudited)	(unaudited but reviewed)	(unaudited)
			(in thousands)			
Current Assets						
Cash at bank and on hand	1,485,423.4	1,138,040.7	2,940,340.8	416,178.2	1,180,002.4	167,018.5
Bills receivable	44,535.4	27,682.2	20,611.0	2,917.3	100,630.0	14,243.3
Accounts receivable	329,228.4	287,484.3	204,562.4	28,953.9	89,686.7	12,694.3
Prepayments	1,338,042.8	1,642,069.1	1,766,309.3	250,004.9	2,133,582.0	301,988.9
Other receivables	4,060,395.2	8,250,179.2	2,530,920.6	358,228.6	2,481,486.4	351,231.6
Inventories	2,132,888.7	3,710,414.9	13,367,494.2	1,892,046.0	12,309,615.8	1,742,313.0
Other current assets	235,046.0	509,419.2	501,897.6	71,039.0	479,578.4	67,879.9
Total Current Assets	9,625,559.9	15,565,289.5	21,332,136.0	3,019,367.9	18,774,581.8	2,657,369.6
Non-Current Assets						
Available-for-sale financial assets	142,207.0	142,207.0	144,437.3	20,443.8	144,437.3	20,443.8
Long-term receivables	381,241.0	321,241.0	261,241.0	36,976.3	261,241.0	36,976.3
Long-term equity investments	394,122.5	824,359.7	840,721.6	118,996.4	840,721.6	118,996.4
Investment property	28,254.8	26,106.5	23,568.9	3,336.0	22,300.0	3,156.4
Fixed assets	2,329,479.0	2,584,399.9	2,855,243.3	404,133.5	2,724,475.5	385,624.5
Construction in progress	5,011,572.0	5,333,685.5	983,433.9	139,196.0	946,620.9	133,985.5
Intangible assets	130,905.3	133,567.3	135,899.5	19,235.3	132,517.6	18,756.7
Long-term deferred expenses	34,124.2	30,702.8	52,890.2	7,486.1	45,235.7	6,402.7
Deferred tax assets	8.1	7.8	5,736.2	811.9	5,736.2	811.9
Total Non-current Assets	8,451,913.8	9,396,277.5	5,303,171.7	750,615.2	5,123,285.8	725,154.0
Total Assets	18,077,473.7	24,961,567.0	26,635,307.7	3,769,983.1	23,897,867.6	3,382,523.6
Current Liabilities						
Short-term loans	500,150.0	984,850.0	1,178,270.0	166,773.3	1,125,000.0	159,233.4
Bills payable	250,414.9	–	32,000.0	4,529.3	33,000.0	4,670.8
Accounts payable	548,436.3	502,593.2	520,709.5	73,701.6	259,232.5	36,692.0
Advance payment received	2,895,793.6	5,080,805.6	5,516,589.5	780,822.6	3,996,538.2	565,673.3
Employee benefits payable	7,219.3	9,829.0	10,009.6	1,416.8	7,456.7	1,055.4
Taxes payable	5,141.6	29,426.8	68,013.8	9,626.7	96,146.7	13,608.7
Other payable	6,905,359.8	4,866,726.6	4,157,717.2	588,486.7	4,288,570.8	607,007.8
Non-current liabilities due						
within one year	–	–	1,244,740.0	176,181.5	1,244,740.0	176,181.5
Other current liabilities	1,754,123.8	–	–	–	–	–
Total Current Liabilities	12,866,639.3	11,474,231.3	12,728,049.5	1,801,538.5	11,050,685.0	1,564,122.9
Non-Current Liabilities						
Long-term loans	784,800.0	1,489,100.0	445,395.0	63,041.6	160,250.0	22,681.9
Long-term payables	2,540,303.1	2,140,118.3	2,118,445.4	299,846.5	1,462,179.8	206,958.1
Deferred income	–	1,935,803.5	2,210,364.2	312,856.7	2,024,089.5	286,491.3
Total Non-current Liabilities	3,325,103.1	5,565,021.8	4,774,204.6	675,744.8	3,646,519.3	516,131.3
Total Liabilities	16,191,742.4	17,039,253.1	17,502,254.1	2,477,283.3	14,697,204.3	2,080,254.3

	As at 31 December				As at 30 June	
	2017	2018	2019		2020	
	(RMB)	(RMB)	(RMB)	(U.S.\$)	(RMB)	(U.S.\$)
	(audited)	(audited)	(audited)	(unaudited)	(unaudited but reviewed)	(unaudited)
			(in thousands)			
Shareholders' equity						
Paid-in capital	300,000.0	300,000.0	300,000.0	42,462.2	300,000.0	42,462.2
Capital reserve	833,004.7	6,794,830.0	7,830,870.0	1,108,387.7	7,830,870.0	1,108,387.7
Specific reserve	5,230.7	7,198.3	4,567.6	646.5	4,567.6	646.5
Surplus reserve	32,047.8	32,308.3	48,731.2	6,897.5	48,731.2	6,897.5
Retained earnings	332,611.9	409,019.5	521,171.3	73,767.0	546,412.5	77,339.7
Total equity attributable to shareholders of the Company	1,502,895.1	7,543,356.0	8,705,340.0	1,232,160.9	8,730,581.3	1,235,733.6
Non-controlling interests	382,836.2	378,957.9	427,713.6	60,538.9	470,082.0	66,535.8
Total owners' equity	1,885,731.3	7,922,313.9	9,133,053.6	1,292,699.8	9,200,663.3	1,302,269.4
Total liabilities and shareholders' equity	18,077,473.7	24,961,567.0	26,635,307.7	3,769,983.1	23,897,867.6	3,382,523.6

Summary Consolidated Income Statement Data

	For the year ended 31 December				For the six months ended 30 June		
	2017	2018	2019		2019	2020	
	(RMB)	(RMB)	(RMB)	(U.S.\$)	(RMB)	(RMB)	(U.S.\$)
	(audited)	(audited)	(audited)	(unaudited)	(unaudited but reviewed)	(unaudited but reviewed)	(unaudited)
				(in thousands)			
Total operating income	2,276,401.2	2,228,462.7	4,926,172.8	697,254.5	1,458,250.1	2,654,311.2	375,693.4
Operating income	2,276,401.2	2,228,462.7	4,926,172.8	697,254.5	1,458,250.1	2,654,311.2	375,693.4
Total operating cost	(2,454,729.1)	(2,313,538.8)	(4,921,854.9)	(696,643.3)	(1,470,450.3)	(2,612,987.3)	(369,884.3)
Operating cost	(1,982,251.9)	(1,969,892.9)	(4,385,258.9)	(620,693.1)	(1,262,232.7)	(2,371,391.3)	(335,648.7)
Taxes and surcharge	(7,278.4)	(31,673.1)	(78,669.4)	(11,134.9)	(28,335.2)	(48,919.2)	(6,924.1)
Selling expenses	(49,156.1)	(43,018.2)	(46,139.6)	(6,530.6)	(18,320.6)	(23,625.8)	(3,344.0)
General and administrative expenses	(258,935.7)	(281,088.6)	(287,765.5)	(40,730.6)	(85,617.1)	(102,756.3)	(14,544.2)
Finance expenses	(157,107.0)	12,134.0	(124,021.5)	(17,554.1)	(75,944.6)	(66,294.7)	(9,383.4)
Other income	104,326.2	180,113.2	202,023.7	28,594.6	79,690.5	64,182.0	9,084.4
Investment income	23,156.9	10,127.4	26,837.0	3,798.5	–	–	–
Assets impairment losses	(28,869.5)	419.4	(22,944.7)	(3,247.6)	–	–	–
Gain from disposal of assets	–	14,116.0	572.5	81.0	–	–	–
Operating profit	(79,714.4)	119,700.0	210,806.5	29,837.7	67,690.3	105,505.9	14,933.4
Non-operating income	33,878.2	11,671.2	23,394.4	3,311.3	14,009.6	32,249.5	4,564.6
Non-operating expenses	(10,746.5)	(12,130.6)	(20,727.0)	(2,933.7)	(5,114.1)	(3,584.6)	(507.4)
Total profit	(56,582.8)	119,240.6	213,473.9	30,215.3	76,385.9	134,170.8	18,990.6
Income tax expenses	(34,144.4)	(38,549.0)	(66,875.2)	(9,465.6)	(18,825.9)	(105,509.3)	(14,933.9)
Net profit	(90,727.1)	80,691.6	146,598.7	20,749.7	57,559.9	28,661.5	4,056.8
Non-controlling losses	39,540.5	14,468.0	17,493.7	2,476.1	9,082.3	3,420.2	484.1
Net profit attributable to owners of the Company	(130,267.7)	66,223.6	129,105.0	18,273.6	48,477.6	25,241.3	3,572.7

Summary Consolidated Cash Flow Statement Data

	For the year ended 31 December				For the six months ended 30 June		
	2017	2018	2019		2019	2020	
	(RMB)	(RMB)	(RMB)	(U.S.\$)	(RMB)	(RMB)	(U.S.\$)
	(audited)	(audited)	(audited)	(unaudited) (in thousands)	(unaudited but reviewed)	(unaudited but reviewed)	(unaudited)
Net cash flows from operating activities	800,815.8	(1,170,648.8)	1,216,006.0	172,114.5	(813,879.8)	(1,918,553.1)	(271,553.6)
Net cash flows from investing activities	(856,232.0)	(78,607.4)	(564,971.5)	(79,966.5)	(201,793.5)	(280,312.3)	(39,675.6)
Net cash flows from financing activities	(25,152.8)	901,587.6	1,134,390.3	160,562.5	876,803.3	438,526.9	62,069.5
Net increase in cash and cash equivalents	(80,569.0)	(347,668.7)	1,785,424.8	252,710.5	(138,870.1)	(1,760,338.4)	(249,159.7)
Cash and cash equivalents at the beginning of the year	1,565,765.8	1,485,196.9	1,137,528.2	161,006.7	1,137,528.2	2,922,953.0	413,717.2
Cash and cash equivalents at end of the year	1,485,196.9	1,137,528.2	2,922,953.0	413,717.1	998,658.1	1,162,614.6	164,557.4

RISK FACTORS

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

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

RISKS RELATING TO THE GROUP AND ITS BUSINESS

The Group's business is heavily dependent on the level of economic development in Tai'an City, Shandong Province and the PRC.

The Group operates its business primarily in Tai'an City, Shandong Province, focusing mainly on gas supply, property development, heating, water supply and infrastructure construction. Therefore, its business, financial condition, results of operations and prospects have been and will continue to be heavily dependent on the level of economic development of Tai'an City and the PRC. The PRC's economy has experienced rapid growth in the past 40 years, however, in recent years, there has been a slowdown in the growth rate since the second half of 2013. According to the National Statistics Bureau of the PRC, the annual growth rate of the PRC's GDP slowed down from 7.8 per cent. in 2013 to 6.1 per cent. in 2019. During the same period, the annual growth rate of GDP in Tai'an City slowed down from 10.6 per cent. to 6.3 per cent., according to the Statistics Bureau of Tai'an City. In particular, the recent outbreak of the novel coronavirus disease ("COVID-19") has adversely affected, and may continue to adversely affect, the level of economic development in Tai'an City and the PRC. See "*— The Group's business may be affected by natural disasters, epidemics and other acts of God, including the recent COVID-19 pandemic.*" There is no assurance that the level of economic development in Tai'an City and the PRC will continue to grow at the rates seen in recent years. Any continuing slowdown in the economic development in Tai'an City and the PRC may affect its development plans, which may decrease the demand for the Group's business and adversely affect the Group's business, financial condition, results of operations and prospects.

The Company is a state-owned enterprise indirectly wholly-owned by the Tai'an Finance Bureau, a government organ of the Tai'an Municipal Government. The Group's business and prospects are heavily affected by the budget and spending of the Tai'an Municipal Government on gas supply, property development, heating, water supply and infrastructure construction within Tai'an City. There are many factors affecting the amount, timing and priority of the Tai'an Municipal Government's budget and spending on gas supply, property development, heating, water supply and infrastructure construction, such as national and regional policies affecting the development of different industries and fiscal and

monetary policies. Government budget and spending are also affected by government income and the general economic conditions in the PRC and Tai'an City. Any slowdown in the economic growth in the PRC and Tai'an City may adversely affect the financial condition and fiscal income of the Tai'an Municipal Government, which may in turn cause the Tai'an Municipal Government to reduce its spending and budget on gas supply, property development, heating, water supply and infrastructure construction. If the public spending and budget of the Tai'an Municipal Government on such industries decrease, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

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

The PRC government has in recent years issued multiple regulations intended to restrict the ability of local governments to use state-owned enterprises to incur debt that should be directly incurred by government bodies. These regulations include: the Opinion on Enhancing the Administration of Fiscal Debts of Local Governments (Guo Fa [2014] No. 43) (關於加強地方政府性債務管理的意見(國發[2014]43號)) (“**Circular 43**”) released by the State Council in September 2014, the Circular on Further Regulating the Debt Financing Behaviours of Local Government (Cai Yu [2017] No. 50) (關於進一步規範地方政府舉債融資行為的通知(財預[2017]50號)) (“**Circular 50**”) jointly issued by the MOF, the NDRC, the Ministry of Justice of the PRC, the PBOC, the China Banking Regulatory Commission (reorganised into the China Banking and Insurance Regulatory Commission) and the China Securities Regulatory Commission in April 2017, the Circular on Firmly Curbing Local Governments' Illegal Financing Activities in the Name of Government Procurement of Services (Cai Yu [2017] No. 87) (關於堅決制止地方以政府購買服務名義違法違規融資的通知(財預[2017]87號)) (“**Circular 87**”) issued by the MOF in May 2017, the Notice of the Ministry of Finance on the Financing Activities Conducted by Financial Institutions for Local Governments and State-Owned Enterprises (Cai Jin [2018] No. 23) (財政部關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知(財金[2018]23號)) (“**Circular 23**”) in March 2018, the Circular of the National Development and Reform Commission and the Ministry of Finance on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness Risks (Fa Gai Wai Zi [2018] No. 706) (國家發展改革委財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知(發改外資[2018]706號)) (“**Circular 706**”) jointly issued by the NDRC and the MOF in May 2018, the Guiding Opinion on Strengthening the Asset and Liability Constraints of State-Owned Enterprises (中共中央辦公廳、國務院辦公廳《關於加強國有企業資產負債約束的指導意見》) jointly issued by the General Office of the Central Committee of the Communist Party of China and the State Council in September 2018 (the “**Joint Opinion**”) and the Circular on Filing Requirements with respect to Application for Foreign Debt Issuance by Local State-Owned Enterprises (Fa Gai Ban Wai Zi [2019] No. 666) (國家發展改革委辦公廳關於對地方國有企業發行外債申請備案登記有關要求的通知(發改辦外資[2019]666號)) issued by the General Office of NDRC in June 2019 (“**Circular 666**”) (Circular 43, Circular 50, Circular 87, Circular 23, Circular 706, the Joint Opinion and Circular 666, together, the “**Debt Control Circulars**”).

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

The Group believes that the PRC government will continue to implement the Debt Control Circulars to control local government debts. Accordingly, the Group should rely on the cash flow generated from its operations and external borrowings for financing its operating activities and to satisfy its cash needs for servicing its outstanding indebtedness. Pursuant to the terms of the Notes and as required by the Debt

Control Circulars, neither the Tai'an Finance Bureau, the Tai'an Municipal Government nor any other PRC governmental entity has any obligation to repay any amount under the Notes and will not provide a guarantee of any kind for the Notes. The Notes are solely to be repaid by the Group, and the obligations of the Group under the Notes or the Trust Deed shall solely be fulfilled by the Group as independent legal persons. The liability of the Tai'an Finance Bureau is limited to its equity contribution in the Group. If the Group does not fulfil its obligations under the Notes and the Trust Deed, the Noteholders will only have recourse against the Group, and not the Tai'an Finance Bureau, the Tai'an Municipal Government or any other PRC governmental entity.

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

The Tai'an Finance Bureau and the Tai'an Municipal Government may exert significant influence on the Group, and may not act in the best interests of the Group.

The Company is a state-owned enterprise indirectly wholly-owned by the Tai'an Finance Bureau, which is a government organ of the Tai'an Municipal Government. As a result, the Tai'an Finance Bureau and the Tai'an Municipal Government are in a position to influence the Group's development plans, strategies and key business decisions in a manner intended to benefit Tai'an City as a whole but which may not be in the best interest of the Group. The Tai'an Finance Bureau and the Tai'an Municipal Government could also change their policies, plans, preferences, views, expectations, projections, forecasts and opinions, as a result of changes in the PRC's or Tai'an City's economic, political and social environment, its projections of population and employment growth. Any such change may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

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

The Company regularly receives financial support and certain preferential treatments from the Tai'an Finance Bureau and the Tai'an Municipal Government. These supports come in various forms, such as favourable policies, government subsidies, asset transfer and capital injection and tax incentives. However, there is no assurance that the Tai'an Finance Bureau and the Tai'an Municipal Government will continue to provide support to the Group or that the existing or other types of government support will not be adjusted or terminated due to any change in government policies or otherwise. If any favourable incentive or government support which is currently available to the Group is reduced or discontinued in the future, the Group's business, financial condition, results of operations and prospects would be materially and adversely affected. The controlling relationship between the Tai'an Municipal Government and the Group does not necessarily correlate to, or provide any assurance as to the Group's financial condition. See also the risk factors entitled "*The PRC government has no payment or other obligations under the Notes.*" in the section entitled "*— Risks relating to Conducting Business in the PRC*".

The Group's operating revenue and results of operations may fluctuate significantly from period to period.

The Group's operating revenue and results of operations have fluctuated and may continue to fluctuate from period to period as a result of a number of factors, such as general economic conditions, local market conditions and demands, government policies and incentive measures in business areas where the Group operates. In addition, the Group's operating revenue and results of operations are also affected by the Group's ability to develop and complete projects on time, as well as its accounting policies for revenue recognition.

As a result, the Group's operating revenue and results of operations fluctuate significantly from period to period. The Group's operating revenue and results of operations for any period may not be directly comparable with other periods and therefore may not be a useful indicator of its performance in the future. For the years ended 31 December 2017, 2018 and 2019 and six months ended 30 June 2019 and 2020, the Group recorded negative gross margins in water supply business of 28.7 per cent., 24.8 per cent., 2.4 per cent., 18.2 per cent. and 2.1 per cent., respectively; the Group recorded negative gross margins in heating business of 14.9 per cent., 15.1 per cent., 18.0 per cent., 20.4 per cent. and 8.7 per cent., respectively. Consecutive periods' negative gross margins in water supply and heating business were primarily attributable to government pricing and maintenance costs.

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

The business of the Group is capital intensive. With the increased investments made by the Group and the rapid growth of its assets scale, the amount of outstanding indebtedness of the Group has generally increased. As at 30 June 2020, the Group's total indebtedness (comprising short-term borrowings, non-current liabilities due within one year, long-term borrowings and long-term accounts payable) was approximately RMB3,992.2 million, representing 16.7 per cent. of the Group's total assets, of which approximately RMB2,369.7 million would become due within 12 months. Though the Company generally maintains a relatively low debt ratio compared with other similar finance companies, a relatively large size of indebtedness may pose negative effects on the repayment capabilities of the Group in the long run. Therefore if the Group cannot obtain sufficient funds in commercially acceptable terms in the future, it may be under the repayment pressure, which may negatively affect the liquidity and operation of the Group. In addition, as at 30 June 2020, the total amount of the Group's outstanding guarantees for third parties was approximately RMB2,300.0 million, representing approximately 9.6 per cent. of the Group's total assets.

In addition to the above, substantial indebtedness could impact on the Group's businesses in a number of ways, including:

- requiring the Group to dedicate part of its operating cash flow to service its indebtedness;
- increasing the Group's finance costs, thus affecting the overall profits of the Group;
- limiting the Group's flexibility in planning for or responding to changes in the Group's businesses and the industries in which it operates;
- limiting the Group's ability to borrow additional funds; and
- increasing the Group's vulnerability to adverse general economic and industry conditions.

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

The Group is exposed to risks in relation to increased level of inventories.

The Group's inventory level is affected by a number of factors, such as commitments of the Tai'an Finance Bureau and the Tai'an Municipal Government, ability and priority to pay for its funds and the Group's ability to execute the development of its projects according to its business plans. These factors may in turn be affected by the controlling measures of the PRC Government on property investment and development and the government's macroeconomic and monetary policies.

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the balance of the Group's inventories amounted to RMB2.1 billion, RMB3.7 billion, RMB13.4 billion and RMB12.3 billion, respectively,

representing 11.8 per cent., 14.9 per cent., 50.2 per cent. and 51.5 per cent. of the Group's total assets as at the respective dates. The Group's inventories derived mainly from development costs, construction project, development products and raw materials. Such development costs, construction project, development products and raw materials booked as inventories on the Company's consolidated balance sheet are illiquid assets and may not be sold for cash in an efficient manner. This may limit the Group's ability to respond to changing economic, financial and investment conditions. There is no assurance that the Group will be able to sell any of these properties or projects to other third parties for price or on the terms satisfactory to them.

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

The Group has historically experienced net cash outflow from operating activities.

For the year ended 31 December 2018 and for the six months ended 30 June 2019 and 2020, the Group recorded net cash outflow from operating activities with the amounts of RMB1,170.6 million, RMB813.9 million and RMB1,918.6 million, respectively. The Group's net cash outflow from operating activities was largely attributable to the mismatch in the infrastructure construction projects between the development timetable, which determines the Group's expenditures, and the time when it receives funds for the relevant projects from Tai'an Municipal Government or other governmental agencies. There is no assurance whether the Group will record net cash outflows from its operating activities again in the future, and any such negative cash outflows may have a material and adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's business may be affected by natural disasters, epidemics and other acts of God, including the recent COVID-19 pandemic.

The Group's business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics and other acts of God which are beyond the Group's control may adversely affect the economy, infrastructure and livelihood of the people in the PRC. The occurrences of epidemics, such as the recent COVID-19 pandemic or the past occurrence of Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome (SARS), H5N1 avian flu, human swine flu (also known as Influenza A or H1N1) or H7N9 avian flu, depending on their scale, have caused and may continue to cause different degrees of damage to the national and local economies in the PRC.

The recent outbreak of COVID-19 caused the delay in resumption of local business in the PRC after the Chinese New Year holiday and, as the outbreak extended, several countries have introduced new restrictions on travel to and from the PRC. Recently, the COVID-19 has spread all over the world and was declared a pandemic on 11 March 2020 by the World Health Organisation. The global outbreak of COVID-19 has created negative economic impact and increased volatility in the PRC and global market, which may in turn adversely affect the Group's business. Given the high uncertainties associated with the COVID-19 outbreak at the moment, it is difficult to predict how long these conditions will exist and the extent to which the Group may be affected. Should the disruption to the Group's operations extend beyond a specified period, it may materially and adversely affect the Group's results of operations and financial condition and may also cause reputation damage to the Group.

Moreover, the PRC has experienced natural disasters like earthquakes, floods and droughts in the past few years. For example, since early June 2020, weeks of torrential rain flooded provinces throughout southern China, causing landslides, bursting dikes, forcing the evacuation of local residents and resulting in billions of economic losses. In May 2008 and April 2010, the PRC experienced earthquakes in Sichuan Province and Qinghai Province, respectively, resulting in the death of tens of thousands of people. Since the beginning of 2010, there have occurred severe droughts in southwestern China, resulting in

significant economic losses in these areas. Any future occurrence of severe natural disasters in the PRC may adversely affect its economy and in turn the Group's business.

Failure to obtain sufficient capital on acceptable terms or in a timely manner may adversely affect the Group's business and growth prospects.

The Group's business requires and will continue to require substantial capital expenditure. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, the Group made capital expenditures of RMB973.5 million, RMB294.3 million, RMB551.8 million, RMB170.4 million and RMB296.1 million, respectively. The Group has historically satisfied its capital requirements with cash flows generated from its operating activities, bank loans and other borrowings, proceeds from bond issuances and equity contributions from its shareholders.

The ability of the Group to generate sufficient operating cash flow is affected by a number of factors, such as the Group's ability to manage and implement its business plans, changes in general market conditions, the regulatory environment, governmental policies and the competition in certain sectors in which the Group operates. Any material adverse change in these factors may cause the Group to experience a capital shortfall. There is no assurance that the Group's operations are or will be able to generate sufficient cash flow to satisfy its cash need at all times, if at all.

Insufficient cash flow generated from the Group's operating activities will increase the reliance on external financing. As at 30 June 2020, the Group had total credit facilities of approximately RMB2,570.0 million, all of which had been utilised. The Group's ability to access and raise sufficient capital through different sources depends upon a number of factors, such as the PRC's economic condition, relationships with key commercial banks, prevailing conditions in capital markets, regulatory requirements and the Group's financial condition. Some of these factors are beyond the Group's control and there is no assurance that the Group will be able to procure sufficient funds in a timely manner or to obtain external financing on commercially acceptable terms, or at all. In these cases, the Group may not be able to fund the capital expenditure necessary to implement its business plans and strategies, which may in turn have a material and adverse effect on its business, financial condition, results of operations and prospects.

The Group faces risks associated with contracting with public bodies, such as the Tai'an Finance Bureau and the Tai'an Municipal Government.

As the core operating entity for municipal construction and public utility services within Tai'an City, a substantial part of the Group's business activities are conducted with various governmental authorities and their controlled entities in Tai'an City. A large portion of the Group's cash flow is generated from the funds paid by the Tai'an Finance Bureau and the Tai'an Municipal Government. As such, the Group is exposed to certain inherent risks relating to dealing with public bodies.

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

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

The Group engages third-party contractors for its property development business and infrastructure construction business. The Group generally selects independent contractors through an open tender process. However, there is no assurance that the services rendered by any of these independent

contractors or subcontractors will always be satisfactory or meet the Group's quality and safety standards. If the performance of any independent contractor is not satisfactory, the Group may need to replace such contractor or take other actions to remedy the situation, which could adversely affect the cost and construction progress of its projects. Furthermore, the completion of its projects may be delayed, and the Group may incur additional costs in some cases due to a contractor's financial or other difficulties. In addition, the Group may be requested on short notice to undertake additional development projects such as infrastructure and public facilities by the government, and there may be a shortage of contractors that meet the Group's quality requirements. Contractors may undertake projects for other companies and developers, engage in risky or unsound practices or encounter financial or other difficulties, which may affect their ability to complete their work for the Group on time or within budget. Any of these factors could have a material adverse effect on the Group's business, financial condition and results of operations.

All of the Group's businesses are based in a single geographical region.

All of the Group's current and anticipated gas supply, property development, heating, water supply and infrastructure construction businesses are located in Tai'an City. Any material region-wide adverse events may negatively impact of Tai'an City, which would in turn affect the revenue and profitability. Such adverse events include, but not limited to, changes in economic conditions and the regulatory environment, changes in the government's development plans and policies in Tai'an City, slowdown in the real estate sector and/or infrastructure construction sector, decrease in investor confidence within the region, significant natural disasters and man-made incidents. Due to the limited geographical coverage of its operations, the Group may not be able to effectively manage any potential losses arising from these adverse events, which may materially and adversely affect the Group's business, financial condition and results of operations.

The profitability and growth of the Group's natural gas business depends on the availability of sufficient supply of natural gas in the PRC.

The Group's natural gas business depends on the availability of sufficient supply of natural gas in the PRC. Global natural gas demand has grown steadily in past years. However, natural gas production in the PRC remains significantly below that of oil and coal. If the growth in demand for natural gas in the PRC cannot be met by growth in domestic production or importation from major producing countries such as Russia, the development of the natural gas industry in the PRC would be constrained, in which case the Group's growth would be materially and adversely impacted.

The applications of natural gas as a vehicle and industrial fuel continue to be much less developed than those of coal for industrial use, and of gasoline and diesel for vehicle use.

Coal, gasoline and diesel fuelling stations and service infrastructure are widely available in the PRC. In contrast, use of natural gas vehicles and industrial fuels is less developed. Future growth of gas applications requires substantial promotional and educational efforts and the development and supply of more natural gas vehicles and fuelling stations. This will require significant continued efforts by the Group and the natural gas industry as a whole, as well as the PRC government, and the Group will continue to face competition from oil companies, coal companies and gasoline station operators. It cannot be assured that natural gas will ever achieve the level of acceptance as a vehicle and industrial fuel necessary for the Group to expand its natural gas business.

If there are advances in alternative vehicle and industrial fuels or technologies, or if there are improvements in gasoline, diesel or hybrid engines, demand for natural gas vehicles may decline and the Group's gas refuelling station business may suffer.

Technological advances in the production, delivery and use of alternative fuels that are, or are perceived to be, cleaner, more cost-effective or more readily available than compressed natural gas ("CNG") have the potential to slow the adoption of natural gas vehicles and industrial facilities. In addition, advances in gasoline and diesel engine technology, especially hybrids, may offer a cleaner, more cost-effective option

and make vehicle customers less likely to convert their vehicles to natural gas. Technological advances related to ethanol or biodiesel, which are increasingly used as an additive to, or substitute for, gasoline and diesel fuel, may slow the need to diversify fuels and affect the growth of the natural gas vehicle market. In addition, hydrogen and other alternative fuels in experimental or developmental stages may eventually offer a cleaner, more cost-effective alternative to gasoline and diesel than natural gas. Advances in technology that slow the growth of or conversion to natural gas vehicles or industrial facilities or which otherwise reduce demand for natural gas as a vehicle or industrial fuel may have an adverse effect on the Group's business.

Natural gas operations entail inherent safety and environmental risks that may result in substantial liability to the Group.

Natural gas operations entail inherent risks, including equipment defects, malfunctions and failures, human error, accidents and natural disasters, which could result in uncontrolled flows of natural gas, fires, explosions, property damage, damage to the environment, injury and death. CNG fuel tanks, if damaged or improperly maintained, may rupture and the contents of the tank may rapidly decompress and result in death or injury. The location of pipelines near populated areas, including residential areas, commercial business centres, industrial sites and other public gathering places, could increase the level of damage resulting from these risks, including the loss of human life, significant damage to property, environmental damage, impairment of the Group's operations and substantial loss to the Group. The Group may incur substantial liability and cost if damages are not covered by insurance or are in excess of policy limits.

The Group relies on concessions granted by local PRC governments to operate its gas supply business in designated areas, which will expire or may be terminated early under specific circumstances or not be renewed upon expiration, and may contain restrictions on the Group's transfer of interests in the associated business.

The Group operates its gas supply business pursuant to the relevant concessions the Group has obtained or is in the process of obtaining from local PRC governments. Some concession agreements for the Group's gas supply business contain restrictions on its ability to transfer its interests to third parties without prior consent from the relevant local government. Furthermore, concessions are subject to regulatory controls. The relevant local PRC governments may terminate the concession agreements and cancel the Group's concessions if the Group: (i) transfers, leases or pledges its concessions without prior authorisation; (ii) disposes of or mortgage out relevant property without prior authorisation; (iii) experiences material quality or work safety accidents due to negligence or recklessness in management; (iv) ceases business operations without prior consent, thereby materially and adversely affecting public interest and security; or (v) engages in other acts prohibited by laws and regulations. Cancellation or early termination of any concessions, imposition of restrictive regulatory controls or failure to renew any concessions upon its expiration may interrupt the operations of such business, which may materially and adversely affect the Groups business, financial condition and results of operations.

The Group may face risks related to its joint ventures.

The Group may conduct some of its business through non-wholly-owned subsidiaries, associated companies and jointly controlled entities in which it shares control (in whole or in part) with strategic or business partners. Cooperation and agreement between the Group's joint venture partners and the Group on its existing or any future projects are important factors for the smooth operation and financial success of such projects. The Group's joint venture partners may (i) have economic or business interests or goals that are inconsistent with those of the Group; (ii) be unable or unwilling to fulfil their obligations under the relevant joint venture or other agreements; or (iii) experience financial or other difficulties. Furthermore, the Group may not be able to control the decision-making process of the joint ventures if it does not have majority control of the joint venture, and may only have the ability to influence certain material decisions through contractual provisions or representatives. Also, some joint venture agreements between the Group and its partners contain restrictions on its ability to transfer its interests to third parties without prior consent from the remaining partners who may exercise pre-emptive rights, veto

rights or other similar rights. In addition, there can be no assurance that any of these strategic or business partners will not terminate their relationships with the Group in the future. These occurrences may in turn affect the business, financial condition, results of operations and prospects of the Group.

Any interruptions in the Group's operations due to suspension, damage, destruction or closure of key operational facilities could adversely affect the Group's activities.

The Group owns and/or operates a variety of key operational facilities in the PRC, such as natural gas pipelines, gas refuelling stations, heat exchange stations and heat supply connection pipelines. Any interruption in, or prolonged suspension of any part of operations at, or any damage to or destruction of such key operational facilities, or the closure of the same, could significantly affect the Group's activities. The Group's various facilities are subject to the risk of operational breakdowns or disruptions, which may result from external factors beyond the Group's control, including natural disasters, such as earthquake and tsunamis, terrorist attacks, health epidemics and labour disputes. For example, most of the Group's property projects are located in selected second-tier cities, where the COVID-19 epidemic has caused damages to local economy in different degrees. Given the high uncertainties associated with the on-going COVID-19 epidemic at the moment, it is difficult to predict how long these conditions will last and the extent to which the Group may be affected. The Group has experienced delays in completion and delivery its projects, which may materially and adversely affect its results of operation and financial condition and may also cause reputation damage. In addition, the Group's operations could also be disrupted if any of its employees or employees of its subcontractors contracted or are thought to have contracted coronavirus or another disease that could cause an epidemic, since this could require the Group and its subcontractors to quarantine some or all of these employees and temporarily close its works sites and other facilities used for the Group's operations. In addition, any further disruption to the Group's sales activities may negatively affect their liquidity and access to capital. Operational breakdowns or disruptions may also result from industrial accidents, such as due to faulty construction, technical failures and human error, which may lead to fire, explosions or the release of harmful substances, particularly in the Group's natural gas operations. Any interruptions in the Group's operations may prevent the Group from serving its principal customers, which may, in turn, result in breach of contract, loss of revenues, or expose the Group to liability, lawsuits and damage to the Group's reputation, any of which could have an adverse effect on the Group's business, financial condition and results of operations.

The Group's gas supply business, heating business and water supply business may be affected by risks arising from the PRC government's price control regime for gas, heating and water sales.

The price for the natural gas purchased from national gas suppliers and the piped gas end-user tariffs in Tai'an City are both determined under the price control regime implemented by the Price Bureau of Shandong Province and the Price Bureau of Tai'an City, which confines end-user tariffs to a low level and has been adjusted from time to time. Similarly, the prices for heating and tap water purchased from upstream suppliers and the end-user tariffs in Tai'an City are determined by the Price Bureau of Tai'an City, which confines end-user tariffs to a low level and has been adjusted from time to time. As a result, the Group has limited control over the pricing of natural gas, heating and tap water. If the price for natural gas, heating and/or tap water fluctuates due to changes in prevailing market conditions or regulatory policies and the Group is unable to pass on the impact of the price adjustments to its customers in a timely manner, revenue, cash flows and results of operation of the Group's business will be materially and adversely affected.

The Group depends on certain key suppliers for its gas supply business, heating business and water supply business. Any significant decrease in transactions with any of them could adversely affect the Group's gas supply business, heating business and water supply business.

The Group's gas supply business, heating business and water supply business relies on a relatively small number of key suppliers, respectively. The Group's ability to retain its trades with key suppliers, and to acquire new suppliers, is important to the sustainability of its gas supply business, heating business and water supply business. However, the Group's ability to maintain its relations such key suppliers may be

limited because the suppliers typically allocate their supplies and orders to more than one counterparty to minimise their own concentration risk. Furthermore, the loss of one or more of key suppliers due to the termination of business operations, shifting of their business to other suppliers, financial difficulties or reduced supply or demand of relevant goods or otherwise, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's heating business and water supply business are exposed to credit risks and payment delays of its customers.

The Group's heating business and water supply business are subject to credit risks of its customers and its profitability is dependent on its customers making prompt payment on billings for heat energy and water utilised. If the percentage of payments collected in comparison to current levels decreases, the revenue and profitability of the abovementioned businesses could suffer. Furthermore, if the Group is unable to collect payments from its customers in a timely manner, the liquidity, financial condition and results of operations of the Group's heating business and water supply business could be adversely affected.

Water shortages and restrictions on the use or supply of water could adversely affect the Group's business.

In the event of water shortages, additional costs may be incurred in order to provide emergency reinforcement to supplies in areas of shortage which may adversely affect the Group's business, financial condition and results of operations. In addition, restrictions on the use or supply of water may adversely affect the Group's turnover and, in very extreme circumstances, may lead to significant compensation becoming due to customers because of interruptions to supply, both of which could adversely affect the Group's business, results of operations, profitability or financial condition.

Pollution may have adverse effects on the Group's water supply business.

Water is a resource and a raw material in the water industry, and the quality of raw water has a significant impact on water production. There has been an increase in the occurrence of water pollution in certain cities. Such water pollution is caused by various factors, including, but not limited to, the discharge of untreated sewage directly into water supply source. If the raw water is contaminated by pollutants that the Group is unable to treat, the Group will not be able to deliver its water services, which could have a material adverse effect on the Group's business, financial condition and results of operations. In addition, the Group's reputation and ability to obtain new projects may be negatively affected.

The Group may face delays and cost overruns with the property development projects and the municipal infrastructure construction projects, which may adversely affect its results of operations.

There are a number of construction, financing, operating and other risks associated with the property development projects and municipal infrastructure construction projects of the Group. Projects that the Group undertakes typically require substantial capital expenditures during the construction or development phase and can take a substantial period of time to complete. The time taken and the costs involved in completing these projects can be adversely affected by many factors, including shortages of materials, equipment and labour costs, adverse weather conditions, natural disasters, terrorism, labour disputes, disputes with sub-contractors, accidents, changes in governmental priorities and other unforeseen circumstances, many of which are out of the Group's control. Any of these could give rise to delays in the completion of the Group's projects and may result in liabilities, reduced efficiency and lower financial returns, which may in turn materially and adversely affect the Group's business, financial condition and results of operations.

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

The cost of construction materials, such as steel, which constitutes a significant portion of the Group's payments to its construction contractors, may fluctuate. Any increase in the cost of construction materials

may result in additional costs to the Group and may lead to future increases in construction contract costs. Construction material costs have fluctuated in recent years. Any increase in the cost of any significant construction materials will adversely impact the Group's overall construction costs, which may pose an adverse effect on the profitability of the Group.

The PRC government may impose fines or penalties on the Group or revoke the land use rights with respect to certain land held by the Group.

Under applicable PRC laws and regulations, if the Group does not commence development for more than one year after the date specified in the relevant land use rights grant contract, or the Group commences development on an area which is less than one-third of the area granted, or the capital invested in the development is less than one-fourth of the total investment approved for the development, and the development is suspended for more than one year without governmental approval, the PRC government may impose an idle land fee equal to 20 per cent. of the land premium or allocation fees. The PRC government may revoke the land use rights certificate without compensation if the Group does not commence development for more than two years after the date specified in the relevant land use rights grant contract without compelling causes. The State Council issued the Notice on Promoting the Saving and Intensification of Use of Land (國務院關於促進節約集約用地的通知) which states, among other things, that the Ministry of Land and Resources of the PRC ("MLR") and other authorities are required to research and commence the drafting of implementation rules concerning the levy of land appreciation fees on idle land. Furthermore, MLR issued the Notice on Restricting the Administration of Construction Land and Promoting the Utilisation of Approved Land (國土資源部關於嚴格建設用地管理促進批而未用土地利用的通知) in August 2009 which reiterates its policy on idle land. Idle Land Disposal Measures (閒置土地處置辦法) became effective on 28 April 1999 and was amended on 1 July 2012. It stipulated the procedures for disposal of idle land. Any fines or penalties imposed, or any cancellation of land use rights with respect to idle lands may materially and adversely affect the Group's business, financial condition and results of operations. As at 30 June 2020, the Group did not possess any land that had not commenced development within the time stipulated in the relevant land use rights grant contracts. However, the Group may have idle land in the future and the imposition of fines and penalties in relation to any idle land could have a material and adverse effect on the Group's business, financial condition and results of operations.

The Group's property development business and infrastructure construction business are exposed to certain risks associated with resettlement of indigenous residents.

Some of the Group's property development projects, infrastructure construction projects, affordable housing development projects and shantytown redevelopment projects involve resettlement of local residents. The Group develops and provides substitute properties in some cases to relocated residents as compensation for their resettlement. If any indigenous resident or business is dissatisfied with the compensation or the substitute properties and refuses to move, the relevant entity within the local government will seek to resolve the dispute by negotiating with the relevant resident or business to reach a mutually acceptable relocation compensation arrangement, or apply to the relevant land authority for its determination on whether the relocation compensation and relocation timetable is in compliance with PRC law. The relevant land authority will then make a decision as to the proper relocation compensation and timetable. There is no assurance that the relocation of indigenous residents or businesses will proceed smoothly or that they will agree to the compensation. Any delays affecting such relocations may result in delays in the Group's development schedules and/or increases in the Group's development costs, any of which could have a material adverse effect on its business, financial condition and results of operations.

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

Since 2005, the PRC Government has from time to time introduced various measures to curtail property speculation in response to concerns over, among other things, the increases in property investments and property price and the overheating of the property market. For example, according to the Notice of the General Office of the State Council on Issues Relating to Further Improving the Control of the Real

Estate Market (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知) dated 26 January 2011, the Notice of the General Office of the State Council on Further Improving the Regulation and Control of the Real Estate Market (國務院辦公廳關於繼續做好房地產市場調控工作的通知) dated 26 February 2013 and the Notice of the MOHURD on Issues relating to Further Improving the Control of the Real Estate Market (住房城鄉建設部關於進一步做好房地產市場調控工作有關問題的通知) dated 19 May 2018, the PRC Government will firmly restrain speculative demands and strengthen market supervision to better control the overheating of the PRC real estate market. Such measures may limit property developers' access to capital resources, reduce market demand for their properties and increase their operating costs in complying with these measures, which in turn could have an adverse effect on the demand for land developed by the Group. There is no assurance that the PRC Government will not adopt additional and more stringent measures to further dampen the growth of the property sector, which could slow down property development in China. These measures may limit the Group's access to capital resources, reduce market demand for its products and increase its operating costs in complying with these measures. If the Group fails to adapt its operations to such new policies, regulations and measures that may come into effect from time to time, its business prospects, results of operations and financial condition may be materially and adversely affected.

Property development business is subject to claims under statutory quality warranties.

Under the Regulations on Administration of Development and Operation of Urban Real Estate (城市房地產開發經營管理條例) promulgated by the State Council on 20 July 1998 and further amended on 8 January 2011, 24 March 2019 and 27 March 2020, and Regulations for the Administration of Sale of Commodity Building (商品房銷售管理辦法) promulgated on 4 April 2001 and became effective on 1 June 2001, all property developers in the PRC must provide certain quality warranties for the properties they sell. The Group is required to provide these warranties to the purchasers of the properties it develops and sells. Generally, the Group receives quality warranties from its third-party contractors with respect to its property projects. If a significant number of claims were brought against the Group under its warranties and if the Group is unable to obtain compensation for such claims from third-party contractors in a timely manner or at all, the Group could incur significant expenses to resolve such claims or face delays in remedying the related defects, which could in turn harm its reputation, and materially adversely affect its property development business and related financial condition and results of operations.

The Group may have to compensate its property development customers if it fails to meet all requirements for the delivery of completed properties and the issuance of property certificates.

According to applicable PRC laws, property developers must meet various requirements within 90 days after the delivery of property (or such other time period that may be provided in the relevant sales and purchase agreement) to assist a purchaser of its property to obtain the individual property ownership certificate. The application for individual property ownership certificates requires submission of the relevant sales and purchase agreement, identification documentation for the purchaser, evidence of payment of deed tax and a copy of the general property ownership certificate issued to the developer. Under PRC laws and regulations and according to the contracts relating to the sales and purchase of the properties, the Group is required to compensate its customers for delays in delivery caused by it of individual property ownership certificates.

The Group faces contractual and legal risks relating to the pre-sale of properties.

The Group faces contractual risks relating to the pre-sale of the properties that it develops under its property development business. For example, if the Group fails to meet the completion time as stated in the pre-sale contracts, purchasers of pre-sold units have the right to claim damages under the pre-sale contracts. If the Group still fails to deliver the properties to the purchasers within the grace period stipulated in the pre-sale contracts, the purchasers have the right of termination. If the actual development of a property differs from the approved development plan, or if the total GFA of the property development differs from the original authorised area, or if the services rendered by of the third-party contractors engaged by the Group are unsatisfactory or not within the originally tendered budget, the Group may become involved in disputes. There can be no assurance that the Group will not experience delays in the

completion and delivery of its projects, nor that the GFA for a delivered unit will not exceed the original authorised area. Any termination of the purchase contract as a result of the Group's late delivery of properties will have a material and adverse effect on its business, financial condition and results of operations.

Proceeds from pre-sales of the Group's properties are an important source of funds from the Group's property development business. In the last few years, the PRC central government has urged local governments to enact regulations on developers to sell residential properties when they are completed. There can be no assurance that the PRC government authorities will not ban or impose material limitations on the restrictions on the Group's ability to pre-sell properties, including any requirements to increase the amount of up-front expenditures the Group must incur prior to obtaining the pre-sale permit, extend the time required for recovery of its capital outlay and force it to seek alternative means to finance the various stages of its property developments. This, in turn, could have a material and adverse effect on the business, cash flow, financial condition and results of operations of the Group.

Revenue generated from the sale of the Group's properties is subject to land appreciation tax.

Revenue generated from the sale of the Group's properties is subject to land appreciation tax ("LAT") in the PRC. In addition, revenue generated from the sale of residential properties in the Group's projects planned for future development may be subject to land appreciation tax. Land appreciation tax is payable on the gain, representing the balance of the proceeds received on such sale, after deducting various prescribed items, including sums paid for the acquisition of land use rights, direct costs of land development and construction of buildings and supplementary facilities.

The Group has made tax provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects, and the tax authorities may disagree with the basis on which the provision for LAT is calculated. If so, the Group's cash flows and financial condition will be affected. In addition, making provisions for LAT requires the Group's management to make significant judgment with respect to the appreciation of land value and the inclusion of deductible items for LAT purposes. If the LAT provisions the Group has made are substantially lower than the actual LAT assessed by the tax authorities, its results of operations and cash flows will be materially and adversely affected.

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

The Group's infrastructure construction projects, affordable housing development projects and shantytown redevelopment projects are conducted under a business model where the Group undertakes project construction and the local government is responsible for the payment of the relevant costs and expenses. For such projects, the payments are usually made by instalments on an ongoing basis, the collection period is relatively long, and sometimes a portion of the agreed payment is paid only after the testing and inspection works are completed and approval for the project or a phase of the project is granted. However, the Group incurs costs such as material, equipment and labour costs, at the beginning of the project, on an ongoing basis and before achieving the relevant project milestones, and thus bears the risk of pre-paying costs and expenditures for each project. Therefore, any delay or default in the payments to the Group may increase the Group's cash flow pressure which will in turn increase its financial vulnerability and adversely affect its financial condition and results of operations. As at the date of this Offering Circular, the Group has not experienced any significant delay in payments by the relevant parties in accordance with the agreed payment timetables. However, there is no assurance that all payments will continue to be made in a timely manner, or that no events of default will occur in the future.

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

Certain financing contracts entered into by members of the Group may contain operational and financial restrictions on the Group or, as the case may be, the relevant subsidiary's business, that prohibit the

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

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

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

The Company has a number of subsidiaries and associated companies operating in different industries. Through these subsidiaries and associated companies, the Group engages in gas supply, property development, heating, water supply, infrastructure construction and other operational activities. As such, the Group is exposed to risks associated with multiple businesses. The Group is exposed to business, market and regulatory risks relating to different industries and markets, and may from time to time expand its businesses to new industries and markets in which it has limited operating experience. It needs to devote substantial resources to become familiar with, and monitor changes in, different operating environments so that it can succeed in its businesses.

In addition, successful operation of the Group's subsidiaries requires an effective management system. As the Group continues to grow its businesses and expand into various industries, the Group's operations may become more complex, which would increase the difficulty of implementing its management system.

The Company provides direct funding, guarantees and other support to certain of its subsidiaries. If the Company's subsidiary defaults on any borrowings lent or guaranteed by the Company, the Company will not receive the repayment as planned or the relevant lender may exercise its right under the guarantee to demand repayment from the Company. The occurrence of either of these types of events may result in a funding shortage at the Company level and may materially and adversely affect the Company's ability to provide financial support to its other subsidiaries. If the Company's financial or non-financial support ceases or diminishes for any reason, the operations of the relevant subsidiaries may be materially and adversely affected, which in turn may have a material and adverse impact on the Group's business, financial condition and results of operations.

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

Certain business activities of the Group, such as gas supply, property development, heating, water supply and infrastructure construction, are extensively regulated in the PRC. The operation of these business activities requires a number of approvals, licences and permits from different governmental authorities. It takes time to obtain all of these approvals and certificates. Governmental authorities in the PRC have broad discretion in implementing and enforcing applicable laws and regulations and in granting the approvals, licences, permits and certificates necessary for the Group to conduct its business. Failure to obtain the necessary approvals, licences or permits in a timely manner could result in delay or suspension of business operations, and a failure to obtain the necessary approvals, licences or permits may subject the relevant entities to regulatory or administrative penalties.

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

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

The Group has substantial indebtedness outstanding. Some of the Group's indebtedness bears interest that accrues at interest rates linked to benchmark lending rates published by PBOC. Any material fluctuation in the benchmark lending rate may have a material impact on the Group's interest expenses and payables under its bank loans and in turn affect its results of operations. The PRC government from time to time adjusted interest rates as implementation of the PRC government's economic and monetary policies. Since the outbreak of the global financial crisis in 2008, the PBOC progressively lowered the benchmark lending rates with an aim to encourage lending, increase liquidity in the market and promote the recovery of China's economy. On 20 July 2013, pursuant to the Notice on Further Promoting the Market-oriented Interest Rate Reform (中國人民銀行關於進一步推進利率市場化改革的通知), the PBOC abolished the regulation of the benchmark lending rates for financial institutions and began allowing lending rates to be determined by financial institutions pursuant to market principles, known as the loan prime rate (the "LPR"). On 28 December 2019, the PBOC issued the Announcement on Matters Concerning the Shift of the Pricing Benchmark for Existing Floating Rate Loans to the LPR (關於存量浮動利率貸款的定價基準轉換為LPR的公告), which provides that financial institutions shall not be allowed to enter into floating rate loan contracts based on the benchmark lending rates after 1 January 2020, and, in principle, the shift of pricing benchmark for existing floating rate loans from the benchmark lending rates to the LPR should be completed before 31 August 2020. As at the date of this Offering Circular, all of the Group's bank loans bear interest based on the LPR. Although the Group's financial condition and results of operations may benefit from the current low-interest environment, there is no assurance that this environment will continue. Any increase in the LPR in the future will increase the Group's financing costs and adversely affect the Group's profitability, financial condition and results of operations.

The Group may not successfully expand its businesses and implement its growth strategy.

The Group may from time to time expand its businesses to new industries and markets in which it has limited operating experience. Such expansion may require the Group to devote substantial resources to become familiar with, and monitor changes in, different operating environments so that it can succeed in its business. The Group was originally established for the purpose of carrying out municipal construction and providing public utility services in Tai'an City. As one of the Group's strategies, it plans to continue

to expand businesses while maintaining sustainable growth of its existing businesses and create synergies among its business segments. The Group's ability to successfully develop its new businesses and implement this strategy depends on its ability to identify attractive projects, obtain required approvals from relevant regulatory authorities, obtain sufficient capital on acceptable terms in a timely manner and maintain working relationships with various governmental authorities and agencies. The success of negotiations with respect to any particular project cannot be assured. There is no assurance that the Group will be able to successfully expand its businesses, implement its growth strategy, manage or integrate newly-acquired operations with the Group's existing operations. Failure to develop new businesses or implement the Group's growth strategy could have a material adverse effect on its business, financial condition, results of operations and prospects.

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

Many of the Group's businesses are labour intensive. The Group also relies on third-party contractors to carry out property development, infrastructure construction and other businesses. Increasing awareness of labour protection as well as increasing minimum wages is likely to increase the labour costs of PRC enterprises in general, including the Group or the contractors participating in the Group's projects.

The PRC Labour Contract Law (中華人民共和國勞動合同法) became effective on 1 January 2008 and was amended on 28 December 2012. It imposes more stringent requirements on employers in relation to entry into fixed-term employment contracts and dismissal of employees. Pursuant to the PRC Labour Contract Law, the employer is required to make compensation payment to a fixed-term contract employee when the term of their employment contract expires, unless the employee does not agree to renew the contract even though the conditions offered by the employer for renewal are the same as or better than those stipulated in the current employment contract. In general, the amount of compensation payment is equal to the average monthly wage of the employee 12 months before the termination of the employment contract multiplied by the number of full years that the employee has worked for the employer. A minimum wage requirement has also been incorporated into the PRC Labour Contract Law.

In addition, unless otherwise prohibited by the PRC Labour Contract Law or objected to by the employees themselves, the employer is also required to enter into non-fixed-term employment contracts with employees who have previously entered into fixed-term employment contracts for two consecutive terms.

In addition, under the Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例), which became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to paid annual leave ranging from five to fifteen days, depending on the length of the employees' working experience. Employees who consent to waive such vacation at the request of employers shall be compensated an amount equal to three times their normal daily salaries for each vacation day being waived. Under the National Leisure and Tourism Outline 2013–2020 (國民旅遊休閒綱要2013–2020) which became effective on 2 February 2013, all workers must receive paid annual leave by 2020. As a result of the PRC Labour Contract Law, the Regulations on Paid Annual Leave for Employees and the National Leisure and Tourism Outline 2013–2020, the Group's labour costs (inclusive of those incurred by contractors) may increase.

Further, under the PRC Labour Contract Law, when an employer terminates its PRC employees' employment, the employer may be required to compensate them for such amount which is determined based on their length of service with the employer, and the employer may not be able to efficiently terminate non-fixed-term employment contracts under the PRC Labour Contract Law without cause. In the event the Group decides to significantly change or decrease the Group's workforce, the PRC Labour Contract Law could adversely affect its ability to effect these changes in a cost-effective manner or in the manner that the Group desires.

As such, labour shortages, labour disputes or increases in labour costs of the Group or third-party contractors could directly or indirectly prevent or hinder the construction progress, and, if not resolved in a timely manner, could lead to delays in completing the Group's projects which could materially and adversely affect the Group's business, prospects and results of operations.

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

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

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

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

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

The Group maintains limited insurance policies, but in the municipal infrastructure construction projects, the Group usually requires the contractors to maintain the insurance coverage for the projects, which the Group believes to be consistent with the relevant law and industry and business practice in the PRC. However, some of the above-mentioned operational risks may not be covered and even if covered by the insurance policies maintained by the contractors of the Group, claims under these insurance policies may

not be honoured fully or on time, or the insurance coverage may not be sufficient to cover the costs incurred in the Group's operations related to the above-mentioned operational risks. There are also certain types of losses (such as losses from wars, acts of terrorism or acts of God, business interruption, property risks and third party (public) liability) that generally are not insured because they are either uninsurable or not economically insurable. To the extent that the Company or any of its subsidiaries suffers loss or damage that is not covered by insurance or that exceeds the limit of the insurance coverage, the Group's results of operations and cash flow may be materially and adversely affected.

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

The Group is required to comply with extensive environmental, safety and health regulations in the PRC. Failure to comply with such regulations may result in fines or suspension or revocation of the Group's licences or permits to conduct its business. Given the volume and complexity of these regulations, compliance may be difficult or involve significant financial and other resources to establish efficient compliance and monitoring systems. There is no assurance that the Group will be able to comply with all applicable requirements or obtain these approvals and permits on a timely basis, if at all. As at the date of this Offering Circular, the Group has not experienced any significant non-compliance with applicable safety regulations or requirements. In addition, PRC laws and regulations are constantly evolving. There is no assurance that the PRC government will not impose additional or stricter laws or regulations, which may increase compliance costs of the Group. Any failure to comply with the current or future environmental, safety and health regulations may materially and adversely affect the Group's business, financial condition and results of operations.

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

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

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

The Group may not effectively implement risk management and internal control policies and procedures to manage its financial risks.

Financial risks are inherent in the Group's businesses. Although systems and procedures are in place to identify and report on a timely basis the liquidity, foreign exchange, interest rate and credit risks arising from the activities of its businesses, there is no assurance that these systems and procedures will prevent any loss that affects the Group's financial conditions. In addition, many of the current systems have a

significant manual component. There are additional risks inherent in any manual risk management system, including human error. The reliability of the systems and the information generated from them depends on, inter alia, the configuration and design of the systems, the built-in system control features and the internal control measures surrounding them. Any failure of internal controls could have a material adverse effect on the Group's businesses, results of operations and financial conditions.

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

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

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

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

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

The Group may from time to time be involved in disputes with various parties involved in its business, including contractors, tenants, suppliers and purchasers. Such disputes may lead to legal or other proceedings and they may damage the Group's reputation, increase the Group's costs of operations and divert the Group's management's attention from daily business operations. In addition, where regulatory bodies or governmental authorities disagree with the Group's conduct in respect of its operations, the Group may be subject to administrative proceedings and unfavourable decrees that could result in

liabilities and delays to its projects. There is no assurance that the Group will not be so involved in any major legal or other proceedings in the future which may subject the Group to significant liabilities and may materially and adversely affect the Group's business, financial condition, results of operations and prospects.

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

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

The Group's consolidated financial statements have been prepared and presented in accordance with the PRC GAAP, which is different from IFRS in certain respects.

The Group's consolidated financial statements included in this Offering Circular have been prepared and presented in accordance with PRC GAAP. PRC GAAP is substantially in line with IFRS, except for certain modifications which reflect the PRC's unique circumstances and environment. See "*Summary of Certain Differences between PRC GAAP and IFRS*" for details. Each investor should consult its own professional advisers for an understanding of the differences between PRC GAAP and IFRS and/or between PRC GAAP and other generally accepted accounting principles, and how those differences might affect the financial information contained herein.

In addition, the Group's current independent auditor, Asia Pacific, is a registered member of the Chinese Institute of Certified Public Accountants. Although the Group's auditor has significant audit experience in the PRC, it has limited international capital markets experience. Prospective investors should consider this factor prior to making any investment decision.

Investors should not place any reliance on the financial information which is unreviewed or unaudited.

The Company may be obliged to publish annual, semi-annual and/or quarterly consolidated financial information in the PRC to satisfy any disclosure obligations relating to the debt securities to be issued in the PRC according to applicable PRC regulations and rules of the stock exchanges on which the relevant securities are listed. The semi-annual and/or quarterly consolidated financial information of the Company is derived from the Group's management accounts and normally unaudited or unreviewed by independent auditors. Unless specifically included in this Offering Circular, such financial information does not form part of this Offering Circular, and should not be referred to or relied upon by potential investors to provide the same quality of information associated with any audited or reviewed financial information. The Company is not responsible to holders of the Notes for the financial information from time to time published in the PRC and therefore investors should not place any reliance on any such financial information. The Company's published financial information in the PRC may be adjusted or restated by the Company to address retrospective impacts of subsequent changes in applicable accounting standards, the Company's accounting policies and/or applicable laws and regulations affecting the Group's financial reporting, to reflect the subsequent comments given by the independent auditors during the course of their audit or review or to correct errors in its published financial statements. Such adjustment or restatement may cause discrepancies between the financial information with respect to a particular period or date published in the past on the one hand and the financial information with respect

to the same period or date subsequently published in the PRC or the relevant financial information (if any) contained in this Offering Circular on the other hand.

Public corporate disclosure about the Issuer and the Company may be limited.

As the Issuer and the Company are not listed on any stock exchange, there may be less information about them publicly available than is regularly made available by listed companies.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Changes in the PRC's economic, political and social conditions as well as governmental policies could affect the Group's businesses, financial condition and results of operations.

A substantial part of the Group's revenue is derived from the PRC and the growth of the Group's businesses depends significantly on the continuation of economic development and growth in the PRC. The PRC's economy differs from the economies of most developed countries in many respects, including the structure of the economy, level of government involvement, level of development, growth rate, control of capital investment, control of foreign exchange and allocation of resources. The PRC's economy has been transitioning from a planned economy to a more market-oriented economy. For the past three decades, the PRC Government has implemented economic reform measures to emphasise the utilisation of market forces in economic development. Economic reform measures, however, may be adjusted, modified or applied inconsistently from industry to industry or across different regions of the country. As a result, the Group may not continue to benefit from all, or any, of these measures. In addition, the Group cannot predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will have any adverse effect on the Group's current or future businesses, financial condition and results of operations.

The economy of the PRC experienced rapid growth over the past 30 years. There has been a slowdown in the growth of the PRC's GDP since the second half of 2013 and this has raised market concerns that the historic rapid growth of the economy of the PRC may not be sustainable.

The future performance of the PRC's economy is not only affected by the economic and monetary policies of the PRC Government, but has been, and in the future will continue to be, materially affected by geo-political, economic and market conditions, including factors such as the liquidity of the global financial markets, the level and volatility of debt and equity prices, interest rates, currency and commodities prices, investor sentiment, inflation, and the availability and cost of capital and credit.

The ongoing trade dispute between the PRC and the United States and the increase in tariffs that the United States plans to impose on Chinese imports have contributed to increased market volatility, weakened business and consumer confidence and diminished expectations for economic growth around the world. In Europe, the exit of the United Kingdom from the European Union, and any prolonged period of uncertainty which results, could have a significant negative impact on international markets. These could include further falls in stock exchange indices, a fall in the value of the Pound sterling, an increase in exchange rates between the Pound sterling and the Euro and/or greater volatility of markets in general due to the increased uncertainty.

The implications for the world and the Group are significant. First, a rise in global trade protectionism will negatively impact the trade-dependent economies in Asia. Second, the interplay of U.S. fiscal and monetary policies, and aggressive quantitative easing programmes in Japan and Europe may lead to more volatile global capital flows, which could in turn impact global growth. Third, financial market volatility and increased uncertainty may have a broader global economic impact that may in turn have a material adverse effect on the Group's businesses, financial condition and results of operations.

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

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

To the extent uncertainty regarding the economic outlook negatively impacts consumer confidence and consumer credit factors globally, the Group's businesses and results of operations could be materially and adversely affected.

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

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

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

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

The value of Renminbi against the U.S. dollar and other foreign currencies is subject to changes in the PRC's policies, as well as international economic and political developments. On 21 July 2005, the PRC government adopted a more flexible managed floating exchange rate system to allow the value of Renminbi to fluctuate within a regulated band that is based on market supply and demand with reference to a basket of currencies. From 21 July 2005 to 17 March 2014, the floating band of interbank spot foreign exchange market trading price of Renminbi against the U.S. dollar was gradually widened from 0.3 per cent. to 2 per cent. On 11 August 2015, the PBOC adjusted the mechanism for market makers to form the central parity rate by requiring them to consider the closing exchange rate of the last trading date, the supply and demand of foreign exchange and the rate change at primary international currencies. On 11 December 2015, the China Foreign Exchange Trade System ("CFETS"), a sub-institutional organisation of PBOC, published the CFETS Renminbi exchange rate index for the first time which weighs Renminbi against 24 currencies, to guide the market in order to measure the Renminbi exchange rate from a new perspective.

Further to the PBOC's adjustment on 11 August 2015, the value of Renminbi depreciated significantly against the U.S. dollar. In January and February 2016, Renminbi experienced further fluctuation in value against the U.S. dollar. There can be no assurance that Renminbi will not experience significant depreciation or appreciation against the U.S. dollar or against any other currency in the future. There remains significant international pressure on the PRC Government to adopt more flexible currency policies. In the event of material fluctuations in the exchange rates of the U.S. dollar against Renminbi, the Group's ability to pay dividends in foreign currencies may be materially and adversely affected. Such fluctuations may also cause the Group to incur foreign exchange losses and affect the relative value of any dividends distributed by its PRC subsidiaries. In addition, appreciation or depreciation in the value of Renminbi relative to the U.S. dollar may affect the Group's financial results in U.S. dollars without giving effect to any underlying change in its businesses or results of operations.

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

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

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

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

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

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

On 14 July 2006, the Supreme People's Court of the PRC and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the **"Arrangement"**), which is still in full force and effect as of the date of this Offering Circular and will be replaced by and become invalid when the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and Hong Kong (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the **"New Arrangement"**), which was signed on 18 January 2019 comes into effect. Pursuant to the New Arrangement, if the parties have already signed the choice of court agreement in writing under the Arrangement before the New Arrangement enter into force, the Arrangement shall still apply. Under the Arrangement, where any designated People's Court of the Mainland or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing by the parties, any party concerned may apply to the relevant People's Court of the Mainland or Hong Kong court for recognition and enforcement of the judgment. However, the rights under the Arrangement are limited and the outcome and effectiveness of any action brought under the arrangement may still be uncertain.

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

In addition, recognition and enforcement of a Hong Kong court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC. While it is expected that the PRC courts will recognise and enforce a judgment given by a Hong Kong court and governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area.

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

To strengthen the management of financing platforms and effectively prevent fiscal financial risks, the State Council issued the Notice on Strengthening Management of Financing Platform of Local Government (國務院關於加強地方政府融資平臺公司管理有關問題的通知) (**"Circular 19"**) in June 2010 and the General Office of the NDRC issued the Notice on Further Regulating Issuance of Bonds by Financing Platform of Local Government (國家發展改革委辦公廳關於進一步規範地方政府投融資平臺公司發行債券行為有關問題的通知) (**"Circular 2881"**) in November 2010. According to Circular 19, all levels of local governments shall settle the existing debts of their respective financing platforms.

According to Circular 2881, the level of indebtedness of local governments will impact a financing platform's issuance of enterprise bonds. Such requirements may have a significant impact on the Group's access to financing and operations.

In addition, the PRC government may issue more stringent policies that could affect the business of the financing platforms of local governments in the PRC in the future. It is uncertain whether the Company would be deemed to be a local financing platform under Circular 19 or Circular 2881. If the Company is recognised as a local financing platform, there can be no assurance that the Group will be able to continue to carry out its business activities under the current business model in the future, which in turn may have a material adverse effect on the Group's business model, sources of financing and results of operations.

PRC regulations on the administration of fiscal debts of local governments may impact the Group's financing model, business model and business scope.

In September 2014, the State Council released Circular 43, according to which financing platform companies are no longer permitted to function as the financing arm of the local government or incur new government debts and should carry on its operations and financing in accordance with market-oriented principles. Local governments should instead finance the development of public interest projects via the issuance of government bonds. Public interest projects that are profit generating may be developed either by private investors independently or by a special purpose company jointly set up by the local government and private investors. Private investors and the special purpose companies jointly set up by the local government and the private investors are required to invest in accordance with market-oriented principles and development of the projects may be financed by bank loans, corporate bonds, project revenue bonds and asset-backed securitisation. Furthermore, private investors and special purpose companies shall bear the obligation to repay their debts and the relevant local government shall not be liable for any of the private investors' or the special purpose companies' debts. There are a few cases where certain debts of local financing platforms were classified as non-government debts since the release of Circular 43. However, whether the factual basis for such individual cases is comparable or relevant to other local governments' financing platforms is unclear and different local governments' interpretation and application of Circular 43 may vary from one another. In addition, it is uncertain whether the Company would be deemed to be a local financing platform under Circular 43. If the Company is recognised as a local financing platform, the Group's financing model, business model and business scope may be required to change significantly and going forward, investors in the Company's indebtedness will only have recourse to the Company's assets (and not those of the local government).

Circular 43 also sets forth the general principles of dealing with existing debts of local financing platforms. In 2014, the local counterparts of Ministry of Finance began an audit on the existing debts of the financing vehicles of local governments whereby the existing debts of the financing vehicles reported by the local governments were to be classified into four categories, namely (i) debts that shall be repaid with funds of the local governments (the **"First Type of Borrowings"**), (ii) debts that are guaranteed by the local governments (the **"Second Type of Borrowings"**), (iii) debts that may be repaid by the local governments with public funds at its option when the borrowing financing vehicles are not able to repay (the **"Third Type of Borrowings"**); and (iv) debts that will not be repaid or financed with the funds of the local governments. Circular 43 is not applicable to the Notes and the Tai'an Finance Bureau and the Tai'an Municipal Government has no obligation to repay any amount under the Notes. Investment in the Notes relies solely on the credit risk of the Issuer and the Company. In the event the Issuer and the Company does not fulfil its obligations under the Notes, investors will only be able to claim as an unsecured creditor against the Issuer and the Company, and not any other person including the Tai'an Finance Bureau and the Tai'an Municipal Government.

On 26 April 2017, the MOF, the NDRC, the Ministry of Justice, the PBOC, the CBIRC (previously known as "CBRC") and the China Securities Regulatory Commission jointly issued Circular 50 which reaffirmed that local government debts shall only be incurred through the issuance of local government bonds within the quota approved by the State Council, and the local governments and their departments are not permitted to use any other means for debt financing. The local governments and their departments are prohibited from requesting or ordering enterprises to issue debts for or on behalf of the local

governments. For the avoidance of doubt, the Tai'an Finance Bureau and the Tai'an Municipal Government has no obligation to repay any amount under the Notes. If the Issuer and the Company does not fulfil its obligations under the Notes, investors will only have recourse against the Issuer and the Company, and not the Tai'an Finance Bureau or the Tai'an Municipal Government. The description of support from the PRC government in this section is on the support given to the Company's business operations and should not be read as any indication that the PRC government will provide any financial support to the Issuer and the Company in respect of its obligations under the Notes.

On 11 May 2018, the NDRC and the MOF jointly issued Circular 706, according to which any enterprise that intends to incur medium and long-term foreign debt is prohibited to include public schools, public hospitals, public cultural facilities, parks, public squares, office buildings of government departments and public institutions, municipal roads, non-toll roads, non-operating water conservancy facilities, pipe network facilities, other public assets and the land use rights of reserve land in its assets. As at the date of this Offering Circular, the Company's projects include some municipal infrastructure construction projects. While the Company believes that such assets do not constitute public assets within the scope of Circular 706, there is, however, no clear definition of public assets in Circular 706 so its interpretation may involve uncertainty. Circular 706 also reaffirms that the offering circulars of bond issuances shall not disclose information that can implicitly or explicitly indicate the government's endorsement of capital raising or conduct misleading publicity that implies an association with the government's credit. In addition, the liability of the local government as shareholder shall be limited to its agreed obligation to contribute to the registered capital of such enterprises, and the relevant foreign debts should be solely repaid by such enterprises as independent legal persons.

The Group believes that the PRC government will continue to implement Circular 43, Circular 50, Circular 706 and other relevant regulations to control local government debts. Accordingly, the Group should rely on the cash flow generated from its operations and external borrowings to satisfy its cash needs for servicing its outstanding indebtedness and for financing its operating activities. The PRC government may continue to release new policies or amend existing regulations to control the increase in local government debts in the PRC. The Group may be required to further change its financing model and business model, which may have a material impact on its business, financial condition, results of operations and prospects.

The PRC government has no payment or other obligations under the Notes and the Guarantee.

The PRC government is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Notes the Trust Deed or the Agency Agreement in lieu of the Issuer and the Company. This position has been reinforced by Circular 23 promulgated on 28 March 2018 and took effect on the same day, and the Circular 706 promulgated on 11 May 2018 and took effect on the same day and Circular 666 issued by the NDRC on 6 June 2019 which emphasised that local state-owned enterprises shall bear the responsibility for the repayment of foreign debt as independent legal persons, and local governments and their departments shall not pay the foreign debt of local state-owned enterprises directly or by committing to the payment of the foreign debt with financial funds, nor shall they provide guarantees for the issuance of foreign debt by local state-owned enterprises.

The PRC government as the ultimate equity holder of the Issuer and the Company only has limited liability in the form of its equity contribution in the Issuer and the Company. As such, the PRC government does not have any payment or other obligations under the Notes the Trust Deed or the Agency Agreement. The repayment of the Notes remains the sole obligation of the Issuer and the Guarantor as an independent legal person. The indirect ownership and controlling relationship between the Tai'an Municipal Government and the Group does not necessarily correlate to, or provide any assurance as to the Group's financial condition.

Therefore, investors should base their investment decision only on the financial condition of the Issuer, the Company and the Group and base any perceived credit risk associated with an investment in the Notes only on the Group's own financial information reflected in its financial statements.

RISKS RELATING TO THE NOTES AND THE GUARANTEE

The Notes and the Guarantee are unsecured obligations.

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

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

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

The Issuer currently does not have operating activities or revenue, and payments with respect to the Notes are dependent upon the Issuer's future business, financial condition and results of operations and cash flow from other members of the Group.

The Issuer currently does not have any operating activities or revenue. The Issuer's ability to pay principal and interest on the Notes will depend upon its receipt of timely remittance of funds from the Guarantor and/or other members of the Group. In the event that the Guarantor and/or other members of the Group do not provide such funds to the Issuer due to lack of available cash flows or other factors, the Issuer's ability to make payment under the Notes may be adversely affected.

The Guarantor depends on distributions from its subsidiaries to meet its payment obligations, and provisions of applicable laws or contractual restrictions could limit the amount of such distributions.

The Guarantor is a holding company and derives a substantial portion of its operating income from its subsidiaries. As a result, the Guarantor depends on distributions from its subsidiaries in order to meet its payment obligations. In general, these subsidiaries are separate and distinct legal entities and have no obligation to provide the Guarantor with funds for its payment obligations, whether by dividends, distributions, loans or otherwise. In addition, provisions of applicable laws, such as those limiting the legal sources of dividends, limit the ability of the Guarantor's subsidiaries to make payments or other distributions to it. The Guarantor and its respective subsidiaries may incur significant additional secured or unsecured indebtedness in the future, and there can be no assurance that the Guarantor will have sufficient cash flows from its own operations and distributions by its subsidiaries and affiliates to satisfy its obligations in respect of the Guarantee. For example, some subsidiaries of the Group entered into loan agreements which restrict payment of dividends to the Guarantor up to 100 per cent. of the after-tax profit of those subsidiaries during the tenor of the loans. Although the Guarantor believes that it will be able to meet its obligations in respect of the Guarantee, any shortfall would have to be made up from other sources of cash, such as a sale of investments or any financing available to the Guarantor.

The PRC government has no obligations under the Notes and the Guarantee.

The PRC government is not an obligor and Noteholders shall have no recourse to the PRC government in respect of any obligation arising out of or in connection with the Notes or the Guarantee in lieu of the Issuer or the Guarantor. This position has been reinforced by the MOF Circular and the Joint Circular. Both Circulars are relatively new, and because of the limited volume of published decisions, the interpretation and enforcement of these laws and regulations involve uncertainties. The PRC government as the ultimate shareholder of the Guarantor only has limited liability in the form of its equity contribution in the Guarantor. As such, the PRC government does not have any payment obligations under the Notes or the Guarantee. The Notes are solely to be repaid by the Issuer (and the Guarantee by the Guarantor) as independent legal persons.

The Issuer and the Guarantor may not be able to meet their outstanding obligations under the Notes and the Guarantee.

The Issuer may (and at maturity, will) be required to redeem all of the Notes. In case of failure by Issuer to fulfil its payment obligations under the Notes, the Guarantor will also be required to pay on behalf of the Issuer under the Guarantee. If any of such events were to occur, the Issuer, or, as the case may be, the Guarantor, may not have sufficient cash on hand and may not be able to arrange financing in time, or on acceptable terms, or at all. The ability of the Issuer to redeem the Notes or the ability of the Guarantor to pay under the Guarantee may also be limited by the terms of other debt instruments. Failure to repay, purchase or redeem the Notes by the Issuer or, as the case may be, failure to pay by the Guarantor under the Guarantee, may constitute an event of default under the Notes, which may also constitute a default under the terms of the Issuer's or the Guarantor's other indebtedness.

If the Guarantor fails to complete the SAFE registration in connection with the Guarantee, there may be hurdles for cross-border payment under the Guarantee.

Under the Guarantee, the Guarantor will undertake to guarantee the due payment of all sums expressed to be payable by the Issuer due under the Notes and the Trust Deed.

The Guarantor is required by the Provisions on the Foreign Exchange Administration of Cross-border Guarantees (Hui Fa [2014] No.29) (跨境擔保外匯管理規定(匯發[2014]29號)) and the implementing rules and regulations (the “**Cross-border Guarantee Rules**”) to register the Guarantee with SAFE within 15 PRC working days of the date of execution of the Guarantee. Although non-registration does not render the Guarantee ineffective or invalid under PRC law, SAFE may impose penalties on the Guarantor if the Guarantor fails to complete the SAFE registration. Further, there may be hurdles at the time of remittance of funds (if any cross-border payment is to be made by the Guarantor under the Guarantee) as domestic banks may require evidence of SAFE registration in connection with the Guarantee in order to effect such remittance. The Guarantor will undertake to use its best endeavours to complete the Cross-border Security Registration on or before the Registration Deadline (being 90 Registration Deadline Business Days (as defined in the Terms and Conditions of the Notes) after the Issue Date), subject to any contrary interpretation by SAFE, there is no legal impediment to completion of such registration. If the registration is not completed on or before the Registration Deadline, each Noteholder will have the right to request the Issuer to redeem all of that Noteholder's Notes and will need to rely on the Issuer to source sufficient U.S. dollars to fully discharge its obligations under the Notes and the Trust Deed. Prior to the performance or discharge of its obligations under the Guarantee, the Guarantor is also required to complete a verification process with banks for each remittance under the Guarantee.

The interpretation of the Cross-border Guarantee Rules (as well as any implementation rules as issued by SAFE from time to time, including Notice of the State Administration of Foreign Exchange on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (Hui Fa [2017] No.3) (國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知(匯發[2017]3號)) (the “**SAFE Circular 2017**”) as per which funds raised offshore under NBWD are allowed to be directly or indirectly repatriated to the PRC by means of loans or equity investments) may involve uncertainty, which may adversely affect the enforceability of the Guarantee in the PRC. In addition, the administration of the Cross-border Guarantee Rules may be subject to a certain degree of executive and policy discretion by SAFE. There is no assurance that the registration of the Guarantee with SAFE can be completed or that the registration with SAFE obtained by the Guarantor will not be revoked or amended in the future or that future changes in PRC laws and regulations will not have a negative impact on the validity and enforceability of the Guarantee in the PRC.

The Tai'an Municipal Bureau of Finance or any other PRC governmental entity does not have any payment, guarantee or other obligations under the Notes, the Guarantee or the Trust Deed.

The Issuer and Guarantor are beneficially controlled and owned by the Tai'an Municipal Bureau of Finance with Taian Taishan Investment Co., Ltd. (泰安市泰山投資有限公司) as the registered shareholder of the Guarantor. The Tai'an Municipal Bureau of Finance as the ultimate beneficial owner of the Issuer and the Guarantor only has limited liability in the form of its equity contribution in the Guarantor. As such, the Tai'an Municipal Bureau of Finance or any other PRC governmental entity does not have any payment or other obligations under the Notes, the Guarantee or the Trust Deed and will not provide guarantee of any kind for the Notes. The Noteholders shall have no recourse to the Tai'an Municipal Bureau of Finance or any other PRC governmental entity in respect of any obligation arising out of or in connection with the Notes, the Guarantee or the Trust Deed. The Notes are solely to be repaid by the Issuer or the Guarantor (if the Guarantee is called) and the obligations under the Notes, the Guarantee or the Trust Deed shall solely be fulfilled by the Issuer or the Guarantor, as the case may be, as an independent legal person. This position has been reinforced by the Circular of the Ministry of Finance on Issues relevant to the Regulation on the Financing Activities Conducted by Financial Institutions for Local Governments and State-owned Enterprises (財政部關於規範金融企業對地方政府和國有企業融資行為有關問題的通知, 財金[2018]23號) promulgated on 28 March 2018 and which took effect on the same day, and the Circular of the National Development and Reform Commission and the Ministry of Finance on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness Risks (國家發展改革委財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知 (發改外資[2018]706號)) promulgated on 11 May 2018 and which took effect on the same day.

Therefore, investors should base their investment decision only on the financial condition of the Issuer, the Guarantor and the Group and any perceived credit risk associated with an investment in the Notes based only on the Group's own financial information reflected in its financial statements.

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

As the Issuer is incorporated under the laws of British Virgin Islands, and the Guarantor is a state-owned enterprise incorporated under the laws of the PRC, any insolvency proceeding relating to the Issuer and the Guarantor would likely involve insolvency laws of British Virgin Islands or the PRC, as applicable, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Notes are familiar.

A trading market for the Notes may not develop.

The Notes are a new issue of securities for which there is currently no trading market. There can be no assurance as to the liquidity of the Notes or that an active trading market will develop. If such a market were to develop, the Notes could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. Although application will be made for the listing of the Notes on the Hong Kong Stock Exchange, no assurance can be given as to the liquidity of, or trading marked for, the Notes. None of the Joint Lead Managers is obligated to make a market in the Notes, and if the Joint Lead Managers do so they may discontinue such market-making activity at any time without notice. Further, the Notes will be allocated to a limited number of investors, in which case the liquidity of the Notes may be limited.

In addition, the Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, the holders of the Notes will only be able to resell the Notes in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. It is investors' obligation to ensure that offers and sales of the Notes within the United States and other countries comply with applicable securities laws. Please see "Subscription and Sale". None of the Issuer or the Guarantor can predict whether an active trading market for the Notes will develop or be sustained.

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

Certain initial investors will purchase a significant portion of the aggregate principal amount of the Notes in this offering. Any holder of a majority of the aggregate principal amount of the Notes will be able to exercise certain rights and powers on its own under the Terms and Conditions and Trust Deed, which will be binding on holders of the Notes. Any holder of a significant portion of or majority of the aggregate principal amount of the Notes may be able to exercise such rights and powers on its own, which will be

binding on all holders of the Notes and control the outcome of votes on such matters. Any holder of a significant percentage of the Notes, even if less than a majority, will be able to exercise certain rights and powers and will have significant influence on matters voted on by holders of the Notes. Additionally, the existence of any such significant holders of the Notes may reduce the liquidity of the Notes in the secondary trading market.

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

The Notes are denominated and payable in U.S. dollars. An investor who measures investment returns by reference to a currency other than U.S. dollars would be subject to foreign exchange risks by virtue of an investment in the Notes, due to, among other things, economic, political and other factors over which none of the Issuer or the Guarantor has any control. Depreciation of the U.S. dollars against such currency could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss when the return on the Notes is translated into such currency. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Notes.

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

The market price of the Notes may be adversely affected by declines in the international financial markets and world economic conditions. The market for Chinese securities is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including the PRC. Since the sub-prime mortgage crisis in 2008, the international financial markets have experienced significant volatility. In Europe, several countries continue to face difficulties surrounding sovereign debt. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow, or both. In the Middle East, Eastern Europe and Africa, political unrest in various countries has resulted in economic instability and uncertainty. China's economic growth may slow due to weakened exports as well as recent developments surrounding the trade-war with the United States. Starting in April 2018, the United States imposed tariffs on steel and aluminium imports from China, and later on 6 July 2018, the United States imposed 25 per cent. tariffs on US\$34 billion worth of Chinese goods as part of President Donald Trump's tariffs policy. In turn, the PRC responded with similarly sized tariffs on United States' products. Significant further tariffs have been imposed by both countries since then. In December 2019, China and the United States announced a "phase one" trade deal, to which among other things, included a rollback by the United States of some existing tariffs. However, significant tariff remain and it is unclear when a resolution will be reached. If similar developments occur in the international financial markets in the future, the market price of the Notes could be adversely affected. In addition, in March 2020, the World Health Organization declared COVID-19 as a global pandemic. The accelerated spread of the virus globally has caused extreme volatility in the global financial market, including the repeated triggering of stock market "circuit breakers" in the United States and many other countries. There is no assurance that the continuing outbreak of COVID-19 will not have an adverse impact to the market price of the Notes.

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

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

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

The Issuer, filing which the Guarantor, may at maturity or in the case of the occurrence of a Change of Control or No Registration Event be required to redeem all of the Notes. If such an event were to occur,

the Issuer or the Guarantor may not have sufficient cash in hand and may not be able to arrange financing to redeem the Notes in time, or on acceptable terms, or at all. The ability to redeem the Notes in such event may also be limited by the terms of other debt instruments. The Issuer's, failing which the Guarantor's, failure to repay, repurchase or redeem tendered Notes could constitute an event of default under the Notes, which may also constitute a default under the terms of the Guarantor's or its subsidiaries' other indebtedness.

Obligations of the Guarantor under the Notes are structurally subordinated to the current and future liabilities and obligations of the Guarantor's subsidiaries.

The obligations of the Guarantor under the Notes will be effectively subordinated to all existing and future obligations of its existing or future subsidiaries, and all claims of creditors of its existing or future subsidiaries and rights of holders of preferred shares of such subsidiaries (if any) will have priority as to the assets of such subsidiaries over the claims of the Guarantor and those of the Guarantor's creditors, including the holders of the Notes. As a result, all of the existing and future liabilities of the Guarantor's subsidiaries, including any claims of trade creditors and preferred stockholders, will be effectively senior to the Notes. In addition, even if the Guarantor was a creditor of any subsidiary, its rights as a creditor would be subordinated to any security interest in the assets of such subsidiary and any indebtedness of the subsidiary senior to that held by the Guarantor.

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

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

The Issuer may issue additional Notes in the future.

The Issuer may, from time to time, and without prior consultation of the Noteholders create and issue further securities in accordance with the Terms and Conditions of the Notes (see "*Terms and Conditions of the Notes — Further Issues*"). There can be no assurance that such future issuance will not adversely affect the market price of the Notes.

If any of the Guarantor or its subsidiaries, including the Issuer, is unable to comply with the restrictions and covenants in its respective debt agreements, or the Notes, there could be a default under the terms of these agreements, or the Notes, which could cause repayment of the relevant debt to be accelerated.

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

Modifications and waivers may be made in respect of the Terms and Conditions of the Notes and the Trust Deed by the Trustee or less than all of the holders of the Notes.

The Terms and Conditions of the Notes contain provisions for calling meetings of the holders of the Notes to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including those Noteholders who did not attend and vote at the relevant meeting and those Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes also provide that the Trustee may (but shall not be obliged to), without the consent of the holders of the Notes, agree to any modification of the Trust Deed, the Terms and Conditions of the Notes and/or the Agency Agreement which in the opinion of the Trustee will not be materially prejudicial to the interests of the holders of the Notes and to any modification of the Trust Deed, the Terms and Conditions of the Notes and/or the Agency Agreement which in the opinion of the Trustee is of a formal, minor or technical nature or is to correct a manifest error or to comply with any mandatory provision of law.

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

The Notes are subject to provisions relating to substitution of the Issuer.

Condition 15 of the Terms and Conditions of the Notes provides that the Trustee may, without the consent of the Noteholders, agree with the Issuer and the Guarantor to the substitution of the Guarantor or any of its other subsidiaries in place of the Issuer as the principal debtor under the Notes and the Trust Deed if (a) except in the case of the substitution of the Guarantor, the Notes will be unconditionally and irrevocably guaranteed by the Guarantor; (b) the Trustee being satisfied that the interests of the Noteholders are not materially prejudiced by the substitution; and (c) certain other conditions set out in Clause 25 of the Trust Deed will be complied with.

The Trustee shall not be obliged to investigate into the financial condition, profits or prospects of the company in substitution of the Issuer or to compare the same with those of the Issuer or the previous substitute. There is no assurance that the company in substitution of the Issuer will have comparable financial condition and repayment capacity of the previous Issuer.

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

In certain circumstances (including without limitation giving of notice to the Issuer and the Guarantor pursuant to Condition 11 of the Terms and Conditions of the Notes and taking action pursuant to Condition 12 of the Terms and Conditions of the Notes), the Trustee may (at its sole discretion) request the holders of the Notes to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of the holders of the Notes. The Trustee shall not be obliged to take any such actions if not first indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed constituting the Notes and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable laws and regulations, it will be for the holders of the Notes to take such actions directly.

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

Under the new EIT Law which took effect on 1 January 2008 and as amended on 24 February 2017 and 29 December 2018 respectively and the implementation rules, enterprises established outside the PRC whose “de facto management bodies” are located in China are considered “resident enterprises” for PRC tax purposes.

The implementation rules define the term “de facto management body” as a management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation specified certain criteria for the determination of the “de facto management bodies” for foreign enterprises that are controlled by PRC enterprises.

Most of its directors and senior management are currently based inside China and it may keep its books of account inside China. The above elements may be relevant for the tax authorities to determine whether the Issuer is a PRC resident enterprise for tax purposes. However, there is no clear standard published by the tax authorities for making such a determination.

Although it is unclear under PRC tax law whether the Issuer has a “de facto management body” located in China for PRC tax purposes, the Guarantor takes the position that the Issuer is not a PRC resident enterprise for tax purposes. There is no assurance that the tax authorities will agree with our position. If the Issuer is deemed to be a PRC resident enterprise for EIT purposes, the Issuer would be subject to the PRC enterprise income tax at the rate of 25 per cent. on its worldwide taxable income. Furthermore, the Issuer may be obligated to withhold PRC income tax of up to 7 per cent. on payments of interest and certain other amounts on the Notes to investors that are Hong Kong resident enterprises or 10 per cent. on payments of interest and other amounts on the Notes to investors that are not Hong Kong resident enterprises, provided that there are no tax treaties between China and those countries which exempt or reduce such withholding tax, because the interest and other amounts may be regarded as being derived from sources within the PRC. In addition, if the Issuer fails to do so, it may be subject to fines and other penalties. Similarly, any gain realised by such non-resident enterprise investors from the transfer of the Notes may be regarded as being derived from sources within the PRC and may accordingly be subject to a 10 per cent. PRC withholding tax.

Furthermore, if the Issuer is treated as a PRC “resident enterprise”, the interest the Issuer pays in respect of the Notes, and the gain any investor may realise from the transfer of the Notes, may be treated as income derived from sources within the PRC and may be subject to PRC tax (including withholding tax in the case of interest). If the Issuer is required under the EIT Law to withhold PRC income tax from interest payments made to the Issuer’s foreign shareholders who are “non-resident enterprises”, the Issuer will be required to pay such additional amounts as will result in receipt by a holder of the Notes of such amounts as would have been received by the holder had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Notes, and could have a material adverse effect on its ability to pay interest on, and repay the principal amount of, the Notes, as well as its profitability and cash flow. In addition, if you are required to pay PRC income tax on the transfer of the Notes, the value of your investment in the Notes may be materially and adversely affected. It is unclear whether, if the Issuer is considered a PRC “resident enterprise”, holders of the Notes might be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas.

Gains on the transfer of the Notes may be subject to income tax under PRC tax laws.

Under the new EIT law and its implementation rules, any gains realised on the transfer of the Notes by holders who are deemed under the new EIT law as non-resident enterprises may be subject to PRC EIT if such gains are regarded as incomes derived from sources within the PRC. Under the new EIT law, a “non-resident enterprise” means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises

in the PRC, or which has not established any offices or premises in the PRC but has obtained incomes derived from sources within the PRC. There remains uncertainty as to whether the gains realised from the transfer of the Notes would be treated as incomes derived from sources within the PRC and be subject to PRC tax. This will depend on how the PRC tax authorities interpret, apply or enforce the EIT Law and its implementation rules. In addition, there is uncertainty as to whether gains realised on the transfer of the Notes by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. EIT rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Notes minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income.

According to an arrangement between mainland China and Hong Kong for avoidance of double taxation, holders of the Notes who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Notes.

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

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

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

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes;
- understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets;
- understand the tax consequence of the purchase, ownership and disposition of the Notes; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

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

Certain facts and statistics are derived from publications not independently verified by the Group or the Joint Lead Managers.

Facts and statistics in this Offering Circular relating to global economy and the relevant industry are derived from publicly available sources. While each of the Issuer and the Guarantor has taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by any of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents or their respective advisors and, therefore, neither the Issuer nor such parties make any representation as to the accuracy of such facts and statistics. Due to possibly flawed or ineffective calculation and collection methods and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies and should not be unduly relied upon. Further, the Issuer cannot assure investors that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

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

The Terms and Conditions of the Notes are governed by English law. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the Notes and any such change could materially adversely impact the value of any Notes affected by it.

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

The Terms and Conditions of the Notes, the Guarantee and the transaction documents are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken. Under the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the “**Arrangement**”), judgments of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of Hong Kong courts. However, recognition and enforcement of a Hong Kong court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC or meets other circumstances specified by the Arrangement. While it is expected that the PRC courts will recognise and enforce a judgment given by Hong Kong courts in respect of a dispute governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area. Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the holders of the Notes will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the holder’s ability to initiate a claim outside of Hong Kong will be limited.

The Notes will initially be represented by the Global Certificate and holders of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System.

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

While the Notes are represented by the Global Certificate the Issuer will discharge its payment obligations under the Notes by making payments to the common depositary for Euroclear and Clearstream for distribution to their account holders. A holder of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System to appoint appropriate proxies.

The Guarantor's consolidated financial statements were prepared in accordance with PRC GAAP which may be different from IFRS.

The Guarantor's audited consolidated financial statements as at and for the years ended 31 December 2018 and 2019 were prepared in accordance with PRC GAAP issued by the Ministry of Finance of the PRC on 15 February 2006, and the Application Guidance for Accounting Standards for Business Enterprises, Interpretation of PRC GAAP and other relevant regulations issued thereafter. Although PRC GAAP are substantively in line with IFRS, PRC GAAP are, to a certain extent, different from IFRS. See “*Summary of Certain Differences Between PRC GAAP and IFRS*”. The Guarantor has not prepared a reconciliation of its consolidated financial information and its consolidated financial statements and related footnotes between PRC GAAP and other GAAPs. There is no guarantee that PRC GAAP will fully converge with IFRS or that there will be no additional differences between the two accounting standards in the future. In making an investment decision, investors must rely upon their own examination of the Group, the terms of the offering and the financial information of the Guarantor. Investors should consult their own professional advisers for an understanding of any differences between PRC GAAP and any other GAAPs and how those differences might affect the financial information contained in this Offering Circular.

TERMS AND CONDITIONS OF THE NOTES

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

The U.S.\$100,000,000 4.50 per cent. Guaranteed Notes due 2022 (the **Notes**, which expression shall in these terms and conditions (the **Conditions**), unless the context otherwise requires, include any further notes issued pursuant to Condition 18 and forming a single series with the Notes) issued by Taishan City Investment Co., Limited 泰山城市投資有限公司 (the **Issuer**) are constituted by a Trust Deed (the **Trust Deed**) to be dated on or about 8 March 2021 (the **Issue Date**) made between the Issuer, Taian City Development and Investment Co., Ltd. (泰安市城市發展投資有限公司) (the **Guarantor**) as guarantor of the Notes and Citicorp International Limited (the **Trustee**, which expression shall include its successor(s)) as trustee for the holders of the Notes (the **Noteholders**). The Notes were authorised by the written resolution of the sole director of the Issuer dated 27 November 2020. The giving of the Guarantee (as defined below) was authorised by the Guarantor's sole executive director's decision dated 15 September 2020 and the sole shareholder's resolution of the Guarantor on 19 October 2020.

The statements in the Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. Copies of the Trust Deed, the deed of guarantee to be dated on or about 8 March 2021 given by the Guarantor (the **Guarantee**) and the agency agreement to be dated on or about 8 March 2021 (the **Agency Agreement**) made between the Issuer, the Guarantor, Citibank, N.A., London Branch as the registrar (the **Registrar**), as transfer agent (the **Transfer Agent**) and as initial principal paying agent (the **Principal Paying Agent**) and other agents (each named therein) and the Trustee are available for inspection during normal business hours (being between 9:00 a.m. and 3:00 p.m.) to the Noteholders upon prior written request and satisfactory proof of holdings from the specified office for the time being of the Principal Paying Agent, being at the date of issue of the Notes at 20th Floor, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong. References herein to **Agents** means the Principal Paying Agent, the Registrar, the Transfer Agent and any other agent or agents appointed from time to time pursuant to the Agency Agreement with respect to the Notes and shall include their respective successors or assigns. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Guarantee and the Agency Agreement applicable to them.

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Notes are issued in registered form in amounts of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (referred to as the **principal amount** of a Note). A note certificate (each a **Certificate**) will be issued to each Noteholder in respect of its registered holding of Notes. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Noteholders which the Issuer will procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the **Register**).

1.2 Title

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

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

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

2. TRANSFERS OF NOTES AND ISSUE OF CERTIFICATES

2.1 Transfers

A Note may, subject to the Agency Agreement and Conditions 2.4 and 2.5, be transferred by depositing the Certificate issued in respect of that Note, with the form of transfer on the back duly completed and signed, at the specified office of the Registrar or any of the Agents.

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

2.2 Delivery of new Certificates

Each new Certificate to be issued upon transfer of Notes will, within five business days of receipt by the Registrar or the relevant Agent of the duly completed form of transfer endorsed on the relevant Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Note to the address specified in the form of transfer. For the purposes of this Condition 2.2, **business day** shall mean a day on which banks are open for business in the city in which the specified office of the Agent with whom a Certificate is deposited in connection with a transfer is located.

Where some but not all of the Notes in respect of which a Certificate is issued are to be transferred, a new Certificate in respect of the Notes not so transferred will, within five business days of receipt by the Registrar or the relevant Agent of the original Certificate, be mailed by uninsured mail at the risk of the holder of the Notes not so transferred to the address of such holder appearing on the Register or as specified in the form of transfer.

2.3 Formalities free of charge

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

2.4 Closed Periods

No Noteholder may require the transfer of a Note to be registered (i) during the period of 15 days ending on (and including) the due date for any payment of principal, premium or interest on that Note, (ii) after a Put Exercise Notice (as defined in Condition 8.3) has been deposited in respect of the Notes pursuant to Condition 8.3, (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any record date (as defined in Condition 7.1).

2.5 Regulations

All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfer of Notes scheduled to the Trust Deed. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests one.

3. STATUS OF THE NOTES

The Notes are direct, unconditional, unsubordinated and (subject to the provisions of Condition 5.1) unsecured obligations of the Issuer and (subject as stated above) rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

4. GUARANTEE

4.1 Guarantee

The payment of principal, premium and interest in respect of the Notes and all other moneys expressed to be payable by the Issuer under or pursuant to the Trust Deed has been unconditionally and irrevocably guaranteed by the Guarantor in the Guarantee.

4.2 Status of the Guarantee

The obligations of the Guarantor under the Guarantee constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 5.1) unsecured obligations of the Guarantor and (subject as stated above) rank and will rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Guarantor, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

5. COVENANTS

5.1 Negative Pledge

So long as any Note remains outstanding (as defined in the Trust Deed), the Issuer and the Guarantor will not, and the Guarantor will procure that none of its Subsidiaries (as defined below) will, create or permit to subsist any mortgage, charge, lien, pledge or other form of encumbrance or security interest (the **Security**) upon the whole or any part of its business, undertaking, assets or revenues (including any uncalled capital), present or future, to secure the repayment or payment of principal, premium or interest of or on any Relevant Indebtedness, or any guarantee of or indemnity given in respect of the repayment or payment of principal, premium or interest of or on any Relevant Indebtedness unless, at the same time or prior thereto, the Issuer's obligations under the Notes or, as the case may be, the Guarantor's obligations under the Guarantee (i) are secured by the Security equally and rateably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, or (ii) have the benefit of such other security, guarantee, indemnity or other arrangement (whether or not it includes the giving of a Security) as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the interests of the Noteholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed).

5.2 Provision of Information

- (a) So long as any Note remains outstanding, the Guarantor shall send to the Trustee (i) as soon as they are available but in any event within 150 calendar days after the end of each Relevant Period, copies of the Audited Financial Statements audited by a nationally recognised firm of independent accountants and prepared and presented in accordance with PRC Accounting Standards, and (ii) as soon as they are available but in any event within 90 calendar days after the end of each Relevant Period, copies of the Unaudited Financial Statements prepared on a basis consistent with its audited consolidated financial statements, and if such statements as referred to in (i) or (ii) in this Condition shall be in the Chinese language, together with an English translation of the same translated by (A) a nationally or internationally recognised firm of independent accountants or (B) a professional translation service provider and checked by a nationally or internationally recognised firm of independent accountants, in each case together with a certificate signed by an Authorised Signatory (as defined in the Trust Deed) of the Guarantor certifying that such translation is complete and accurate.
- (b) So long as any Note remains outstanding, the Issuer and the Guarantor will each furnish the Trustee with a Compliance Certificate (on which the Trustee may rely conclusively as to such compliance and shall not be liable to any Noteholder or any other person for such reliance) (i) within 14 days of a written request by the Trustee and (ii) at the same time as the provision of the relevant Audited Financial Statements as referred to in Condition 5.2(a)(i) above.

5.3 Registration of the Guarantee

The Guarantor undertakes that it shall (i) register or cause the Guarantee to be registered with SAFE (as defined in Condition 8.3), in accordance with, and within the time period prescribed by Foreign Exchange Administration Rules on Cross-Border Security (《跨境擔保外匯管理規定》) promulgated by SAFE on 12 May 2014 and any implementation rules as issued by SAFE from time to time (the **Cross-border Security Registration**), (ii) complete the Cross-border Security Registration and obtain a valid certificate of registration from SAFE or any other document evidencing the completion of registration issued by SAFE on or before the Registration Deadline (as defined in Condition 8.3) and (iii) comply with all applicable PRC laws and regulations in relation to the Guarantee. The Trustee shall have no obligation or duty to monitor or ensure the registration of the Guarantee with SAFE on or before the Registration Deadline or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the Cross-Border Security Registration and/or the Registration Documents (as defined below) or to give notice to the Noteholders confirming the completion of the Cross-Border Security Registration, and shall not be liable to Noteholders or any other person for not doing so.

The Guarantor shall procure that within five PRC Business Days after the certificate and documents referred to in the definition of **Release Condition** in Condition 8.3 (such certificate and documents being the **Registration Documents**) are delivered to the Trustee, the Issuer gives notice to the Noteholders (in accordance with Condition 14) confirming the completion of the Cross-Border Security Registration.

5.4 Issuer's Activities

So long as any Note remains outstanding, the Issuer shall not, and the Guarantor will procure that the Issuer will not, carry on any business activity whatsoever, other than in connection with the issue of the Notes or other bonds and any other activities reasonably incidental thereto (such other activities shall, for the avoidance of doubt, include the on-lending of the proceeds of the issue of the Notes or other bonds to the Guarantor and any other Subsidiaries of the Guarantor).

5.5 Interpretation

For the purposes of these Conditions:

Audited Financial Statements means the annual audited consolidated financial statements of the Group, including at least a consolidated statement of income, consolidated balance sheet, consolidated statement of changes in equity and consolidated statement of cash flows of the Group, together with the auditors' audit report and notes to the financial statements;

Compliance Certificate means a certificate of each of the Issuer and the Guarantor (as the case may be) signed by an Authorised Signatory (as defined in the Trust Deed) of the Issuer or the Guarantor (as the case may be) that as at a date (the **Certification Date**) not more than five days before the date of the certificate:

- (i) no Event of Default (as defined in Condition 11) or Potential Event of Default had occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it; and
- (ii) each of the Issuer and the Guarantor (as the case may be) has complied with all its obligations under the Trust Deed, the Guarantee and the Notes, to which it is a party;

Potential Event of Default means a continuing event or circumstance which could, with the giving of notice, lapse of time, issue of a certificate and/or fulfilment of any other requirement provided for in Condition 11 become an Event of Default;

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

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

Relevant Indebtedness means (i) any present or future indebtedness incurred outside the PRC (whether being principal, premium, interest or other amounts) in the form of or represented by any notes, bonds, debentures, debenture stock, loan stock, certificates of deposit or other similar securities which for the time being are, or are intended to be or capable of being, quoted, listed or ordinarily dealt in or traded on any stock exchange or over-the-counter or other securities market and (ii) any guarantee or indemnity of any such indebtedness (which, for the avoidance of doubt, does not include bi-lateral loans, syndicated loans or club deal loans);

Relevant Period means, in relation to the Audited Financial Statements, each period of 12 months ending on the last day of their respective financial year (being 31 December of that financial year) and, in relation to the Unaudited Financial Statements, each period of six months ending on the last day of the first half of its financial year (being 30 June of that financial year);

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

Unaudited Financial Statements means semi-annual unaudited consolidated financial statements of the Group, including but not limited to the consolidated balance sheet, the consolidated statement of income and the consolidated statement of cash flows of the Group, together with any statements, reports (including any director's report and auditors' report, if any) and notes (if any) attached to or intended to be read with any of them.

6. INTEREST

6.1 Interest Rate and Interest Payment Dates

The Notes bear interest on their outstanding principal amount from and including 8 March 2021 at the rate of 4.50 per cent. per annum, payable in arrear on 8 September 2021 and 7 March 2022 (each an **Interest Payment Date**). In these Conditions, the period beginning on and including 8 March 2021 and ending on but excluding 8 September 2021, and the period beginning on and including 8 September 2021 and ending on but excluding 7 March 2022 are both called an **Interest Period**.

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

6.2 Interest Accrual

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

6.3 Calculation of Broken Interest

When interest is required to be calculated in respect of a period of less than a full six-month period, it shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

7. PAYMENTS

7.1 Payments in respect of Notes

Payment of principal, premium and interest will be made by transfer to the registered account of the Noteholder. Payments of principal or premium (if any) and payments of interest due otherwise than on an Interest Payment Date will only be made against (provided that payment is made in full) surrender of the relevant Certificate at the specified office of any of the Agents. Interest on Notes due on an Interest Payment Date will be paid to the holder shown on the Register at the close of business on the date (the **record date**) being the fifteenth day before the relevant Interest Payment Date.

For the purposes of this Condition, a Noteholder's **registered account** means the U.S. dollar account maintained by or on behalf of it with a bank that processes payments in U.S. dollars, details of which appear on the Register at the close of business, in the case of principal, premium and interest due otherwise than on an Interest Payment Date, on the second Business Day (as defined below) before the due date for payment and, in the case of interest due on an Interest Payment Date, on the relevant record date, and a Noteholder's **registered address** means its address appearing on the Register at that time.

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

7.2 Payments subject to Applicable Laws

Payments in respect of principal, premium and interest on Notes are subject in all cases to (i) any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 9 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9) any law implementing an intergovernmental approach thereto.

7.3 No commissions

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

7.4 Payment on Business Days

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

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

7.5 Partial Payments

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

7.6 Agents

The names of the initial Agents and their initial specified offices are set out at the end of these Conditions. The Agents act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any Noteholder. Each of the Issuer and the Guarantor reserves the right, subject to the prior written approval of the

Trustee, at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents provided that:

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

Notice of any termination or appointment and of any changes in specified offices shall be given to the Noteholders promptly by the Issuer in accordance with Condition 14.

8. REDEMPTION AND PURCHASE

8.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on 7 March 2022 (the **Maturity Date**).

8.2 Redemption for Taxation Reasons

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

- (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 9.2), or any change in, or amendment to, the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective on or after 1 March 2021 either (i) the Issuer would be required to pay Additional Tax Amounts as provided or referred to in Condition 9 or (ii) (if the Guarantee is called) the Guarantor in making payment itself would be required to pay such Additional Tax Amounts; and
- (b) the requirement cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it,

the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable), redeem all the Notes, but not some only, at any time at their principal amount together with interest accrued up to but excluding the date of redemption, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to pay such Additional Tax Amounts, were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee (i) a certificate signed by an Authorised Signatory of the Issuer or, as the case may be, an Authorised Signatory of the Guarantor stating that the requirement referred to in (a) above will apply and cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it and (ii) an opinion of independent legal or tax advisers of recognised standing to the effect that the Issuer or, as the case may be, the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment, and the Trustee shall be entitled to accept such certificate and opinion as

sufficient evidence of the satisfaction of the conditions precedent set out above, in which event they shall be conclusive and binding on the Noteholders.

8.3 Redemption upon Change of Control or No Registration Event

Following the occurrence of a Change of Control or No Registration Event (each as defined below), the holder of each Note will have the right at such holder's option, to require the Issuer to redeem all, but not some only, of that holder's Notes on the Put Settlement Date (as defined below) at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount together with accrued interest up to but excluding the Put Settlement Date. To exercise such right, the holder of the relevant Note must complete, sign and deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption (in the form scheduled to the Agency Agreement) obtainable from the specified office of any Paying Agent (the **Put Exercise Notice**) together with the Certificate evidencing the Notes to be redeemed by not later than 30 days following a Change of Control or No Registration Event, as the case may be, or, if later, 30 days following the date upon which notice thereof is given to Noteholders by the Issuer in accordance with Condition 14. The **Put Settlement Date** shall be the fourteenth day or, if such day is not a Business Day, the next following Business Day (as defined in Condition 7.4) (in the case of a redemption for a Change of Control) or the fifth Business Day (in the case of a redemption for a No Registration Event) after the expiry of such period of 30 days as referred to above. A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Notes the subject of the Put Exercise Notices delivered as aforesaid on the Put Settlement Date. If the Notes become due and repayable due to the occurrence of an Event of Default following the delivery of a Put Exercise Notice but prior to the occurrence of the relevant Put Settlement Date, such Put Exercise Notice shall be deemed to be void.

The Trustee shall not be required to take any steps to ascertain whether a Change of Control or No Registration Event or any event which could lead to the occurrence of a Change of Control or No Registration Event has occurred. The Issuer, failing whom the Guarantor, shall give notice to Noteholders and the Trustee in accordance with Condition 14 by not later than 14 days (in the case of a redemption for a Change of Control) or five days (in the case of a redemption for a No Registration Event) following the first day on which it becomes aware of the occurrence of a Change of Control or No Registration Event, (or at any time within 14 days of any request in writing by the Trustee), which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Notes pursuant to this Condition, shall give brief details of the Change of Control or No Registration Event and shall specify the relevant Put Settlement Date.

For the purposes of this Condition 8.3:

Change of Control occurs when:

- (i) Tai'an Municipal Bureau of Finance or any other Person directly or indirectly Controlled by the central government of the PRC individually or together ceases to, directly or indirectly, own or Control (as defined below) the Guarantor; or
- (ii) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of the Guarantor's assets to any Person(s), acting together, except where such Person(s) is/are directly or indirectly Controlled (as defined below) by Tai'an Municipal Bureau of Finance or any other Person directly or indirectly Controlled by the central government of the PRC; or
- (iii) the Guarantor ceases to own, directly or indirectly, 100 per cent. of the equity interest of the Issuer;

Control means: (i) the ownership or control of 100 per cent. of the Voting Rights of the issued share capital of a Person or (ii) the nomination or designation of all the members then in office of a Person's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of Voting Rights, contract or otherwise. For the avoidance of doubt, a Person is deemed to Control another Person so long as it fulfils one of the two foregoing requirements and the terms **Controlling** and **Controlled** have meaning correlative to the foregoing;

a **No Registration Event** occurs when the Release Condition is not complied with on or before the Registration Deadline;

Person means any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include the sole director of the Guarantor or any other governing board of the Guarantor;

Registration Deadline means the day falling 90 Registration Deadline Business Days after the date of the Guarantee;

Registration Deadline Business Day for the purposes of this Condition means a day other than a Saturday or Sunday on which banks are open for business and settlement in Beijing;

Release Condition means the delivery to the Trustee of:

- (i) a certificate in English in substantially the form set forth in the Trust Deed signed by a duly authorised officer of the Guarantor confirming (x) the completion of the Cross-border Security Registration and (y) that no Event of Default has occurred and is continuing; and
- (ii) a true copy of the relevant Cross-Border Security Registration certificate and the particulars of registration certified by a duly authorised officer of the Guarantor;

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

Voting Rights means the right generally to vote at a general meeting of shareholders of a Person (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency, and any such voting power shall therefore be excluded for the purpose of this definition).

8.4 Notices of Redemption

If, in respect of any Note, both a redemption notice pursuant to Condition 8.2 and a Put Exercise Notice pursuant to Condition 8.3 are given, the Put Exercise Notice shall prevail.

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

8.5 Purchases

The Issuer, the Guarantor or any of the Guarantor's other Subsidiaries (as defined in Condition 5.5) may at any time purchase Notes in any manner and at any price. The Notes so purchased, while held by or on behalf of the Issuer, the Guarantor or any of the Guarantor's other Subsidiaries, the holding company of the Issuer or the Guarantor or any Subsidiary of such holding company, shall not entitle the holder to vote at any meetings of the holders and shall not be deemed to be outstanding for certain purposes, including without limitation for

the purpose of calculating quorums at meetings of the holders or for the purposes of Condition 11 and Condition 16.1.

8.6 Cancellations

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

9. TAXATION

9.1 Payment without Withholding

All payments of principal, premium and interest in respect of the Notes by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**) imposed, levied, collected, withheld or assessed by or on behalf of any of the Relevant Jurisdictions, unless the withholding or deduction of the Taxes is required by law.

Where such withholding or deduction is imposed or levied by or on behalf of the PRC up to and including the aggregate rate applicable on 1 March 2021 (the **Applicable Rate**), the Issuer or, as the case may be, the Guarantor will pay such additional amounts as may be necessary in order that the net amount received by Noteholders after such withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction.

If the Issuer or the Guarantor is required to make a deduction or withholding (i) imposed or levied by or on behalf of the PRC in excess of the Applicable Rate or (ii) imposed or levied by or on behalf of Hong Kong or any Relevant Jurisdiction other than the PRC, the Issuer or, as the case may be, the Guarantor will pay such additional amounts (the **Additional Tax Amount**) as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction; except that no Additional Tax Amounts shall be payable in relation to any payment in respect of any Note:

- (a) presented for payment by or on behalf of a holder (or to a third party on behalf of a holder) who is liable to the Taxes in respect of the Note by reason of his having some connection with such Relevant Jurisdiction other than the mere holding of the Note; or
- (b) (in the case of payment of principal, premium or interest (other than interest due on an Interest Payment Date)) if the Certificate in respect of such Note is presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to Additional Tax Amounts on presenting the same for payment on the last day of the period of 30 days assuming (whether or not such is in fact the case) that day to have been a Business Day (as defined in Condition 7).

9.2 Interpretation

In these Conditions:

- (a) **Relevant Date** means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by an Agent or the Trustee on or

before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 14; and

- (b) **Relevant Jurisdiction** means the British Virgin Islands or the PRC (which for this purpose, excludes the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan) or any political subdivision or any authority therein or thereof having power to tax to which the Issuer or the Guarantor becomes subject in respect of payments made by it of principal, premium and interest on the Notes.

9.3 Additional Amounts

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

9.4 The Trustee and the Agents

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 9 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, the Guarantor, any Noteholder or any third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Notes without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

10. PRESCRIPTION

Claims in respect of principal, premium (if any) and interest will become prescribed unless made within ten years (in the case of principal and premium) and five years (in the case of interest) from the Relevant Date.

11. EVENTS OF DEFAULT

11.1 Events of Default

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

- (a) if there is a default in the payment of any principal or premium due in respect of the Notes or any of them on the date such amount is due and payable; or
- (b) if there is a default in the payment of any interest due in respect of the Notes on the date such amount is due and payable and the default continues for a period of seven consecutive days; or
- (c) if the Issuer or the Guarantor fails to perform or observe any of its other obligations under these Conditions, the Guarantee or the Trust Deed (other than such default

which gives rise to a redemption upon the occurrence of No Registration Event pursuant to Condition 8.3) which default is in the opinion of the Trustee not capable of remedy or, if capable of remedy in the opinion of the Trustee, is not remedied within 30 days or after the Trustee has given written notice thereof to the Issuer); or

- (d) if (i) any Indebtedness for Borrowed Money (as defined below) of the Issuer, the Guarantor or any of their respective Subsidiaries becomes (or becomes capable of being declared) due and repayable prior to its stated maturity date by reason of an event of default or potential event of default (however described); (ii) the Issuer, the Guarantor or any of their respective Subsidiaries fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment or, as the case may be, within any originally applicable grace period; or (iii) default is made by the Issuer, the Guarantor or any of their respective Subsidiaries in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person provided that no event described in this subparagraph (c) shall constitute an Event of Default unless the aggregate amount of the relevant Indebtedness for Borrowed Money, guarantee and indemnities in respect of which one or more of the events mentioned above in this paragraph (c) has occurred amounts to at least U.S.\$15,000,000 or its equivalent in other currencies; or
- (e) any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Guarantor or any of its Principal Subsidiaries on the whole or a material part of the assets of the Guarantor or any of its Principal Subsidiaries becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not discharged or stayed within 30 days; or
- (f) (i) if any order is made by any court or effective resolution is passed for the winding up or dissolution of the Issuer, the Guarantor or any of the Principal Subsidiaries; or (ii) if the Issuer, the Guarantor or any of the Principal Subsidiaries ceases to carry on, or threatens to cease to carry on, the whole or a material part of its business or operations; or (iii) if the Issuer, the Guarantor or any of the Principal Subsidiaries or the respective directors or shareholders of the Issuer, the Guarantor or any of the Principal Subsidiaries initiates or consents to judicial proceedings relating to the Issuer, the Guarantor or any of the Principal Subsidiaries under any applicable liquidation, insolvency, bankruptcy, composition, reorganisation or other similar laws (including the obtaining of a moratorium), in each case of (i), (ii) or (iii) above, save (x) in any case for the purposes of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution, or (y) in the case of a Principal Subsidiary, an amalgamation, reorganisation or restructuring whilst solvent provided that all of the undertaking and assets subsisting immediately prior to such amalgamation, reorganisation or restructuring of such Principal Subsidiary are transferred to or otherwise vested in the Issuer, the Guarantor, one or more of the Issuer's Subsidiaries or the Guarantor's other Subsidiaries or in any combination of the afore-mentioned entities, or (z) in the case of a Principal Subsidiary, as a result of a disposal on an arm's length basis where all of the undertaking and assets resulting from such disposal are vested in the Issuer, the Guarantor, any of the Issuer's Subsidiaries or the Guarantor's other Subsidiaries or in any combination of the afore-mentioned entities; or
- (g) the Issuer, the Guarantor or any of the Principal Subsidiaries (i) stops or threatens to stop payment (other than in respect of any debt being contested in good faith and for which adequate reserves have been made) of, or (ii) is adjudicated, deemed by law or found by a court to be insolvent or bankrupt or unable to pay all or a material part of its debts as they fall due; or

- (h) if (i) proceedings are initiated against the Issuer, the Guarantor or any of the Principal Subsidiaries under any applicable liquidation, insolvency, bankruptcy, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer, the Guarantor or any of the Principal Subsidiaries or, as the case may be, in relation to the whole or a material part of the undertaking or assets of the Issuer, the Guarantor or any of the Principal Subsidiaries or an encumbrancer takes possession of the whole or a material part of the undertaking or assets of any of the Issuer, the Guarantor or any of the Principal Subsidiaries, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a material part of the undertaking or assets of the Issuer, the Guarantor or any of the Principal Subsidiaries, and (ii) in any such case (other than the appointment of an administrator) unless initiated by the Issuer, the Guarantor or the relevant Principal Subsidiary, is not discharged within 30 days. For the purposes of this Condition 11(h), any reference to any material part of the undertakings or assets of the Issuer or the Guarantor shall mean such material part of the undertakings or assets of the Issuer or the Guarantor on its own, as the case may be, and not on a consolidated basis; or
- (i) one or more judgment(s) or order(s) from a competent court for the payment of money is rendered against the Issuer or the Guarantor for the payment of an amount in excess of U.S.\$15,000,000 or its equivalent in other currencies and such judgment(s) or order(s) are not satisfied, discharged or stayed within 30 days;
- (j) if the Issuer, the Guarantor or any of the Principal Subsidiaries agrees or declares a moratorium or makes a conveyance or general assignment for the benefit of, or proposes or enters into any composition or other arrangement (including any agreement for the deferral, rescheduling or other readjustment) with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors), in each case, in respect of all or a material part of the debts of the Issuer, the Guarantor or any of the Principal Subsidiaries; or
- (k) if all or a material part of the undertaking, assets and revenues of the Issuer, the Guarantor or any of the Principal Subsidiaries is seized or otherwise appropriated by any person acting under the authority of any national, regional or local government, or the Issuer, the Guarantor or any of the Principal Subsidiaries is prevented by any such person from exercising normal control over all or a material part of the undertaking, assets and revenues of the Issuer, the Guarantor or any of the Principal Subsidiaries; or
- (l) if the validity of the Notes, the Guarantee or the Trust Deed is contested by the Issuer or the Guarantor, or the Issuer or the Guarantor denies any of the Issuer's or the Guarantor's obligations under the Notes, the Guarantee or the Trust Deed, or it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any of their respective obligations under or in respect of the Notes, the Guarantee or the Trust Deed, or any of such obligations are or become unenforceable or invalid; or
- (m) if any action, condition or thing (including the obtaining, effecting or renewing of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording, registration or other authority) at any time required to be taken, fulfilled or done by the Issuer or the Guarantor in order to (i) enable each of the Issuer and the Guarantor lawfully to enter into, exercise its rights and perform and comply with their

respective obligations under the Notes, the Guarantee or the Trust Deed; or (ii) to ensure that those obligations are and remain legally binding and enforceable or (iii) to make the Notes, the Trust Deed and the Guarantee admissible in evidence in the courts of Hong Kong, is not taken, fulfilled or done by the Issuer or the Guarantor; or

- (n) any event occurs which, under the laws of any relevant jurisdiction, has or may have, an analogous effect to any of the events referred to in subparagraphs (d) to (k) of this Condition 11.

11.2 Interpretation

For the purposes of this Condition:

Indebtedness for Borrowed Money means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities or any borrowed money (including but not limited to bank loans and other borrowings) or any liability under or in respect of any acceptance or acceptance credit.

Principal Subsidiary means any Subsidiary of the Guarantor:

- (a) whose gross revenue (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries), whose net profit (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries) or whose gross assets (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries) represent not less than three per cent. of the consolidated gross revenue, consolidated net profit or, as the case may be, the consolidated gross assets of the Guarantor and its Subsidiaries taken as a whole, all as calculated respectively by reference to the latest audited financial statements (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest audited consolidated financial statements of the Guarantor, provided that:
 - (i) in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated financial statements of the Guarantor relate for the purpose of applying each of the foregoing tests, the reference to the latest audited consolidated financial statements of the Guarantor shall, until consolidated financial statements of the Guarantor for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such audited financial statements as if such Subsidiary had been shown therein by reference to its then latest relevant audited financial statements, adjusted as deemed appropriate by the auditor for the time being, after consultation with the Guarantor;
 - (ii) if at any relevant time in relation to the Guarantor or any Subsidiary no financial statements are prepared and audited, its gross revenue, net profit and gross assets (consolidated, if applicable) shall be determined on the basis of pro forma financial statements (consolidated, if applicable) prepared for this purpose; and
 - (iii) if the financial statements of any Subsidiary (not being a Subsidiary referred to in proviso (i) above of this definition) are not consolidated with those of the Guarantor, then the determination of whether or not such Subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its financial statements (consolidated, if appropriate) with the audited consolidated financial statements of the Guarantor (determined on the basis of the foregoing); or

- (b) to which is transferred all or substantially all of the business, undertaking and assets of another Subsidiary which immediately prior to such transfer is a Principal Subsidiary, whereupon (i) in the case of a transfer by a Principal Subsidiary, the transferor Principal Subsidiary shall immediately cease to be a Principal Subsidiary; and (ii) the transferee Subsidiary shall immediately become a Principal Subsidiary, provided that on or after the date on which the relevant audited financial statements for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Principal Subsidiary shall be determined pursuant to the provisions of subparagraph (a) above of this definition.

A certificate prepared by an Authorised Signatory of the Guarantor that in his or her opinion (making such adjustments (if any) as he or she shall deem appropriate) a Subsidiary is or is not or was or was not at any particular time or during any particular period a Principal Subsidiary of the Guarantor shall, in the absence of manifest error, be conclusive and binding on the Guarantor, the Issuer, Trustee, the Agents and the Noteholders.

12. ENFORCEMENT

- 12.1** The Trustee may at any time, in its sole and absolute discretion and without notice, take such proceedings and/or other steps or action (including lodging an appeal in any proceedings) against or in relation to the Issuer and/or the Guarantor as it may think fit to enforce the provisions of the Trust Deed, the Guarantee and the Notes, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Guarantee or the Notes unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding, (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction and (c) such action is not contrary to any applicable laws or regulations.
- 12.2** The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion or based upon legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.
- 12.3** No Noteholder shall be entitled (i) to take any steps or action directly against the Issuer or the Guarantor to enforce the performance of any of the provisions of the Trust Deed, the Guarantee or the Notes or (ii) take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning the Issuer or the Guarantor, in each case unless the Trustee, having become bound so to take any steps or action, fails so to do within a reasonable period and such failure is continuing.

13. REPLACEMENT OF CERTIFICATES

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

14. NOTICES

All notices to the Noteholders will be valid if mailed to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses in the Register maintained by the Registrar. The Issuer and the Guarantor shall also ensure that notices are duly given or published at the Issuer's or, as the case may be, the Guarantor's expense in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed. Any notice shall be deemed to have been given on the fourth day (being a day other than a Saturday or a Sunday) after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

So long as the Notes are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or the Alternative Clearing System, notices to Noteholders may be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by these Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

15. SUBSTITUTION

The Trustee may, without the consent of the Noteholders, agree with the Issuer and the Guarantor to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Notes and the Trust Deed of the Guarantor or any of its other Subsidiaries subject to:

- (a) except in the case of the substitution of the Guarantor, the Notes being unconditionally and irrevocably guaranteed by the Guarantor;
- (b) the Trustee being satisfied that the interests of the Noteholders are not materially prejudiced by the substitution; and
- (c) certain other conditions set out in the Trust Deed being complied with.

16. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND AUTHORISATION

16.1 Meetings of Noteholders

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

The Trust Deed provides that a resolution passed (i) at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) in writing signed by or on behalf of the holders of not less

than three-fourths in principal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holders of not less than three-fourths in principal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution. An Extraordinary Resolution passed at any meeting of the Noteholders will be binding on all Noteholders, whether or not they are present and whether or not they voted at the meeting at which such resolution was passed. An Extraordinary Resolution in writing may be contained in one document or in several documents in like form each signed by or on behalf of one or more Noteholders.

16.2 Modification, Waiver, Authorisation and Determination

The Trustee may agree, without the consent of the Noteholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed, the Guarantee, the Agency Agreement or the Notes, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default shall not be treated as such (provided that, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders) or may agree, without any such consent as aforesaid, to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or an error which, in the opinion of the Trustee, is proven.

16.3 Trustee to have Regard to Interests of Noteholders as a Class

In connection with the exercise by it of any of its functions, trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, the Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders except to the extent already provided for in Condition 9 and/or any undertaking given in addition to, or in substitution for, Condition 9 pursuant to the Trust Deed.

16.4 Notification to the Noteholders

Any modification, abrogation, waiver, authorisation, determination or substitution shall be binding on the Noteholders and, unless the Trustee agrees otherwise, shall be notified by the Issuer, failing whom, the Guarantor, to the Noteholders as soon as practicable thereafter in accordance with Condition 14.

17. INDEMNIFICATION OF THE TRUSTEE AND ITS CONTRACTING WITH THE ISSUER AND THE GUARANTOR

17.1 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including (i) provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction and (ii) provisions limiting or excluding its liability in certain circumstances. The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the

Trustee shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario, and (ii) to require that any indemnity or security given to it by the Noteholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

The Trustee will not be required to expend its own funds in following any such direction if it does not believe that reimbursement or satisfactory indemnification and/or security and/or pre-funding is assured to it.

17.2 Trustee Contracting with the Issuer and the Guarantor

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

18. FURTHER ISSUES

The Issuer is at liberty from time to time without the consent of the Noteholders to create and issue further notes or bonds having the same terms and conditions as the Notes in all respects (or in all respects save for their issue date and the first payment of interest thereon and the deadline for completing the Cross-Border Security Registration) and so that the same shall be consolidated and form a single series with the outstanding notes or securities of any series (including the Notes) constituted by the Trust Deed or any supplemental deed. Any further notes or securities which are to form a single series with the outstanding notes or securities of any series (including the Notes) constituted by the Trust Deed or any supplemental deed shall, and any other further notes or securities may (with the written consent of the Trustee), be constituted by a deed supplemental to the Trust Deed.

19. CURRENCY INDEMNITY

U.S. dollar is the sole currency of account and payment for all sums payable by the Issuer or, as the case may be, the Guarantor under or in connection with the Notes, the Guarantee, the Trust Deed and the Agency Agreement, including damages. Any amount received or recovered in a currency other than U.S. dollar (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, the Guarantor or otherwise) by any Noteholder in respect of any sum expressed to be due to it from the Issuer or the Guarantor will only constitute a discharge to the Issuer or the Guarantor to the extent of the U.S. dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that U.S. dollar amount is less than the U.S. dollar amount expressed to be due to the recipient under any Note, the Guarantee, the Trust Deed or the Agency Agreement, the Issuer and the Guarantor will indemnify such recipient and the Trustee against any loss sustained by it as a result. In any event, the Issuer and the Guarantor will indemnify the recipient and the Trustee against the cost of making any such purchase. For the purposes of this Condition, it will be sufficient for the Noteholder or the Trustee, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantor's other obligations, will give rise to a separate and independent cause of action, will

apply irrespective of any indulgence granted by any Noteholder and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, the Trust Deed, the Agency Agreement or any other judgment or order.

20. GOVERNING LAW AND SUBMISSION TO JURISDICTION

20.1 Governing Law

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

20.2 Jurisdiction

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

Each of the Issuer, the Guarantor, the Trustee, the Agents and any Noteholder in relation to any Dispute, submits to the exclusive jurisdiction of the courts of Hong Kong and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient or inappropriate forum to settle any Dispute.

20.3 Appointment of Process Agent

Each of the Issuer and the Guarantor has, in the Trust Deed and the Agency Agreement, and the Guarantor has, in the Guarantee, irrevocably and unconditionally appointed Taishan City Development Co., Limited at Unit 1015, 10/F, Block A, New Mandarin Plaza, No. 14 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong as its agent for service of process in Hong Kong in respect of any Proceedings.

If for any reason Taishan City Development Co., Limited shall cease to be such agent for service of process, each of the Issuer and the Guarantor shall forthwith appoint a new agent for service of process in Hong Kong and shall deliver to the Trustee a copy of the new agent's acceptance of that appointment within 14 days of Taishan City Development Co., Limited ceasing to be such agent for service of process. Each of the Issuer and the Guarantor agrees that failure by a process agent to notify it of any process will not invalidate the relevant proceedings. Nothing in these Conditions shall affect the right to serve process in any other manner permitted by law.

20.4 Waiver of Immunity

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

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

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

21. RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The Global Certificate contains provisions which apply to the Notes in respect of which the Global Certificate is issued, some of which modify the effect of the Terms and Conditions of the Notes set out in this Offering Circular. Terms defined in the Terms and Conditions of the Notes have the same meaning in the paragraphs below. The following is a summary of those provisions:

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

Under the Global Certificate, the Issuer, for value received, promises to pay such principal and interest on the Notes to the holder of the Notes on such date or dates as the same may become payable in accordance with the Terms and Conditions of the Notes.

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

Payment

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

Trustee’s Powers

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

Notices

So long as the Notes are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or any Alternative Clearing System, notices to Noteholders may be given by delivery of the relevant notice to Euroclear or Clearstream or such Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Terms and Conditions of the Notes.

Noteholder's Redemption

The Noteholder's redemption option in Condition 8.3 of the Terms and Conditions of the Notes may be exercised by the holder of a Global Certificate giving notice to any Paying Agent of the principal amount of Notes in respect of which the option is exercised within the time limits specified in the Terms and Conditions of the Notes.

Issuer's Redemption

The option of the Issuer provided for in Condition 8.2 of the Terms and Conditions of the Notes shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by Terms and the Conditions of the Notes.

Transfers

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

Cancellation

Cancellation of any Note by the Issuer following its redemption or purchase by the Issuer will be effected by reduction in the principal amount of the Notes in the Register of the Noteholders.

Meetings

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

USE OF PROCEEDS

The Issuer estimates that the net proceeds from this offering, after deducting the commissions payable in connection with this offering, will be approximately U.S.\$99.9 million. The net proceeds will be used for general corporate purposes and refinancing existing indebtedness.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the consolidated total indebtedness (both current and non-current portions), total equity and total capitalisation of the Group as at 30 June 2020 on an (i) actual basis and (ii) on an adjusted basis to give effect to the Notes to be issued. The summary consolidated financial information below should be read in conjunction with the Group's consolidated financial statements and the notes to those statements included elsewhere in this Offering Circular.

	As at 30 June 2020			
	Actual		As adjusted	
	(RMB)	(U.S.\$) ⁽¹⁾	(RMB)	(U.S.\$) ⁽¹⁾
	<i>(in thousands)</i>			
Current indebtedness:				
Short-term borrowings	1,125,000.0	159,233.4	1,125,000.0	159,233.4
Non-current liabilities due within one year	1,244,740.0	176,181.5	1,244,740.0	176,181.5
Total current indebtedness	2,369,740.0	335,414.9	2,369,740.0	335,414.9
Non-current indebtedness:				
Long-term borrowings	160,250.0	22,681.9	160,250.0	22,681.9
Long-term accounts payable	1,462,179.8	206,958.1	1,462,179.8	206,958.1
Notes to be issued ⁽²⁾	—	—	706,510.0	100,000.0
Total non-current indebtedness ..	1,622,429.8	229,640.0	2,328,939.8	329,640.0
Total indebtedness⁽³⁾	3,992,169.8	565,055.0	4,698,679.8	665,055.0
Total equity	9,200,663.3	1,302,269.4	9,200,663.3	1,302,269.4
Total capitalisation⁽⁴⁾	13,192,833.1	1,867,324.3	13,899,343.1	1,967,324.3

Notes:

- (1) For convenience only, all translations from Renminbi into U.S. dollars are made at the rate of CNY7.0651 to U.S.\$1.00, based on the noon buying rate as set forth in the H.10 statistical release of the Federal Reserve Bank of New York on 30 June 2020.
- (2) This amount represents the aggregate principal amount of the Notes to be issued, before deducting commissions and other estimated expenses payable in connection with the offering of the Notes.
- (3) Total indebtedness equals the sum of current indebtedness and non-current indebtedness.
- (4) Total capitalisation represents the sum of total indebtedness and total equity.

There has been no material change in the Guarantor's consolidated capitalisation and indebtedness since 30 June 2020.

DESCRIPTION OF THE ISSUER

OVERVIEW

The Issuer is a limited liability company incorporated under the BVI Business Companies Act, 2004 of the British Virgin Islands (BVI Company Number: 2047519). It was incorporated in the British Virgin Islands on 5 November 2020. The Issuer is an indirect wholly-owned subsidiary of the Guarantor. The registered office of the Issuer is at Intershore Chambers, Road Town, Tortola, British Virgin Islands.

BUSINESS ACTIVITIES

The Issuer was established with full capacity to carry on or undertake any business or activity, do any act or enter into any transaction and has full rights, powers and privileges for the above purposes pursuant to the objects and powers set out in its memorandum of association. As at the date of this Offering Circular, the Issuer does not carry and has not carried on any business other than entering into arrangements for the issue of the Notes and the Issuer has no debt outstanding and has no contingent liabilities. As at the date of this Offering Circular, the Issuer has no subsidiaries and no material assets or liabilities.

SOLE DIRECTOR

The sole director of the Issuer is SONG PING.

SHARE CAPITAL

The Issuer is authorised under its memorandum of association to issue a maximum of 50,000 shares with a par value of U.S.\$1.00 each of a single class. As at the date of this Offering Circular, 50,000 shares have been issued and credited as fully paid. No part of the equity securities of the Issuer is listed or dealt on any stock exchange and no listing of or permission to deal in such securities is being or proposed to be sought.

FINANCIAL INFORMATION

Under British Virgin Islands law, the Issuer is not required to publish condensed or annual financial statements. The Issuer has not published, and does not propose to publish, any financial statements. The Issuer is, however, required to keep proper books of account as are necessary to give a true and fair view of the state of the Issuer's affairs and to explain its transactions.

LEGAL PROCEEDINGS

The Issuer is not involved in any litigation or arbitration proceedings, and it is not aware of any pending or threatened action against it.

DESCRIPTION OF THE GROUP

OVERVIEW

Founded in December 2008, the Group is the core operating entity for municipal construction and public utility services within Tai'an City, Shandong Province, and is indirectly wholly-owned by the Tai'an Finance Bureau, a government organ of the Tai'an Municipal Government. Leveraging on the development of Tai'an City, strong shareholder's support and its stable business model, the Group has undertaken and completed a number of development projects which are of strategic importance to Tai'an City.

The Group primarily conducts its business within Tai'an City. Tai'an City is a prefecture-level city in western Shandong Province. Centred on Mount Tai and bordered the provincial capital of Jinan, Tai'an City serves as an important transportation hub of Shandong Province which connects to a number of national economic and industrial development zones, including Shandong Peninsula Blue Economic Zone (山東半島藍色經濟區), Jiaodong Peninsula High-end Industrial Cluster Zone (膠東半島高端產業聚集區) and Lunan Economic Belt (魯南經濟帶). Meanwhile, as a national historical and cultural city and a major city in Shandong Province, Tai'an City has all time been highly valued by the government. Tai'an City was designated by the State Council as one of the earliest tourism cities to open to the world, one of the earliest Cities with Comprehensive Environmental Excellence at National Level (全國城市環境綜合優秀城市) and one of China's Top Tourism Cities (中國優秀旅遊城市). With a dynamic regional economy and strong financial strength, Tai'an City experienced significant development over the past few years, which has driven the demand for municipal infrastructure construction and public utility services.

The Group's main business segments are as follows:

- *Gas Supply.* The Group is a major gas supplier in Tai'an City. The Group's gas supply business primarily involves distribution of centralised natural gas supply to residential households and commercial and industrial users, as well as provision of compressed natural gas (CNG) for vehicles in Tai'an City. The Group also engages in natural gas storage in Tai'an City. As at 30 June 2020, the Group had gas storage capacity of approximately 150,000 to 200,000 cubic metres and operated approximately 2,920 kilometres of gas connection pipelines, covering approximately 750,000 residential households and other end users.
- *Property Development.* The Group's property development business includes the investment, development and sales of residential properties in Tai'an High-speed Railway New District (泰安市高鐵新區) ("Tai'an HRND") and Tai'an Tourism Economic Development Zone (泰安旅遊經濟開發區) ("Tai'an TEDZ"), both of which are new development zones in Tai'an City. As at 30 June 2020, the Group had a land bank with total site area of 13,100 square metres. As at the same date, the Group had a total of eight projects at various stage of development, including three completed projects and five projects under development.
- *Heating.* The Group is a major heat supplier in Tai'an City. The Group's heating business primarily involves distribution of centralised heating to residential households and commercial and industrial users. As at 30 June 2020, the Group operated three regional heat supply stations, three boiler plants for peak shaving purposes (調峰鍋爐房) and 406 heat exchange stations, covering approximately 105,000 end users in Tai'an City.
- *Water Supply.* The Group is a major water supplier in Tai'an City. The Group's water supply business primarily involves distribution of tap water to residential households and commercial and industrial users. As at 30 June 2020, the Group operated three water plants, with a daily water supply capacity of approximately 210,000 tonnes, covering more than 1,000,000 end users in Tai'an City.

- **Infrastructure Construction.** The Group is a major municipal infrastructure construction entity in Tai'an City focusing on infrastructure construction, affordable housing development and shantytown redevelopment in the main urban area of Tai'an City, Tai'an HRND and Tai'an TEDZ. Over the years, the Group has undertaken and completed a number of major infrastructure construction projects, including, among others, the new area of the Tai'an Station of Beijing-Shanghai High-speed Railway (京滬高鐵泰安站新區), the western and middle part of Huanshan Road (環山路西段及中段), Pan River Phase III (泮河三期) and Wanguan Road (萬官大街). The Group has also undertaken a number of affordable housing development projects and shantytown redevelopment projects, including, among others, the Affordable Housing Zone A, Zone B and Zone C in the Tai'an High-speed Rail New District (泰安市高鐵新區回遷安置A區、B區和C區). As at 30 June 2020, the Group had 20 completed municipal infrastructure construction projects with a total investment of approximately RMB5.0 billion and three municipal infrastructure construction projects under construction with an estimated investment of approximately RMB8.5 billion.
- **Others.** In addition to its main business segments, the Group also participated in other businesses, primarily including project construction and property management business.

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, total operating revenue from the Group's business operation was RMB2,276.4 million, RMB2,228.5 million, RMB4,926.2 million, RMB1,458.3 million and RMB2,654.3 million, respectively; total operating cost from the Group's business operation was RMB1,982.3 million, RMB1,969.9 million, RMB4,385.3 million, RMB1,262.2 million and RMB2,371.4 million, respectively. As at 31 December 2017, 2018 and 2019 and 30 June 2020, total assets of the Group were RMB18.1 billion, RMB25.0 billion, RMB26.6 billion and RMB23.9 billion, respectively.

COMPETITIVE STRENGTHS

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

Well-positioned to leverage the excellent location and rapid economic growth of Tai'an City to achieve business growth

Centred on Mount Tai and bordered the provincial capital of Jinan, the excellent location of Tai'an City has driven the formation of an important transportation hub of Shandong Province which connects to a number of national economic and industrial development zones, including Shandong Peninsula Blue Economic Zone, Jiaodong Peninsula High-end Industrial Cluster Zone and Lunan Economic Belt. Meanwhile, as a national historical and cultural city and a major city in Shandong Province, Tai'an City has all time been highly valued by the government. Tai'an City was designated by the State Council as one of the earliest tourism cities to open to the world, one of the earliest Cities with Comprehensive Environmental Excellence at National Level and one of China's Top Tourism Cities. The excellent location and economic development potential of Tai'an City has driven the demand for municipal infrastructure construction and public utility services, which has contributed to the growth of the Group's business operations.

The Group also conducts business within the Tai'an HRND and the Tai'an TEDZ. Since 2017, the Tai'an Municipal Government has started to develop the Tai'an HRND and the Tai'an TEDZ integrally with the goal of "leveraging on western high-speed rail, reforming and upgrading the western new city (依託西部高鐵，改造提升西部新城)". In particular, the Tai'an Municipal Government has endeavoured to build the Tai'an HRND and the Tai'an TEDZ together as "an upscale tourist resort, a modern ecological livable new urban district, a western business zone of Tai'an City, a high-grade sports and leisure area and a service industry development cluster (高端旅遊度假區、現代化生態宜居新城區、泰城西部商務區、高品位運動休閒區、服務業發展聚集區)". As the core operating entity carrying out municipal development activities and providing public services within Tai'an City, the Group believes that such

great development potential and favourable government policies have brought and will continue to bring significant business opportunities to the Group.

Strong support from the Tai'an Municipal Government

Founded in December 2008, the Group is indirectly wholly-owned by the Tai'an Finance Bureau, a government organ of the Tai'an Municipal Government. The Tai'an Municipal Government has enhanced the Group's financial strengths through various forms over the past years, such as assets transfer, capital injections, business opportunities, government subsidies, tax incentives and favourable policies. For example, benefiting from the relevant concessions granted by the Tai'an Municipal Government or other relevant local PRC governments in the Group's operation of gas supply business, the Group has become a major gas supplier in Tai'an City. Furthermore, a number of favourable policies and measures on urban development and industrial transformation have been recently introduced, further brightening the prospects of the Group's core business. For example, the Tai'an City and Jinan City has entered into a strategic co-operation agreement, clarifying measures and policies of implementing the "Integration of the Provincial Capital Economic Circle (省會經濟圈一體化)" national strategy in Shandong Province. The strong support from the Tai'an Municipal Government greatly increased the business stability and comprehensive competitiveness of the Group, which in turn contributes to its future growth.

The support that the Group receives from the Tai'an Municipal Government does not include assuming any obligation to repay any payments under the Notes or the Trust Deed or providing guarantee of any kind in respect of the Notes. See the risk factors in the section entitled "*Risk Factors — Risks Relating to the Notes and the Guarantee*" in particular, the risk factors entitled "*The PRC government has no obligations under the Notes and the Guarantee.*" and "*The Tai'an Municipal Bureau of Finance or any other PRC governmental entity does not have any payment, guarantee or other obligations under the Notes, the Guarantee or the Trust Deed.*"

The core operating entity for municipal construction and public utility services within Tai'an City that has extensive experience and strong presence in urban development

The Group has been a major supplier of gas, water and heating as well as a major municipal infrastructure construction entity, and has played a key role in the urban construction and industry development in Tai'an City. Over the years, the Group has undertaken and completed a large number of strategically important urban development projects in Tai'an City, such as New Area of the Tai'an Station of Beijing-Shanghai High-speed Railway, Western and Middle Part of Huanshan Road and Wanguan Road. See "*— Description of the Group's Business*" for more details. By conducting such strategically important business, the Group has accumulated extensive experience and achieved a proven track record, and thus establishing its strong presence and significant position in Tai'an City.

Meanwhile, the Group believes that a diversified business portfolio is able to create synergies and benefit the Group's business. The Group's current business mainly focus on five business segments, namely gas supply, property development, heating, water supply and infrastructure construction. In recent years, the Group also expanded its businesses to other areas, such as project construction and property management. Although these businesses make an insignificant financial contribution to the Group at their current stage, the Group believes that by diversifying its business portfolio, it is able to capture commercial opportunities throughout the development of Tai'an City, minimise the risk of relying on a single business segment and obtain more stable financial returns in the long run.

Sound corporate governance with experienced senior management team

The Group's success is largely attributable to sound and effective corporate governance and extensive experience, strategic visions and leadership of the executive director and senior management. The Group has established a sound corporate governance structure. The Group has set up an internal management framework to oversee different aspects of the Group's daily operations.

In addition, since the Company is indirectly wholly-owned by the Tai'an Municipal Finance Bureau with Taian Taishan Investment Co., Ltd. (泰安市泰山投資有限公司) as the registered shareholder of the Company, the Tai'an Municipal Finance Bureau participates in and closely monitors the Group's decision-making process for key projects, reviews the Group's development strategies and selects the executive director, the supervisor and the senior management of the Company.

The executive director and senior management personnel of the Company have extensive experience in the operation and management of relevant industries of the Group's business and are supported by quality employees. See “*Director, Supervisor and Senior Management*” for more details. The Group has focused on motivating its employees and paid great attention to cultivating a sound corporate culture to achieve strong corporate cohesion and low staff turnover. With an experienced management team and quality employees, the Group has been able to achieve efficient management.

BUSINESS STRATEGIES

The Group intends to focus on the following business strategies:

Continue to capture the great opportunities arising from the economic development and transformation of Shandong Province and Tai'an City in order to solidify and extend the Group's position

The Group has proactively responded to the development strategies of Shandong Province and Tai'an City. Benefitting from the development of Tai'an City and strong government support, the Group has built up a distinctive series of business and established itself as a leader or major player in the industries it operates in. In terms of gas, heating and water supply business, the Group intends to continuously provide high-quality services to residents and non-residents in Tai'an City to ensure basic public services essential to their livelihood. In terms of property development and infrastructure construction business, the Group will continue to accelerate the construction progress of key projects and public facilities, improve the regional ecological environment and facilitate the development of the Tai'an HRND and the Tai'an TEDZ. The Group intends to maintain a strong foothold in Tai'an City and to play a crucial role in the overall development and operation of Tai'an City, by focusing on businesses that align with development strategies and long-term development of Tai'an City and Shandong Province.

Continue to diversify the Group's business portfolio and expand into industries that provide synergies with the Group's core business

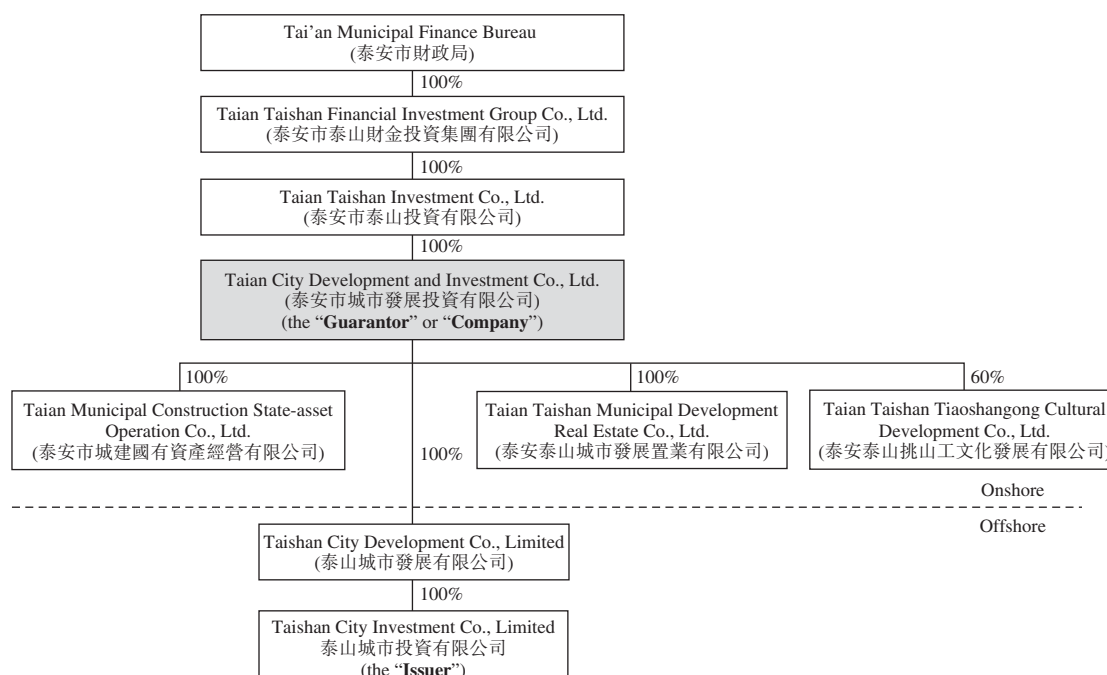
In addition to its strategic focus on its core business in gas, heating and water supply, property development and infrastructure construction, the Group newly introduced business in project construction, property management, installation and engineering, rental business and sales of gas equipment which are complementary to the Group's revenue and prompt diversification of the Group's business portfolio. Supported by the Group's extensive experience and strong execution ability, the Group intends to grow as a large-scale comprehensive state-owned enterprise with a diversified business portfolio to create linkage and synergies with its main businesses. The Group will continue to diversify its business portfolio and accelerate the comprehensive development of its business structure to create synergies within its current business structure. The Group believes that this will further strengthen its competitiveness and increase its revenue and cash flows to achieve sustainable growth.

Enhance the Group's management capabilities and optimise the structure of its talent pool

The Group will continue to improve and streamline its management so as to further increase its capabilities in terms of corporate management and internal control. The Group considers effective management at all organisational levels and among members of the Group to be critical to optimise its overall operational efficiency. The Group believes that people are one of its important assets. The Group's ability to compete effectively in its existing businesses and expand into new business areas depends on its ability to attract, motivate and retain talent. The Group will continue to invest in its employees and maintain a spirit of partnership with its employees to optimise the structure of its talent pool, so as to support its business goals and enhance its competitive advantages.

GROUP STRUCTURE

The following chart presents a simplified corporate structure of the Group as at 30 June 2020:



HISTORY AND DEVELOPMENT

In December 2008, the Company was established by the State-owned Assets Supervision and Administration Commission of Tai'an City ("**Tai'an SASAC**") with an initial registered capital of RMB300.0 million. As at the date of this Offering Circular, the Company had a registered capital of RMB300.0 million. The following table sets forth the milestone events in the course of development of the Company and the Group:

Year	Milestone Events
2008	On 24 December 2008, the Company was established by the Tai'an SASAC with an initial registered capital of RMB300.0 million.
2010	In November, 100.0 per cent. of shares held by the Tai'an SASAC in the Company were transferred to Tai'an Taishan Investment Co., Ltd. (泰安市泰山投資有限公司).
2020	In September, China Lianhe Credit Rating Co., Ltd. (聯合資信評估股份有限公司) assigned to the Company a corporate credit rating of "AA+". In November, China Chengxin International Credit Rating Co., Ltd. (中誠信國際信用評級有限責任公司) assigned to the Company a corporate credit rating of "AA+".

RELATIONSHIP WITH THE TAI'AN MUNICIPAL GOVERNMENT

The Company is indirectly wholly-owned by the Tai'an Finance Bureau, a government organ of the Tai'an Municipal Government. As the core operating entity for municipal construction and public utility services within Tai'an City, the Group has extensive connections with the Tai'an Municipal Government and other entities directly or indirectly controlled by it. The Group has been commissioned by the Tai'an Municipal Government and other local governmental entities and agencies to participate in a number of public projects, such as the construction of municipal infrastructures in Tai'an City.

Notwithstanding the Company's extensive connections with the Tai'an Municipal Government and other entities controlled by it, the various social and community functions performed by the Company and the financial support provided by the Tai'an Municipal Government to the Company, the Company is not part of the government. It is operationally and financially independent from the Tai'an Municipal Government. Its functions and departments are separate from those of the government and do not share any premises with the Tai'an Municipal Government. Even though the senior management personnel and the sole director of the Company are appointed by the Tai'an Finance Bureau and approved by the Tai'an Municipal Government, they are not government officials. The Company has its own budget and financial reporting system and its assets and liabilities are separate from those of the Tai'an Municipal Government. The Tai'an Municipal Government as the ultimate equity holder of the Company is only responsible for the liability of the Company up to the limit of its equity contribution to the Company. Neither the Tai'an Municipal Government nor any other PRC governmental entity has any payment or other obligations under the Notes or the Trust Deed and they will not provide guarantee of any kind for the Notes. The Noteholders do not have any recourse against the Tai'an Municipal Government or any other PRC governmental entity in respect of any obligation arising out of or in connection with the Notes or the Trust Deed. The Notes are solely to be repaid by the Company and the obligations of the Company under the Notes or the Trust Deed shall solely be fulfilled by the Company as an independent legal entity. This position has been reinforced by the MOF Circular 23 and the Joint Circular 706. However, neither of these Circulars prohibits the PRC government from providing support (in various forms including capital injection and subsidies, but excluding injecting any kinds of public assets and land reserves as the Group's assets) to the Group in its ordinary course of business in compliance with PRC laws and regulations. The detailed description of the connections between the Company and the Tai'an Municipal Government in this Offering Circular does not imply in any way any explicit or implicit credit support of the Tai'an Municipal Government in respect of the Notes, the repayment of which remains the sole responsibility of the Company. See also the risk factors entitled *"A reduction or discontinuance of government support could materially and adversely affect the Group's business, financial condition and results of operations."* and *"The Tai'an Finance Bureau and the Tai'an Municipal Government may exert significant influence on the Group, and may not act in the best interests of the Group."* in the section entitled *"Risk Factors — Risks relating to the Group and its Business"* and *"The PRC government has no payment or other obligations under the Notes and the Guarantee."* in the section entitled *"Risk Factors — Risks relating to Conducting Business in the PRC"*.

DESCRIPTION OF THE GROUP'S BUSINESS

Overview

Founded in December 2008, the Group is the core operating entity for municipal construction and public utility services within Tai'an City, Shandong Province, and is indirectly wholly-owned by the Tai'an Finance Bureau, a government organ of the Tai'an Municipal Government. Leveraging on the development of Tai'an City, strong shareholder's support and its stable business model, the Group had undertaken and completed a number of development projects which are of strategic importance to Tai'an City. The Group primarily engages in gas supply, property development, heating, water supply and infrastructure construction businesses. The Group has also developed a diversified portfolio of other business operations and investments which provides synergies to its core business operations.

The following table sets forth a breakdown of the total operating revenue from each business segment of the Group for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	Amount (RMB in millions)	per cent. of total	Amount (RMB in millions)	per cent. of total	Amount (RMB in millions)	per cent. of total	Amount (RMB in millions)	per cent. of total	Amount (RMB in millions)	per cent. of total
Main Business										
Gas Supply	1,445.4	63.5	1,021.9	45.9	1,528.4	31.0	506.2	34.7	381.8	14.4
Property Development . .	63.0	2.8	560.7	25.2	1,468.0	29.8	504.3	34.6	1,877.0	70.7
Heating	254.2	11.2	347.8	15.6	312.1	6.3	191.2	13.1	246.5	9.3
Water Supply	144.5	6.3	165.5	7.4	180.4	3.7	81.3	5.6	74.2	2.8
Infrastructure										
Construction	–	–	–	–	912.8	18.5	–	–	–	–
Others	126.0	5.5	–	–	255.3	5.2	87.2	6.0	22.9	0.9
Subtotal	2,033.1	89.3	2,095.9	94.0	4,656.9	94.5	1,370.2	94.0	2,602.3	98.0
Other Businesses	243.3	10.7	132.5	5.9	269.3	5.5	88.1	6.0	52.0	2.0
Total Operating Revenue .	2,276.4	100.0	2,228.5	100.0	4,926.2	100.0	1,458.3	100.0	2,654.3	100.0

The following table sets forth a breakdown of the total operating cost from each business segment of the Group for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	Amount (RMB in millions)	per cent. of total	Amount (RMB in millions)	per cent. of total	Amount (RMB in millions)	per cent. of total	Amount (RMB in millions)	per cent. of total	Amount (RMB in millions)	per cent. of total
Main Business										
Gas Supply	1,249.7	63.0	791.0	40.2	1,348.0	30.7	492.3	39.0	372.5	15.7
Property Development . .	59.3	3.0	473.5	24.0	1,314.0	30.0	410.7	32.5	1,590.7	67.1
Heating	292.1	14.7	400.1	20.3	368.3	8.4	230.1	18.2	268.0	11.3
Water Supply	186.0	9.4	206.5	10.5	184.8	4.2	96.1	7.6	75.8	3.2
Infrastructure										
Construction	–	–	–	–	749.1	17.1	0.0	0.0	0.0	0.0
Others	76.2	3.8	–	–	275.1	6.3	10.9	0.9	22.0	0.9
Subtotal	1,863.3	94.0	1,871.1	95.0	4,239.2	96.7	1,240.1	98.2	2,329.0	98.2
Other Businesses	118.9	6.0	98.8	5.0	146.1	3.3	22.1	1.8	42.4	1.8
Total Operating Cost . . .	1,982.3	100.0	1,969.9	100.0	4,385.3	100.0	1,262.2	100.0	2,371.4	100.0

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, total operating revenue from the Group's business operation was RMB2,276.4 million, RMB2,228.5 million, RMB4,926.2 million, RMB1,458.3 million and RMB2,654.3 million, respectively; total operating cost from the Group's business operation was RMB1,982.3 million, RMB1,969.9 million, RMB4,385.3 million, RMB1,262.2 million and RMB2,371.4 million, respectively. As at 31 December 2017, 2018 and 2019 and 30 June 2020, total assets of the Group were RMB18.1 billion, RMB25.0 billion, RMB26.6 billion and RMB23.9 billion, respectively.

Gas Supply

Overview

The Group is a major gas supplier in Tai'an City. The Group's gas supply business primarily involves distribution of centralised natural gas supply to residential households and commercial and industrial users, as well as provision of compressed natural gas (CNG) for vehicles in Tai'an City. The Group also engages in natural gas storage in Tai'an City. As at 30 June 2020, the Group had gas storage capacity of approximately 150,000 to 200,000 cubic metres and operated approximately 2,920 kilometres of gas connection pipelines, covering approximately 750,000 residential households and other end users. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, the gas sales volume of the Group was approximately 384.6 million cubic metres, 430.7 million cubic metres, 414.8 million cubic metres and 182.9 million cubic metres, respectively. The following table sets forth details of the Group's gas supply business for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June
	2017	2018	2019	2020
Number of users (in ten thousand) ...	78	82	90	75
Amount of natural gas sold (million cubic metres)	384.6	430.7	414.8	182.9
Length of gas connection pipelines (kilometres)	2,005.0	2,070.0	2,110.0	2,920

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, operating revenue generated from the Group's gas supply business was RMB1,445.4 million, RMB1,021.9 million, RMB1,528.4 million, RMB506.2 million and RMB381.8 million, respectively, representing 63.5 per cent., 45.9 per cent., 31.0 per cent., 34.7 per cent. and 14.4 per cent., respectively, of the Group's total operating revenue for the same periods.

Business Model

The Group generates revenue from the sale of natural gas to residential, industrial and commercial users as well as the sale of compressed nature gas (CNG) to vehicle users through pipelines. End users normally purchase natural gas through pre-charged gas cards. As at 30 June 2020, the sales price for natural gas supplied to residential users is valorised in three categories from a rate of RMB2.76 to RMB4.14 per cubic metre; the sales price for natural gas supplied to non-residential users is valorised at a rate of RMB3.19 per cubic metre (except that from 22 February 2020 to 30 June 2020, in order to facilitate the local enterprises to resume work and production, the sales price for natural gas supplied to non-residential users was adjusted to RMB2.88 per cubic metre); and the sales price for natural gas supplied to vehicles is at the discretion of the Group and subject to market conditions at the time of sale. The sales price of natural gas is subject to price control by the Price Bureau of Shandong Province and the Price Bureau of Tai'an City. The following table sets forth the sales price of the Group's gas supply business by different users during the periods indicated:

Types of user	As at 30 June 2020 (RMB per cubic metre)
Residential users ⁽¹⁾	
(Tier 1)	2.76
(Tier 2)	3.31
(Tier 3)	4.14
Non-residential users	3.19 ⁽²⁾
Vehicles	Market price

Note:

- (1) For ordinary residential users, Tier 1 refers to 0 to 240 cubic metres; Tier 2 refers to 240 to 360 cubic metres; and Tier 3 refers to over 360 cubic metres; for users utilising natural gas to generate heat, Tier 1 refers to 0 to 800 cubic metres; Tier 2 refers to 800 to 1,200 cubic metres; and Tier 3 refers to over 1,200 cubic metres.
- (2) Except that from 22 February 2020 to 30 June 2020, in order to facilitate the local enterprises to resume of work and production, the sales price for natural gas supplied to non-residential users was adjusted to RMB2.88 per cubic metre.

The Group has established long-term relations with reputable national gas suppliers as its stable upstream suppliers, which enables the Group to secure timely supply of high quality natural gas at the price within the range stipulated by the Price Bureau of Shandong Province and the Price Bureau of Tai'an City. The Group purchases natural gas primarily from China Petrochemical Corporation (中國石油化工集團有限公司) and China National Petroleum Corporation (中國石油天然氣集團有限公司). The Group generally settles its payment obligations to its suppliers every ten days and finances its settlement fund by its working capital and bank loans.

Property Development

Overview

The Group's property development business includes the investment, development and sales of residential properties in Tai'an HRND and Tai'an TEDZ, both of which are new development zones in Tai'an City. The Group conducts its property development business primarily through its wholly-owned subsidiary Taian Taishan Municipal Development Real Estate Co., Ltd. (泰安泰山城市發展置業有限公司) which has been accredited with the Property Development Enterprise Qualification Certificate (Class 2) (二級房地產開發企業資質).

As at 30 June 2020, the Group had a land bank with total site area of 13,100 square metres. As at the same date, the Group had a total of eight projects at various stage of development, including three completed projects and five projects under development. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, operating revenue generated from the Group's property development business was RMB63.0 million, RMB560.7 million, RMB1,468.0 million, RMB504.3 million and RMB1,877.0 million, respectively, representing 2.8 per cent., 25.2 per cent., 29.8 per cent., 34.6 per cent. and 70.7 per cent., respectively, of the Group's total operating revenue for the same periods.

Business Model

The Group generally follows the following steps to develop its properties:

- *Land Acquisition:* The Group acquires the land use rights for residential property development through public tenders, auctions or listings-for-sale on the land exchanges.
- *Project Financing:* The Group finances its property development projects by relying primarily on internal funds, internally generated cash flows (including proceeds from the pre-sale and sale of properties), project loans and other financing facilities from banks.
- *Project Planning and Design:* The Group is responsible for forming the development plan of each project and for communicating with third-party architectural and interior design institutions which the Group engages to design its property development projects.
- *Construction:* The Group normally outsources its project construction work to independent construction companies, which are normally selected through a statutory tender process. When selecting contractors, the Group considers construction contractors' reputation, track records in similar projects, creditworthiness, technical capabilities, proposed construction blueprint and price. The construction companies carry out various types of work, including foundation digging, construction, equipment installation, internal decoration and various engineering work. Taian Taishan Municipal Development Real Estate Co., Ltd., the Group's wholly-owned subsidiary, enters into construction contracts with relevant construction companies which contain warranties with respect to quality and timely completion of the construction projects. In the event of a delay in construction or unsatisfactory workmanship, the Group may require the construction companies to rectify the defects at their expense or to pay compensation.

- *Project Supervision and Quality Control:* The Group has quality control procedures in place in its various functional divisions and established stringent internal control guidelines which apply to the quality of materials used in its property development projects.
- *Pre-sale:* The Group normally pre-sells properties prior to completion of its construction. Under applicable PRC laws, the Group must comply with certain conditions to obtain the pre-sale permit (商品房預售許可證) for a particular property, including but not limited to: (a) the land premium must have been fully paid and the relevant land use rights certificates must have been obtained; (b) the construction land planning permit, construction works planning permit and the construction works commencement permit must have been obtained; (c) the capital injected into the development of a property for pre-sale must not be less than 25 per cent. of the total amount invested in the project and the progress; (d) the expected completion date and the delivery date of the construction work must have been confirmed; and (e) pre-sale permits must have been obtained from the county-level or above construction bureau or property administration authority. While the pre-sale of properties generates positive cash flow in the period in which it is made, the Group must place such proceeds in escrow accounts. Before the completion of the pre-sold properties, the proceeds in escrow accounts may only be used to purchase construction materials and equipment, make interim construction payments and pay taxes, subject to prior approval from the relevant local authorities. No sales revenue is recognised in respect of such property until the relevant property is delivered to the purchaser.
- *Delivery of Properties:* The timetable for delivery is set forth in the purchase agreements entered into with the purchasers of the Group's properties. Once property project or project phase has passed the requisite inspections and obtained the certificate of completion, the Group will notify its purchasers in respect of delivery.
- *Payment Arrangements:* Purchasers, including purchasing pre-sale properties, normally purchase the Group's properties through lump sum payments or through mortgage loans. If a purchaser chooses to pay by lump sum payment, such purchaser shall execute the purchase agreement and then file registration with the local housing management bureau after fully settle the purchase price. If a purchaser chooses to pay by mortgage payment, such purchaser is required to fully pay the down payment when executing the purchase contract.

Project Description

Completed Projects

As at 30 June 2020, the Group had completed three property development projects with a total investment of approximately RMB5,750.0 million. The particulars of the project are set forth below:

Projects	Year of Commencement	Year of Completion	Total Investment ⁽¹⁾ (RMB in millions)
Kaiyuan Shengshi (Zhiyuan), Phase I (開元盛世 • 智園一期)	2015	2016	800
Kaiyuan Shengshi (Heyuan), Phase I and II (開元盛世 • 和園一、二期)	2016	2019	2,650
Kaiyuan Shengshi (Shuoyuan), Phase I and II (開元盛世 • 碩園一、二期)	2017	2019	2,300
Total			5,750.0

Note:

- (1) Represents the actual amount that the Group had invested based on the Group's internal records.

Projects under Development

As at 30 June 2020, the Group had five property development projects under construction with an estimated investment of approximately RMB4.7 billion. The particulars of the project are set forth below:

Projects	Year of Commencement	Expected Year of Completion	Total Estimated Investment ⁽¹⁾ (RMB in millions)
Kaiyuan Shengshi (Xinyuan), Phase I (開元盛世 • 信園一期)	2019	2021	1,450
Kaiyuan Shengshi (Xinyuan), Phase II (開元盛世 • 信園二期)	2019	2021	1,544
Kaiyuan Shengshi (Xinyuan), Phase III (開元盛世 • 信園三期)	2019	2021	780
Kaiyuan Shengshi (Heyuan), Phase III (開元盛世 • 和園三期)	2018	2020	550
Kaiyuan Shengshi (Zhiyuan), Phase II (開元盛世 • 智園二期)	2018	2020	330
Total			4,654.0

Note:

(1) Represents the estimated total cost the Group would incur for the project based on the Group's internal records.

Heating

Overview

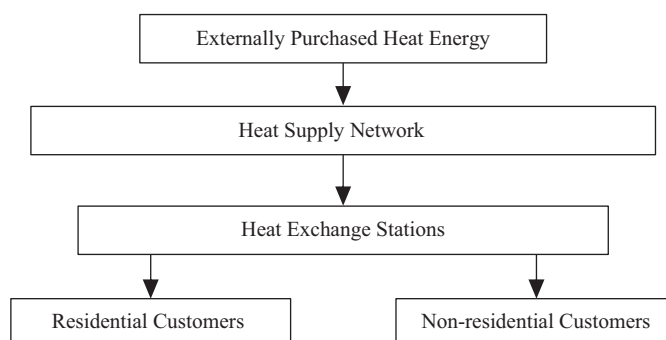
The Group is a major heat supplier in Tai'an City. The Group's heating business primarily involves distribution of centralised heating to residential households and commercial and industrial users. As at 30 June 2020, the Group operated three regional heat supply stations, three boiler plants for peak shaving purposes (調峰鍋爐房) and 406 heat exchange stations, covering approximately 105,000 end users in Tai'an City. The following table sets forth details of the Group's heating business for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June
	2017	2018	2019	2020
Regional heat supply stations	3	3	3	3
Heat exchange stations	305	380	406	406
Length of heat supply connection pipelines (kilometres)	743	957	1,025	1,025
Number of users (thousand)	82	90	105	105
Heat supply area (thousand square metres)	11,246.7	13,458.2	14,481.2	14,617.6

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, operating revenue generated from the Group's heating business was approximately RMB254.2 million, RMB347.8 million, RMB312.1 million, RMB191.2 million and RMB246.5 million, respectively, representing 11.2 per cent., 15.6 per cent., 6.3 per cent., 13.1 per cent. and 9.3 per cent., respectively, of the Group's total operating revenue for the same periods.

Business Model

The Group supplies heat mainly through purchasing heat energy from upstream thermoelectric power plants and distributing the heat energy to end users through the Group's own heat supply network and heat exchange stations. Heat exchange stations are the connection points between the heat supply network and the customers. The main function of heat exchange stations is to transfer the heat energy from the heat supply network to the facilities of the customers with the adjustment of certain parameters, including temperature, pressure and flow rate, of the supplied heating based on the customers' specific needs. The flow chart below sets forth the major processes of the heating business:



The Group's customers comprise both residential and non-residential users who pay the Group the tariff for heating. The tariff for heating is determined by the Price Bureau of Tai'an City. As at 30 June 2020, the tariff for heating supplied to residential users and non-residential users remained at RMB23 per square metres and RMB33.6 per square metres for each heating season (which usually runs from November to March of the following year), respectively. Payments due from residential and non-residential users are settled at the beginning of each heating season.

Water Supply

Overview

The Group is a major water supplier in Tai'an City. The Group's water supply business primarily involves distribution of tap water to residential households and commercial and industrial users. As at 30 June 2020, the Group operated three water plants, with a daily water supply capacity of approximately 210,000 tonnes, covering more than 1,000,000 end users in Tai'an City. The following table sets forth operational information of the Group's water supply business for the periods indicated:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
Number of water plants	3	3	3	3
Daily water supply capacity (thousand tonnes)	210.0	210.0	210.0	210.0
Daily water supply volume (thousand tonnes)	156.4	148.4	148.3	169.7
Annual water supply volume (million tonnes)	57.1	54.2	54.2	30.9
Annual sales volume (million tonnes)	49.5	42.8	48.7	26.9
Length of pipelines (kilometres)	914.0	1,156.0	1,258.0	1,258.0

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, operating revenue generated from the Group's water supply business was approximately RMB144.5 million, RMB165.5 million, RMB180.4 million, RMB81.3 million and RMB74.2 million, respectively, representing 6.3 per cent., 7.4 per cent., 3.7 per cent., 5.6 per cent. and 2.8 per cent., respectively, of the Group's total operating revenue for the same periods.

Business Model

The Group generates revenue from the sale of tap water to residential, industrial and commercial users in Tai'an City. The Group's employees record the water metre data monthly and input such data into the Group's system in order to calculate the utility fees for tap water which is based on user type and water consumption. Accordingly, users shall pay the utility fees for tap water monthly. The sales price for tap water is determined by the Price Bureau of Tai'an City. The following table sets forth the sales price of the Group's water supply business by different users during the periods indicated:

Types of user	As at 30 June 2020
	(RMB per tonne)
Residential users ⁽¹⁾	
(Tier 1)	3.15
(Tier 2)	4.05
(Tier 3)	6.75
Special residential users	3.33
Non-residential users	4.79
Special industry users	14.69

Note:

Tier 1 refers to 0 to 144 tonnes; Tier 2 refers to 144 to 240 tonnes; and Tier 3 refers to more than 240 tonnes.

Infrastructure Construction

Overview

The Group is a major municipal infrastructure construction entity in Tai'an City focusing on infrastructure construction, affordable housing development and shantytown redevelopment in the main urban area of Tai'an City, Tai'an HRND and Tai'an TEDZ. Over the years, the Group has undertaken and completed a number of major infrastructure construction projects, including, among others, the new area of the Tai'an Station of Beijing-Shanghai High-speed Railway (京滬高鐵泰安站新區), the western and middle part of Huanshan Road (環山路西段及中段), Pan River Phase III (泮河三期) and Wanguan Road (萬官大街). The Group has also undertaken a number of affordable housing development projects and shantytown redevelopment projects, including, among others, the Affordable Housing Zone A, Zone B and Zone C in the Tai'an High-speed Rail New District (泰安市高鐵新區回遷安置A區、B區和C區). As at 30 June 2020, the Group had 20 completed municipal infrastructure construction projects with a total investment of approximately RMB5.0 billion and three municipal infrastructure construction projects under construction with an estimated investment of approximately RMB8.5 billion.

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, operating revenue generated from the Group's infrastructure construction business was approximately nil, nil, RMB912.8 million, nil and nil, respectively, representing nil, nil, 18.5 per cent., nil and nil, respectively, of the Group's total operating revenue for the same periods. The fluctuations of operating income generated from infrastructure construction were largely due to the completion and delivery of certain projects in a specific year and the relevant operating income has been recognised in accordance with the applicable accounting rules.

Business Model

The Group's municipal infrastructure construction projects are conducted through agent construction model. Under the agent construction model, details of the municipal infrastructure construction projects (such as the scope of work and the calculation of payment amount) are typically set out in an agent construction agreement between the Group and the Tai'an Municipal Government or other governmental agencies in Tai'an City. The Group's work scope consists primarily of project design, engineering, equipment and material procurement as well as other services necessary to carry out the construction of the infrastructure project. The Group is typically responsible for the financing of the municipal infrastructure construction projects, which is performed through the use of self-raised funds and external funds. Upon completion of the construction, the Group will hand over the entire project to the corresponding governmental agencies. In accordance with the agent construction agreement, the Group will, for each municipal infrastructure project, be entitled to a sum amount of the project cost incurred plus a premium of a certain percentage of the project cost incurred.

Project Description

Completed Projects

As at 30 June 2020, the Group had completed 20 municipal infrastructure construction projects with a total investment of approximately RMB5.0 billion. The particulars of major completed infrastructure construction projects are set forth below:

Projects	Year of Commencement	Total Investment⁽¹⁾ (RMB in millions)
New Area of the Tai'an Station of Beijing-Shanghai High-speed Railway (京滬高鐵泰安站新區工程)	2009	2,878
Western and Middle Part of Huanshan Road (環山路西段及中段)	2008	768
Pan River Phase III (泮河三期)	2008	247
Wanguan Road (萬官大街)	2015	32

Note:

(1) Represents the actual amount that the Group had invested based on the Group's internal records.

Projects under Construction

As at 30 June 2020, the Group had three municipal infrastructure construction projects under construction with an estimated investment of approximately RMB8.5 billion. The particulars of the project are set forth below:

Projects	Year of Commencement	Expected Year of Completion	Total Estimated Investment ⁽¹⁾ (RMB in millions)
Taishan Wenlv Gymnastic Centre (泰山文旅健身中心)	2019	2021	3,709
Tai'an Sports School (泰安體育運動學校)	2019	2021	448
Tianping Lake Water Resources Use and Redevelopment (天平湖水資源利用及改造) .	2019	2022	4,370
Total			8,527

Note:

(1) Represents the estimated total cost the Group would incur for the project based on the Group's internal records.

Projects under Planning

As at 30 June 2020, the Group had one municipal infrastructure construction projects under planning, namely Taishan Tiaoshangong Education Base (泰山挑山工教育基地).

Others

In addition to its main business segments, the Group also participated in other businesses, primarily including project construction and property management business. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, operating revenue generated from others of the Group's main business was approximately RMB126.0 million, nil, RMB255.3 million, RMB87.2 million and RMB22.9 million, respectively, representing 5.5, nil, 5.2 per cent., 6.0 per cent. and 0.9 per cent., respectively, of the Group's total operating revenue for the same periods.

Other Businesses

In addition to its main business segments, the Group also generates operating revenue from other activities, including installation and engineering, rental business and sales of gas equipment. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, operating revenue generated from the Group's other businesses was approximately RMB243.3 million, RMB132.5 million, RMB269.3 million, RMB88.1 million and RMB52.0 million, respectively, representing 10.7 per cent., 5.9 per cent., 5.5 per cent., 6.0 per cent. and 2.1 per cent., respectively, of the Group's total operating revenue for the same periods.

ENVIRONMENT MATTERS

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

INSURANCE

The Group maintains insurance policies, which the Group believes to be consistent with the relevant law and industry and business practice in the PRC. The Group also purchases pension insurance, unemployment insurance and medical insurance for its employees according to the relevant PRC laws and regulations. The Group maintains insurance coverage in the types which it believes are commensurate with its risk of loss and industry practice. Consistent with what the Group believes to be customary practice in the PRC, it does not carry any business interruption insurance, key-man insurance or insurance covering potential environmental damage claims. Such insurance is not mandatory under the laws and regulations of the PRC, and such insurance is either unavailable in the PRC or requires substantial cost.

EMPLOYEES

As at 30 June 2020, the Guarantor had approximately 841 full-time employees. In accordance with the applicable regulations of local governments in regions where the Group has business operations, the Group makes contributions to the statutory pension plan, medical insurance, unemployment insurance, maternity insurance and workers' compensation insurance. The amount of contributions is based on the specified percentages of employees' aggregate salaries as required by relevant PRC authorities. The Group also makes contributions to an employee housing fund according to applicable PRC regulations. In addition to statutory contributions, the Group provides annual bonuses to employees. The Group enters into an employment contract with each of its employees in accordance with applicable PRC laws. Such contracts include provisions on wages, vacation, employee benefits, training programmes, health and safety, confidentiality obligations and grounds for termination.

LEGAL PROCEEDINGS

From time to time, the Group, together with its subsidiaries, may be involved in legal proceedings or other disputes in the ordinary course of its business.

As at the date of this Offering Circular, the Group is not aware of any material legal proceedings, claims, disputes, penalties or liabilities currently pending or threatened against the Group that may have a material adverse change on its business, financial condition or results of operations.

DIRECTOR, SUPERVISOR AND SENIOR MANAGEMENT

As at the date of this offering circular, the Company has one executive director, one supervisor and one member of senior management, the details of whom are set forth below:

Executive Director

The executive director of the Company is primarily responsible for, among others, reporting to the shareholder; implementing the shareholder's resolutions, determining operation and investment plans; determining internal management structure of the Company; determining the internal management systems and policies and other responsibilities stipulated in the Company's articles of association, relevant laws and regulations. The executive director of the Company is appointed by the shareholder for a term of three years, which is renewable upon re-appointment.

The following table sets forth certain information concerning the executive director of the Company as at the date of this Offering Circular:

Name	Age	Position/Title
Ms. HUANG Dongxin (黃東新)	52	Executive director and general manager

Ms. HUANG Dongxin (黃東新), aged 52, has been the executive director and the general manager of the Company since March 2020. Ms. Huang previously served as a staff of the Laiwu Iron and Steel General Factory Hospital (萊蕪鋼鐵總廠醫院), the head of the Investment Management Division (投資管理處) of the Tai'an Municipal Urban Development Investment and Financing Management Centre (泰安市城市發展投融資管理中心), the head of the Investment Management Division of the Taian High-speed Railway New District Construction and Development Centre (泰安市高鐵新區建設發展中心) and a deputy general manager of Taian Cultural Tourism Development Group Co., Ltd. (泰安市文化旅遊發展集團有限公司).

Supervisor

The supervisor of the Company is primarily responsible for monitoring the Company's financial matters; overseeing the actions of the executive director and the senior management in performing their duties and proposing the removal of the executive director and the senior management who violate laws, administrative regulations or the articles of association of the Company; demanding the executive director and the senior management to correct their improper conducts when their conducts harm the interests of the Company; making proposals and advice to the shareholder and other responsibilities stipulated in the Company's articles of association, relevant laws and regulations. The supervisor of the Company is appointed by the shareholder for a term of three years, which is renewable upon re-appointment.

The following table sets forth certain information concerning the supervisor of the Company as at the date of this Offering Circular:

Name	Age	Position/Title
Ms. YUE Tingting (岳婷婷)	33	Supervisor

Ms. YUE Tingting (岳婷婷), aged 33, has been the supervisor of the Company since September 2015. Ms. Yue previously served as an accountant of Shandong Tianyuan Tongtai Certified Public Accountants Co., Ltd. (山東天元同泰會計師事務所有限公司) and a staff of the Company. Ms. Yue obtained a diploma degree in accounting from Zhejiang College of Finance & Economics (浙江財經學院) (currently known as Zhejiang University of Finance & Economics (浙江財經大學)).

Senior Management

The senior management of the Company is appointed by and reporting to the shareholder of the Company. The senior management is primarily responsible for presiding over the production, operation and management work of the Company; implementing the resolutions of the shareholder, annual business plans and investment proposals; formulating the internal management organisation plan, basic management system and detailed implementing rules of the Company; making proposals for appointment and removal of the head of finance department; determining the appointment and removal of other managers; other responsibilities granted by the executive director, stipulated in the Company's articles of association and relevant laws and regulations.

The following table sets forth certain information concerning the senior management of the Company as at the date of this Offering Circular:

Name	Age	Position/Title
Ms. HUANG Dongxin (黃東新)	52	Executive director and general manager

Ms. HUANG Dongxin (黃東新), aged 52, has been the executive director and the general manager of the Company since March 2020. See “— *Executive Director*”.

Corporate Governance

In order to continuously enhance corporate governance, the Company has adopted comprehensive management systems and internal control policies with respect to the financial management, construction projects, external guarantees and management of subsidiaries of the Company.

Financial management

The Financial Department (財務部) is responsible for devising and managing financial budgeting of the Company, as well as assessing the financial performance of various departments. The financial department also conducts periodical inspections against misappropriation of cash and exploitation by way of issuing blank notes, so as to ensure that company funds are secure and properly utilised. In order to ensure adequate financial management, the Company also adopts measures such as the segregation of duties such that bank account seals are used and safe-kept by different employees, as well as periodical analysis and reporting of the ageing and clearing status of account receivables to prevent bad debts. The Company also ensures that all fund-raising activities are internally authorised, considered feasible based on risk assessments and accurately booked in the accounts.

Construction projects

The Company has adopted various internal measures to ensure that construction projects are conducted in conformity with the requisite safety, quality and technical standards. Depending on the estimated budget of the construction works, construction projects are subject to vetting either by the general manager or the leaders' group of the project (項目領導小組) prior to the commencement of construction works. During the early stage of construction projects, the Industrial Development Department (產業發展部) provides general suggestions as well as conducts market study and various analyses. During the construction phase of construction projects, the Industrial Development Department is responsible for enhancing the efficacy of on-site inspections by conducting timely inspections in relation to the quality, safety, progress and costs of the completed construction works. Once the whole construction works are completed, the third party contractor is responsible for conducting inspections and ensuring that such works conform to the requisite standards. Upon satisfactory inspections, the third party contractor would hand over the project to the Construction Department of the Company (工程部) for further inspection.

External guarantees

When providing external guarantees, risk management measures are in place to ensure that the relevant risks are mitigated via the adoption of cross-guarantee and counter-guarantee arrangements which are commensurate to the guaranteed amount. When conducting checks on the third parties for whom external guarantees will be provided, the Group considers various aspects of the third parties such as their business performance, financial position and corporate structure, so that adequate forecasts and analyses can be produced to minimise the relevant risks.

Management of subsidiaries of the Company

Except for performing controlling shareholders' duties, the Company adopts a zero-intervention approach in relation to the day-to-day operating activities of its subsidiaries. In order to enhance corporate governance of the subsidiaries, the Company would, amongst other measures, nominate the directors, supervisors and members of senior management of the subsidiaries. In terms of financial management, the Company and the subsidiaries adopt the same accounting system to achieve consistency whilst having the subsidiaries operate on an independent accounting basis. In terms of investments, the subsidiaries may put forward investment suggestions based on market conditions and business development for the Company's approval. In terms of external guarantees, the subsidiaries are prohibited from providing external guarantees to third parties unless authorisation from the Company has been obtained by way of board resolution or shareholders' resolution.

THE GUARANTEE

The Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Notes and the Trust Deed. Its obligations in that respect will be contained in the Deed of Guarantee to be dated on or about 8 March 2021.

Pursuant to the Cross-border Guarantee Rules, all proceeds raised by the Issuer under the Notes outside the PRC (and guaranteed by the Guarantor) may only be used for the relevant expenditures within the normal scope of business of the Issuer, and may not be used to support the Issuer in engaging in transactions beyond the normal scope of business, or conducting arbitrage activities through fabricating trade backgrounds, or engaging in speculative trading in other forms.

The Guarantor is required to register the Guarantee with SAFE in accordance with the Cross-border Guarantee Rules. Although non-registration does not render the Guarantee ineffective or invalid under PRC law, SAFE may impose penalties on the Guarantor if the Guarantor fails to complete the SAFE registration. Further, there may be hurdles at the time of remittance of funds (if any cross-border payment is to be made by the Guarantor under the Guarantee) as domestic banks may require evidence of SAFE registration in connection with the Guarantee in order to effect such remittance. The Guarantor intends to register the Guarantee as soon as practicable and in any event before the Registration Deadline (being 90 Registration Deadline Business Days (as defined in the Terms and Conditions of the Notes) after the Issue Date). If the registration is not completed on or before the Registration Deadline, each Noteholder will have the right to request the Issuer to redeem all of that holder's Notes and will need to rely on the Issuer to source sufficient U.S. dollars to fully discharge its obligations under the Notes and the Trust Deed. See *"Risk Factors — Risks relating to the Notes and the Guarantee — If the Guarantor fails to complete the SAFE registration in connection with the Guarantee, there may be hurdles for cross-border payment under the Guarantee"*. Prior to the performance or discharge of its obligations under the Guarantee, the Guarantor is also required to complete a verification process with banks for each remittance under the Guarantee.

On 26 January 2017, SAFE issued the SAFE Circular 2017, which took into effect on the same day. Pursuant to this SAFE Circular 2017, funds raised offshore under NBWD are allowed to be directly or indirectly repatriated to the PRC by means of loans or equity investments. However, given the SAFE Circular 2017 is newly promulgated, it is unclear as to:

- (a) whether the existing requirements on NBWD for offshore bond issuance remains applicable, under which bond proceeds must be used for the offshore project(s) in which an onshore entity holds equity interest and thus cannot be repatriated to the PRC;
- (b) whether, even though the bond proceeds are able to be repatriated to the PRC, such proceeds shall still be used for an offshore project ultimately (such as by way of the onshore entity's grant of shareholder loans to the offshore project or injection of capital into the offshore project); or
- (c) whether, as a matter of practice, SAFE no longer enforces its existing requirements on NBWD for offshore bond issuance, and provided that the outbound guarantee registration is completed with SAFE, the bond proceeds can be repatriated to the PRC.

EXCHANGE RATE INFORMATION

The People's Bank of China (the "PBOC") sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi with reference to a basket of currencies in the market during the prior day. The PBOC also takes into account other factors such as general conditions existing in the international foreign exchange markets. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates in the world financial markets. From 1994 to July 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. Although PRC Governmental policies were introduced in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign exchange for capital items, such as foreign direct investment, loans or securities, requires the approval of the SAFE and other relevant authorities. On 21 July 2005, the PRC Government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. The PRC Government has since made and in the future may make further adjustments to the exchange rate system. The PBOC authorised the China Foreign Exchange Trading Center, effective since 4 January 2006, to announce the central parity exchange rate of certain foreign currencies against the Renminbi at 9:15 am each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and the over the counter exchange rate for that business day. On 18 May 2007, the PBOC enlarged, effective on 21 May 2007, the floating band for the trading prices in the inter-bank foreign exchange spot market of Renminbi against the U.S. dollars from 0.3 per cent. to 0.5 per cent. around the central parity rate. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5 per cent. above or below the central parity rate published by the PBOC. On 20 June 2010, the PBOC announced that it intended to further reform the Renminbi exchange rate regime by allowing greater flexibility in the Renminbi exchange rate and on 16 April 2012, the band was expanded to 1.0 per cent. Effective since 11 August 2015, market makers are required to quote their central parity rates for Renminbi against the U.S. dollar to the China Foreign Exchange Trade System daily before the market opens by reference to the closing rate of the PRC inter-bank foreign exchange market on the previous trading day in conjunction with the demand and supply conditions in the foreign exchange markets and exchange rate movements of major currencies. The PBOC has further authorised the China Foreign Exchange Trade System to announce its central parity rate for Renminbi against the U.S. dollar through a weighted averaging of the quotes from the market makers after removing the highest quote and the lowest quote. The PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for trading against the Renminbi on the following working day. The International Monetary Fund announced on 30 September 2016 that, effective on 1 October 2016, the Renminbi was added to its Special Drawing Rights currency basket. The PRC government has since made and in the future may make future adjustments to the exchange rate system.

The following table sets forth the exchange rate of the Renminbi against the US dollar. The exchange rate refers to the Noon Buying Rate as set forth in the weekly H.10 statistical release of the US Federal Reserve Board.

	Noon Buying Rate			
	Low	Average ⁽¹⁾	High	Period End
	(RMB per U.S.\$1.00)			
2015	6.1870	6.2869	6.4896	6.4778
2016	6.4480	6.6549	6.9580	6.9430
2017	6.4773	6.7350	6.9575	6.5063
2018	6.2649	6.6090	6.9737	6.8755
2019	6.6822	6.9014	7.1786	6.9618
2020	6.5208	6.9042	7.1681	6.5250
August	6.8474	6.9301	6.9799	6.8474
September	6.7529	6.8106	6.8474	6.7896
October	6.6503	6.7271	6.7898	6.7140
November	6.5556	6.6029	6.6899	6.5760
December	6.5208	6.5393	6.5705	6.5250
2021				
January	6.4282	6.4672	6.4822	6.4282
February (through 19 February 2021)	6.4344	6.4594	6.4869	6.4555

Note:

- (1) Averages are calculated by averaging the rates on the last business day of each month during the relevant year. Monthly averages are calculated by averaging the daily rates during the relevant monthly period.

PRC REGULATIONS

This section is a high-level overview of the PRC legal system and a summary of the principal PRC laws and regulations relevant to the Group's business and operations. As this is a summary, it does not contain a detailed analysis of the PRC laws and regulations.

MAIN REGULATORY AUTHORITIES AND CONTENTS OF SUPERVISION

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

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

MAJOR LAWS AND REGULATIONS

Regulation on Fiscal Debts of Local Governments

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

On 21 September 2014, Circular 43 was promulgated by the State Council. Circular 43 aims at regulating financing system of local government and the three channels are presented. In accordance with Circular 43, financing platforms shall no longer serve the fiscal financing functions nor incur new government debts. Public interest projects may be funded by the government through issuing government bonds, since the new Budget Law of the PRC (the “New Budget Law”), which took effect on 1 January 2015,

empowers local governments to issue government bonds, and public interest projects with income generated, such as city infrastructure construction, may be operated independently by social investors or jointly by the government and social investors through the establishment of special purpose companies.

Social investors or such special purpose companies shall invest in accordance with market-oriented principles and may be funded by, among other market-oriented approaches, bank loans, enterprise bonds, project revenue bonds and asset-backed securitisation. Social investors or the special purpose companies shall bear the obligation to pay off such debts and the government shall not be liable for any of the social investors' or special purpose companies' debts. Circular 43 also sets forth the general principles of dealing with existing debts of financing platforms. Based on the auditing results of such debts run by the local governments, the existing debts that should be repaid by the local governments shall be identified, reported to State Council for approval, and then included in the budget plan of local governments.

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

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

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

- *Improve supporting measures.* Under the premise of ensuring fiscal expenditure needs, in the regions where there are corresponding amount of government bonds issuance and where the treasury balances exceed the treasury payment for one and a half months, the local financial departments are allowed to, within the limit of the amount of government bonds issuance, make more efforts to effectively use the stock of fiscal funds in the previous years and use the surplus amount of the treasury for capital flow before government bond issuance, so as to address the time difference between the financing for projects under construction and government bonds issuance.

Bidding and Tendering Management

Bidding and tendering of various construction projects have been provided in the Bidding and Tendering Law of the People's Republic of China (中華人民共和國招標投標法) promulgated by the Standing Committee of the National People's Congress (the "SCNPC") on 30 August 1999 and amended by No. 86 Presidential Decree in 2017 which became effective on 28 December 2017, Regulation on the Implementation of the Bidding and Tendering Law of the People's Republic of China (中華人民共和國招標投標法實施條例) promulgated by State Council on 20 December 2011 and amended on 1 March 2017, 19 March 2018 and 2 March 2019, Measures for the Construction Bidding and Tendering of Construction Projects (工程建設項目施工招標投標辦法) jointly promulgated by NDRC, MOC, MOR, MOT, Ministry of Information Industry of the People's Republic of China, Ministry of Water Resources of the People's Republic of China, and Civil Aviation Administration of China on 8 March 2003 and amended on 11 March 2013 which became effective on 1 May 2003 and on 1 May 2013, Administrative Measures for the Bidding and Tendering of Design of Construction Projects (建築工程設計招標投標管理辦法) issued by Ministry of Housing and Urban-Rural Development ("MOHURD") on 24 January 2017 and became effective on 1 May 2017. Administrative Measures for the Bidding and Tendering of Housing Construction and Municipal Infrastructure Work (房屋建築和市政基礎設施工程施工招標投標管理辦法) issued by MOC on 1 June 2001 which was subsequently amended and became effective on 28 September 2018.

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

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

In accordance with the Bidding and Tendering Law of the People's Republic of China and Measures for the Construction Bidding and Tendering of Construction Projects, if any project that shall undergo bidding as required by law fails to go through the bidding process, or the items subject to bidding are broken up into pieces or the bidding requirement is otherwise evaded, the relevant administrative supervision department shall order rectification within a specified period, and may impose a fine of 0.5 per cent. up to 1 per cent. of the contract amount of the project. For projects using the state-owned funds in whole or in part, the project approval authority may suspend the implementation of the project or suspend the fund appropriation, and impose punishment on the person direct in charge of the entity or other person directly liable. Further, in accordance with the provisions of the Interpretations of the Supreme People's Court on Issues of Law Application during the Trial of Construction Contracts for Building Projects (最高人民法院關於審理建設工程施工合同糾紛案件適用法律問題的解釋) issued by the Supreme People's Court on 25 October 2004 and became effective on 1 January 2005, if any project

that is required to undergo a bidding process fails to go through the bidding process or the bid award is invalid, the construction contract for building projects shall become invalid.

Quality Management

Laws and regulations on project quality mainly include Construction Law of the People's Republic of China, Regulation on Quality Management of Construction Projects (建設工程質量管理條例) issued by the State Council on 30 January 2000 which was subsequently amended on 7 October 2017 and on 23 April 2019 and became effective on the same day, Administrative Measures for Quality Management of Construction Project Survey (建設工程勘察質量管理辦法) amended by MOC on 22 November 2007, the Measures for the Administration of Quality Warranty Funds of Construction Projects (建設工程質量保證金管理辦法) issued jointly by MOHURD and MOF and amended on 20 June 2017 which became effective on 1 July 2017, Administrative Measures for Completion Acceptance Record of Building Construction and Municipal Infrastructure Projects (房屋建築和市政基礎設施工程竣工驗收備案管理辦法) issued by MOHURD on 19 October 2009 and became effective on the same date, Measures for Quality Warranty of Building Construction Projects (房屋建築工程質量保修辦法) issued by MOC on 30 June 2000 and became effective on the same date, and Measures for Completion (Delivery) Acceptance of Highway Works (公路工程竣(交)工驗收辦法) promulgated by Ministry of Communications, which has been dismantled now, on 31 March 2004 and became effective on 1 October 2004, and its Implement which is promulgated on 1 May 2010.

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

Environmental Protection Management

Major laws and regulations on environmental protection during the project construction process include the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法) amended by the SCNPC on 24 April 2014 which became effective on 1 January 2015, Law on Environmental Impact Assessment of the People's Republic of China (中華人民共和國環境影響評價法) promulgated by the SCNPC on 28 October 2002 and amended on 2 July 2016 and on 29 December 2018 and became effective on the same day, Administrative Regulations on Environmental Protection of Construction Projects (建設項目環境保護管理條例) issued by State Council on 29 November 1998, amended on 16 July 2017 and became effective on 1 October 2017, and Administrative Measures for Environmental Protection Acceptance of Construction Projects upon Completion (建設項目竣工環境保護驗收管理辦法) promulgated by SEPA on 27 December 2001 which became effective on 1 February 2002 and amended on 22 December 2010 which amendment became effective on the same date.

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

Environmental Protection

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

Air Pollution

The Air Pollution Prevention Law (大氣污染防治法), amended on 29 August 2015 and 26 October 2018 by the SCNPC, which became effective on 1 January 2016, establishes the legal framework for air pollution prevention in the PRC. The environmental protection department of the State Council formulates national air quality standards. Each of the local environmental protection bureaus is authorised to regulate air pollution within each of their respective jurisdictions by formulating more specific local standards, and may impose penalties for violation.

Water Pollution

The Water Pollution Prevention Law (水污染防治法), amended on 28 February 2008 and 27 June 2017 and became effective on 1 January 2018, establishes the legal framework for water pollution prevention in the PRC. The environmental protection department of the State Council formulates national waste discharge standards. Enterprises that discharge waste into water shall pay a treatment fee. Each of the local environmental protection bureaus is authorised to regulate water pollution within each of their respective jurisdictions by formulating more specific local standards, and may impose penalties for violation, including suspending operations.

Noise Pollution

The Noise Pollution Prevention Law (環境噪聲污染防治法), promulgated by the SCNPC on 29 October 1996, which became effective on 1 March 1997 and amended on 29 December 2018, establishes the framework for noise pollution prevention in the PRC. Under the Noise Pollution Prevention Law, any person undertaking a construction, decoration or expansion project which might cause environmental noise pollution, shall prepare and submit an environmental impact report to the environmental protection authority for approval. Facilities for prevention and control of environmental noise pollution shall be designed and approved by the environmental protection authority prior to the commencement of the project, and be built and put into use simultaneously with the project works. Facilities for prevention and control of environmental noise pollution may not be dismantled or suspended without the approval of the environmental protection authority.

Construction Projects

The Environmental Impact Appraisal Law (環境影響評價法), promulgated by the Standing Committee of the National People's Congress on 28 October 2002, amended on 2 July 2016 and on 29 December 2018 and became effective on the same day, the Administration Rules on Environmental Protection of Construction Projects (建設項目環境保護管理條例), promulgated by the State Council on 29 November 1998, amended on 16 July 2017 and effected on 1 October 2017, and the Measures for the Administration of Environmental Protection Examination and Acceptance of Completed Construction Projects (建設項目竣工環境保護驗收管理辦法), promulgated by the State Environmental Protection Administration on 27 December 2001, which became effective on 1 February 2002 and amended on 22 December 2010, require enterprises planning construction projects to engage qualified professionals to provide assessment reports on the environmental impact of such projects. The assessment report shall be filed with and approved by the relevant environmental protection bureau, prior to the commencement of any construction work. The construction project shall not commence operation, unless inspected and approved by the relevant environmental protection bureau.

Labour

Employment Contracts

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

Employee Funds

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

REGULATIONS REGARDING OVERSEAS INVESTMENT, FINANCING AND ACQUISITION ACTIVITIES

NDRC Supervision

According to the Measures for the Administration of Approval and Filing of Overseas Investment Projects (境外投資項目核准和備案管理辦法) effective from 8 May 2014, amended on 27 December 2014, abolished on 1 March 2018 and replaced by the Administrative Measures for the Outbound Investment of Enterprises (企業境外投資管理辦法), the procedure of approval and filing shall be respectively applied to different overseas investment projects. In particular, overseas investment projects involving sensitive countries and regions or sensitive industries shall be subject to confirmation by the NDRC. Where the amount of investment made by the Chinese party is U.S.\$2 billion or more, the NDRC shall issue an examination opinion and report it to the State Council for confirmation. Projects other than as specified above shall be subject to the filing with the competent governmental body.

Specifically, overseas investment projects carried out by enterprises under central management, or those carried out by local enterprises in which the amount of Chinese investment reaches or exceeds U.S.\$300 million shall be subject to the filing with NDRC. Those carried out by local enterprises in which the amount of Chinese investment is below U.S.\$300 million shall be subject to the filing with competent investment departments of the provincial government.

Investment projects to be carried out in Hong Kong and/or the Macau Special Administrative Region shall be governed by the Measures for the Administration of Approval and Filing of Overseas Investment Projects.

According to the Administrative Measures for the Outbound Investment of Enterprises (企業境外投資管理辦法) which was promulgated by the NDRC on 26 December 2017 and became effective on 1 March 2018, the procedure of approval and filing shall be respectively applied to different overseas investment projects. In particular, overseas investment projects involving sensitive countries and regions or sensitive industries shall be subject to confirmation by the NDRC.

The Administrative Measures for the Outbound Investment of Enterprises shall apply when investors make investments abroad through enterprises that are located in Hong Kong, Macao and Taiwan region and under their control while the Measures shall not apply when natural persons within the territory of China directly make investments abroad or in Hong Kong, Macao and Taiwan region.

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

The NDRC Circular relates to the matters as listed below:

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

MOFCOM Supervision

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

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

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

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

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

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

Foreign Exchange Administration

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

According to the Administrative Measures for Foreign Debt Registration (which became effective on 13 May 2013) and its operating guidelines (which was amended on 4 May 2015 and became effective on the same day), effective as at 13 May 2013, issuers of foreign debts are required to register with the SAFE. Issuers other than banks and financial departments of the government shall go through registration or record-filing procedures with the local branch of the SAFE within 15 business days of entering into a foreign debt agreement. If the receipt and payment of funds related to the foreign debt of such issuer is not handled through a domestic bank, the issuer shall, in the event of any change in the amount of money withdrawn, principal and interest payable or outstanding debt, go through relevant record-filing procedures with the local branch of the SAFE.

On 29 April 2016, the PBOC issued the Circular of the People's Bank of China on the Nationwide Implementation of the Macro-prudence Management of Cross-border Financing in Full Aperture (中國人民銀行關於在全國範圍內實施全口徑跨境融資宏觀審慎管理的通知), which came into effect on 3 May 2016 and was abolished on 12 January 2017. This circular has since been replaced by the Circular of the PBOC on Issues Concerning the Overall Macro Prudential Management System for Cross-border Financing (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知) which was issued by the PBOC on 12 January 2017 and came into effect on the same date (the “**Cross Border Financing Circular**”). The Issuer is also required to file the issue of the Notes with SAFE after the execution of the cross-border financing documents but no later than three working days before the funds withdrawal date in accordance with the Cross Border Financing Circular. The Cross Border Financing Circular established a mechanism aimed at regulating cross border financing activities based on the capital or net asset of the borrowing entities using a prudent management principle on a macro nationwide scale. The Issuer has confirmed with the local counterpart of SAFE that the Cross Border Financing Circular is not applicable to the Issuer since it is regarded a financing platform of a local government.

State-owned Assets Supervision

The Interim Measures for Administration of Overseas State-owned Property Rights of Central Enterprises (中央企業境外國有產權管理暫行辦法) and the Interim Measures for the Supervision and Administration of Overseas State-owned Assets of Central Enterprises (中央企業境外國有資產監督管理暫行辦法) also apply to overseas investment projects. Where overseas enterprises wholly-owned or controlled by central enterprises or their subsidiaries at all levels conduct economic activities such as transferring or acquiring properties, making non-monetary contribution, changing the state-owned shareholding in non-listed companies, consolidation, division, dissolution or liquidation, they shall appoint a professional agency with the corresponding qualifications, professional experiences and good reputation to evaluate or assess the subject matters, and the evaluation items or valuation results shall be submitted to SASAC for record-filing or approval (as the case may be).

Pursuant to the Interim Measures for Administration of Overseas State-owned Property Right of Central Enterprises, the central enterprise shall, in a unified way, apply for property right registration with the SASAC, where any of the following events take place in connection with a central enterprise or its subsidiaries at all levels:

- (1) where an overseas enterprise is established by way of investment, division or consolidation, or the property right of an overseas enterprise is obtained for the first time by way of acquisition or equity investment;
- (2) where any change occurs to an overseas enterprise's basic information including its name, registration place, registered capital and the main business scope, or the overseas enterprise's property right information changes due to any changes in the capital contributors, amount of capital contributions and proportions of capital contributions;
- (3) where an overseas enterprise no longer keeps state-owned property right due to dissolution, bankruptcy, or property right transfer and capital reduction; or
- (4) other circumstances in which property right registration needs to be made.

CROSS-BORDER SECURITY LAWS

On 19 May 2014, SAFE promulgated the "Notice concerning the Foreign Exchange Administration Rules on Cross-Border Security and the relating implementation guidelines" (國家外匯管理局關於發佈《跨境擔保外匯管理規定》的通知) (collectively the "**New Regulations**"). The New Regulations, which come into force on 1 June 2014, replace twelve other regulations regarding cross-border security and introduce a number of significant changes, including: (i) abolishing prior SAFE approval and quota requirements for cross-border security; (ii) requiring SAFE registration for two specific types of crossborder security only; (iii) removing eligibility requirements for providers of cross-border security; (iv) the validity of any cross-border security agreement is no longer subject to SAFE approval, registration, filing or any other SAFE administrative requirements; (v) removing SAFE verification requirement for performance of cross-border security. A cross-border guarantee is a form of security under the New Regulations. The New Regulations classify cross-border security into three types:

- Nei Bao Wai Dai (內保外貸) ("**NBWD**"): security/guarantee provided by an onshore security provider for a debt owing by an offshore debtor to an offshore creditor.
- Wai Bao Nei Dai (外保內貸) ("**WBND**"): security/guarantee provided by an offshore security provider for a debt owing by an onshore debtor to an onshore creditor.
- Other Types of Cross-border Security (其他形式跨境擔保): any cross-border security/guarantee other than NBWD and WBND.

In respect of NBWD, in the case where the onshore security provider is a non-financial institution, it shall conduct a registration of the relevant security/guarantee with SAFE within 15 working days after its execution (or 15 working days after the date of any change to the security in case there is a change to the security). The funds borrowed offshore shall not be directly or indirectly repatriated to or used onshore by means of loans, equity investments or securities investments without SAFE approval. The onshore security provider can pay to the offshore creditor direct (by effecting remittance through an onshore bank) where the NBWD has been registered with SAFE. In addition, if any onshore security provider under a NBWD provides any security or guarantee for an offshore Note issuance, the offshore Issuer's equity shares must be fully or partially held directly or indirectly by an onshore entity. Moreover, the proceeds from any such offshore Note issuance must be applied towards the offshore project(s), where an onshore entity holds equity interests, and in respect of which the related approval, registration, record, or confirmation have been obtained from or made with the competent authorities subject to PRC Laws.

The Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Notes and the Trust Deed. The Guarantor's obligations in respect of the Notes and the Trust Deed (the "**Guarantee**") are contained in the Deed of Guarantee. The Deed of Guarantee will be executed by the Guarantor on or before the Issue Date. Under the New Regulations, the Deed of Guarantee does not require any pre-approval by SAFE and is binding and effective upon execution.

The Guarantor is required to submit the Deed of Guarantee to the local SAFE for registration within 15 working days after its execution. The SAFE registration is merely a post signing registration requirement, which is not a condition to the effectiveness of the Guarantee.

Under the New Regulations, the local SAFE will review the Guarantor's application for registration. Upon completion of the review, the local SAFE will issue a registration certificate or record to the Guarantor to confirm the completion of the registration.

Under the New Regulations:

- non-registration does not render the Guarantee ineffective or invalid under PRC law although SAFE may impose penalties on the Guarantor if registration is not carried out within the stipulated time frame of 15 working days; and
- there may be logistical hurdles at the time of remittance (if any cross-border payment is to be made by the Guarantor under the Guarantee) as domestic banks may require evidence of SAFE registration in order to effect such remittance, although this does not affect the validity of the Guarantee itself.

The Terms and Conditions of the Notes provide that the Guarantor will register, or cause to be registered, the Deed of Guarantee with SAFE in accordance with, and within the time period prescribed by, the New Regulations and use its best endeavours to complete the registration and obtain a registration record from SAFE on or before the Registration Deadline. If the Guarantor fails to complete SAFE registration and deliver the registration records to the Trustee before the Registration Deadline, the holders will have a put option to require the Issuer to redeem the Notes held by them at 100 per cent. of their principal amount together with accrued interest (see Condition 8.3 of the Terms and Conditions of the Notes).

TAXATION

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

PRC

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

Income Tax

Pursuant to the EIT Law, effective on 1 January 2008 and amended on 24 February 2017, 29 December 2018 and its implementation regulations, effective on 1 January 2008 and amended on 23 April 2019 enterprises that are established under the laws of foreign countries and territories (including Hong Kong, Macau and Taiwan) but whose “de facto management bodies” are within the territory of PRC are treated as PRC tax resident enterprises for the purpose of the EIT Law and must pay PRC enterprise income tax at the rate of 25 per cent. in respect of their taxable income sourced from both within and outside of the PRC. The implementation regulations of the EIT Law define the location of the “de facto management body” as an “organizational body which effectively manages and controls the production and business operation, personnel, accounting, properties and other aspects of operations of an enterprise.”

In addition, the Notice on Issues Concerning the Determination of Chinese-controlled Enterprises Incorporated Overseas as Resident Enterprises on the Basis of Their De Facto Management Bodies issued by the SAT on 22 April 2009 provides that a foreign enterprise controlled by a PRC company or a PRC company group would be classified as a “resident enterprise” with a “de facto management body” located within the PRC if all of the following requirements are satisfied: (i) the senior management and core management departments in charge of daily operations are located mainly within the PRC; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (iii) main assets, accounting books, company seals and minutes and files of board and shareholders’ meetings are located or kept within the PRC; and (iv) at least half of the enterprise’s directors with voting rights, or senior management, reside within the PRC. Pursuant to a circular issued by the SAT which became effective on 1 September 2011 and was most recently amended on 15 June 2018, and relevant rules, a foreign enterprise controlled by a PRC company or a PRC company group shall be deemed a “resident enterprise” by the final decision of the provincial or local tax authorities through the application of the foreign enterprise or the investigation of the relevant tax authorities.

If the relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the “de facto management body” of the Issuer is within the territory of the PRC, the Issuer may be held to be a PRC tax resident enterprise for the purpose of the EIT Law and be subject to PRC enterprise income tax at the rate of 25 per cent. on its taxable income from sources both within and outside of the PRC. If a holder of Bonds is required to pay any PRC income tax on interest or gains on the transfer of the Bonds, the value of the relevant holder’s investment in the Bonds may be materially and adversely affected. As confirmed by the Issuer, as at the date of this offering circular, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. However, we cannot assure you that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future.

Pursuant to the EIT Law and its implementation regulations, any non-resident enterprise without an establishment or place of business within the PRC or whose income has no connection to its establishment or place of business inside the PRC must pay enterprise income tax on income sourced within the PRC, and such income tax must be withheld at source by the PRC payer acting as a withholding agent. Accordingly, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, the Issuer may be required to withhold income tax from the payments of interest in respect of the Bonds to any non-resident enterprise holder of Bonds (the tax would be withheld at source), and gain from the disposition of the Bonds may be subject to PRC tax, if the interest or gain is treated as PRC-sourced. Further, in accordance with the Individual Income Tax Law of the PRC which took effect on 1 September 2011, was amended on 31 August 2018 and took effect on 1 January 2019 and its implementation regulations which was amended on 18 December 2018 and took effect on 1 January 2019, if the Issuer is considered to be a PRC tax resident enterprise, the interest payable to the non-resident individual holder of Bonds, and gains realised on the transfer of the Bonds by the non-resident individual holder of Bonds may be subject to PRC individual income tax if such interest or gains are treated as income derived from sources within the PRC (and in the case of interest payments, the tax would be withheld at source). The tax rate is generally 10 per cent. for non-resident enterprise holders of Bonds and 20 per cent. in the case of non-resident individual holders of Bonds, subject to the provisions of any applicable income tax treaty. If the Issuer is required under the EIT Law to withhold PRC income tax from interest payments made to the Issuer’s non-resident holders of Bonds, the Issuer will be required to pay these additional amounts which will result in receipt by these holders of Bonds of interest payment amounts as if no such withholding had been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Bonds, and could have a material adverse effect on our ability to pay interest on, and repay the principal amount of, the Bonds, as well as our profitability and cash flow.

In addition, as the Guarantor is a PRC resident enterprise, in the event that the Guarantor is required to fulfil its obligations under the Guarantee by making interest payments on behalf of the Issuer, the Guarantor will be obliged to withhold PRC enterprise income tax at a rate of 10 per cent. on such payments to non-resident enterprise holders of Bonds and 20 per cent. for non-resident individual holders of Bonds if such interest payments are deemed to be derived from sources within the PRC. To the extent that the PRC has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, which allows a lower rate of withholding tax, such lower rate may apply to qualified non-resident holders of Bonds.

VAT

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

According to Circular 36, the entities and individuals providing the services within China shall be subject to VAT. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the “loans” refers to the activity of lending capital for another’s use and receiving the interest income thereon. Based on the definition of “loans” under Circular 36, the issuance of Bonds is likely to be treated as the holders of the Bonds providing loans to the Issuer,

which thus shall be regarded as financial services subject to VAT for VAT purposes. In the event the Issuer is deemed to be in the PRC by the PRC tax authorities, the holders of Bonds may be regarded as providing the financial services within the PRC and consequently, the amount of interest payable by the Issuer to any non-resident holders of Bonds may be subject to withholding VAT and surcharges at the rate of around 6.72 per cent. In addition, as the Parent Guarantor is located in the PRC, in the event that the Parent Guarantor is required to fulfil its obligations under the Parent Guarantee by making interest payments on behalf of the Issuer, the Parent Guarantor may be required to withhold VAT and surcharges at a rate of around 6.72 per cent. on such payments to non-resident holders of Bonds if the holders of Bonds are regarded as providing financial services within the PRC.

Where a holder of the Bonds who is an entity or individual located outside of the PRC resells the Bonds to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically Circular 36 does not apply and the Issuer does not have the obligation to withhold the VAT or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC.

Recently, the Circular of the Ministry of Finance and the State Administration of Taxation on the Adjustment to VAT Rates (關於調整增值稅稅率的通知) (Caishui [2018] No. 32, “**Circular 32**”), which was issued on 4 April 2018 and effective on 5 May 2018, confirms the major relevant policies for adjusting VAT rates as follows: (i) the deduction rates of 17 per cent. and 11 per cent. applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16 per cent. and 10 per cent., respectively, and (ii) for the export goods to which a tax rate of 17 per cent. was originally applicable and the export rebate rate was 17 per cent., the export rebate rate is adjusted to 16 per cent., and for the export goods and cross-border taxable activities to which a tax rate of 11 per cent. was originally applicable and the export rebate rate was 11 per cent., the export rebate rate is adjusted to 10 per cent.. According to the Circular on Policies Concerning Deepening the Reform of Value Added Tax (關於深化增值稅改革有關政策的公告) (Announcement [2019] No. 39, “**Announcement 39**”) promulgated by MOF, SAT and General Administration of Customs on 20 March 2019, which took effect on 1 April 2019, the deduction rates of 16 per cent. and 10 per cent. applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 13 per cent. and 9 per cent., respectively, and (ii) for the export goods to which a tax rate of 16 per cent. was originally applicable and the export rebate rate was 16 per cent., the export rebate rate is adjusted to 13 per cent., and for the export goods and cross-border taxable activities to which a tax rate of 10 per cent. was originally applicable and the export rebate rate was 10 per cent., the export rebate rate is adjusted to 9 per cent.. As Circular 32 and Announcement 39 are relatively new regulations, these confirmatory statements may be subject to further changes upon the issuance of further clarification rules and/or different interpretation by the competent tax authority.

Stamp Duty

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

British Virgin Islands

The Issuer is exempt from all provisions of the Income Tax Ordinance of the British Virgin Islands.

Payments of principal, premium or interest in respect of the Bonds to persons who are not resident in the British Virgin Islands are not subject to British Virgin Islands tax or withholding tax.

Capital gains realised with respect to the Bonds by persons who are not persons resident in the British Virgin Islands are also exempt from all provisions of the Income Tax Ordinance of the British Virgin Islands.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not resident in the British Virgin Islands with respect to the Bonds.

All instruments relating to transactions in respect of the Bonds are exempt from payment of stamp duty in the British Virgin Islands. This assumes that the Issuer do not hold an interest in real estate in the British Virgin Islands.

Hong Kong

Withholding tax

No withholding tax is payable in Hong Kong in respect of payments of principal (including any premium payable on redemption of the Notes) or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits tax

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

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

Interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;

- (a) Interest on the Notes is derived from Hong Kong and is received by or accrues to a person other than a corporation (such as a partnership), carrying on a trade, profession or business in Hong Kong and is in respect of the funds of the trade, profession or business; or
- (b) Interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap.112) of Hong Kong) and arises through or from the carrying on by the financial institution of its business in Hong Kong.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of the Notes will be subject to Hong Kong profits tax.

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

Stamp duty

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

SUBSCRIPTION AND SALE

The Issuer and the Guarantor have entered into a subscription agreement with the Joint Lead Managers dated 1 March 2021 (the “**Subscription Agreement**”), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to issue, the Guarantor has agreed to guarantee, and the Joint Lead Managers have severally but not jointly agreed with the Issuer and the Guarantor to subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Notes indicated in the following table.

	Principal amount of the Notes to be subscribed
	USD
China International Capital Corporation	
Hong Kong Securities Limited	70,000,000
Guotai Junan Securities (Hong Kong) Limited	20,000,000
Bank of China Limited	10,000,000
Total	100,000,000

The Subscription Agreement provides that the Issuer and the Guarantor will jointly and severally indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Notes. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

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

The Joint Lead Managers and their respective affiliates may purchase the Notes and allocated the Notes for asset management and/or proprietary purposes but not with a view to distribution. Such entities may hold or sell such Notes or purchase further Notes for their own account in the secondary market or deal in any other securities of the Issuer or the Guarantor, and therefore, they may offer or sell the Notes or other securities otherwise than in connection with the offering of the Notes. Accordingly, references herein to the/Note being ‘offered’ should be read as including any offering of the Notes to the Joint Lead Managers and/or their respective affiliates, for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so. Furthermore, it is possible that only a limited number of investors may subscribe for a significant proportion of the Notes. If this is the case, liquidity of trading in the Notes may be constrained (see “*Risk Factors — Risks Relating to the Notes and the Guarantee — A trading market for the Notes may not develop*” and “*Risk Factors — Risks Relating to the Notes and the Guarantee — Certain initial investors will purchase a significant portion of the Notes and may therefore be able to exercise certain rights and powers on their own.*”). The Issuer, the Guarantor and the Joint Lead Managers are under no obligation to disclose the extent of the distribution of the Notes amongst individual investors.

In the ordinary course of their various business activities, the Joint Lead Managers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer and/or the Guarantor, including the Notes. Certain of the Joint Lead Managers or their affiliates

that have a lending relationship with the Issuer and/or the Guarantor routinely hedge their credit exposure to the Issuer and/or the Guarantor consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's and/or the Guarantor's securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Joint Lead Managers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Notes or other financial instruments of the Issuer or the Guarantor, and may recommend to their clients that they acquire long and/or short positions in the Notes or other financial instruments.

In connection with the issue of the Notes, any of the Joint Lead Managers as a Stabilisation Manager or any person acting on behalf of the Stabilisation Manager may, to the extent permitted by applicable laws and directives, over-allot the Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail, but in so doing, the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager shall act as principal and not as agent of the Issuer or the Guarantor. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules. Any loss or profit sustained as a consequence of any such over-allotment or stabilisation shall be for the account of the Stabilisation Manager.

GENERAL

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Notes are subject to restrictions and may not be made except pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisors as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been or will be taken in any jurisdiction by the Issuer, the Guarantor, or Joint Lead Managers that would, or is intended to permit a public offering, or any other offering under circumstances not permitted by applicable law, of the Notes, or possession or distribution of this Offering Circular, any amendment or supplement thereto issued in connection with the proposed resale of the Notes or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Offering Circular comes are required by the Issuer, the Guarantor and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession, distribute or publish this Offering Circular or any other offering material relating to the Notes, in all cases at their own expense.

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

UNITED STATES

The Notes and the Guarantee have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States except in accordance with Regulation S or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each of the Joint Lead Managers has represented that it has not offered or sold, and agrees that it will not offer or sell, any of the Notes and the Guarantee constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates, nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes and the Guarantee. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

UNITED KINGDOM

Each Joint Lead Manager has represented and agreed that:

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

HONG KONG

Each Joint Lead Manager has represented, warranted and agreed that:

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

THE PEOPLE’S REPUBLIC OF CHINA

Each Joint Lead Manager has represented and agreed that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the People’s Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the People’s Republic of China.

SINGAPORE

Each Joint Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented, warranted and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time) (the “SFA”) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

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

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

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

JAPAN

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the “FIEA”) and each Joint Lead Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

British Virgin Islands

Each Joint Lead Manager has represented, warranted and agreed that no invitation has been made or will be made, directly or indirectly, to any person in the British Virgin Islands or to the public in the British Virgin Islands to purchase the Bonds and the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the British Virgin Islands, except as otherwise permitted by the British Virgin Islands laws.

This Offering Circular does not constitute, and there will not be, an offering of the Bonds to any person in the British Virgin Islands.

SUMMARY OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS

The consolidated financial statements of the Group included in this Offering Circular have been prepared and presented in accordance with PRC GAAP. PRC GAAP are substantially in line with IFRS, except for certain modifications that still exist between PRC GAAP and IFRS, which might be relevant to the financial information of the Group included herein.

The following is a general summary of certain differences between PRC GAAP and IFRS as applicable to the Group. The differences identified below are limited to those significant differences that are appropriate to the Group's financial statements. The Group is responsible for preparing the summary below. Since the summary is not meant to be exhaustive, there can be no assurance regarding the completeness of the summary. The Group has not prepared a complete reconciliation of the consolidated financial information and related footnote disclosure between PRC GAAP and IFRS and has not quantified such differences. Had any such quantification or reconciliation been undertaken by the Group, other potentially significant accounting and disclosure differences may be required that are not identified below. Additionally, no attempt has been made to identify possible future differences between PRC GAAP and IFRS as a result of prescribed changes in accounting standard. Regulatory bodies that promulgate PRC GAAP and IFRS have significant projects ongoing that could affect future comparisons such as this one. Finally, no attempt has been made to identify future differences between PRC GAAP and IFRS that may affect the financial information as a result of transactions or events that may occur in the future. Accordingly, no assurance is provided that the following summary of differences between PRC GAAP and IFRS is complete.

In making an investment decision, investors must rely upon their own examination of the Group, the terms of the offering and other disclosure contained herein. Investors should consult their own professional advisors for an understanding of the differences between PRC GAAP and IFRS and/or between PRC GAAP and other generally accepted accounting principles, and how those differences might affect the financial information contained herein.

Reversal of an Impairment Loss

Under PRC GAAP, once an impairment loss is recognised for a long term asset (including fixed assets, intangible assets and goodwill. etc.), it shall not be reversed in any subsequent period.

Under IFRS, an impairment loss recognised in prior periods for an asset other than goodwill could be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

Related Party Disclosures

According to Chinese Accounting Standards, only state-controlled without other related party relationship companies are not treated as related parties. Under IFRS, state-controlled companies are all treated as related parties.

GENERAL INFORMATION

1. **Clearing Systems:** The Notes have been accepted for clearance through Euroclear and Clearstream under Common Code number 228181617 and the International Securities Identification Number for the Notes is XS2281816178.
2. **Legal Entity Identifier:** The Legal Entity Identifier of the Issuer is 6556008DFM8B82FDIS22.
3. **Authorisations:** Each of the Issuer and the Guarantor has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes and the giving of the Guarantee. The issue of the Notes was authorised by resolutions of the sole director of the Issuer on 27 November 2020. The giving of the Guarantee was authorised by resolutions of the executive director of the Guarantor on 15 September 2020 and sole shareholder's resolutions passed on 19 October 2020.
4. **No Material Adverse Change:** There has been no material adverse change or development which could result in any prospective material adverse change in the condition (financial or otherwise), business, properties, shareholders' equity, prospects or results of operations of the Guarantor and its other subsidiaries since 31 December 2019.
5. **Litigation:** None of the Issuer, the Guarantor or any member of the Group is involved in any litigation or arbitration proceedings that the Issuer or the Guarantor believes are material in the context of the Notes nor is the Issuer or the Guarantor aware that any such proceedings are pending or threatened.
6. **Available Documents:** Copies of the Audited Financial Statements and the Reviewed Financial Statements, the Trust Deed, the Agency Agreement and the Deed of Guarantee will be available for inspection from the Issue Date at the specified office of the Principal Paying Agent during normal business hours upon prior written request and on satisfactory proof of holding, so long as any of the Notes is outstanding.
7. **Audited Financial Statements:** The Audited Financial Statements, which are included elsewhere in this Offering Circular, have been audited by Asia Pacific as stated in its reports dated 18 November 2020. The Reviewed Financial Statements, which are included elsewhere in this Offering Circular, have been reviewed by Asia Pacific as stated in its reports dated 18 November 2020.
8. **Listing of Notes:** Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Notes by way of debt issues to Professional Investors only and such permission is expected to become effective on or about 9 March 2021.

INDEX TO FINANCIAL STATEMENTS

Page

REVIEWED BUT UNAUDITED CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS ENDED 30 JUNE 2020 OF THE GUARANTOR

Independent Auditor's Report	F-4
Consolidated Balance Sheet	F-5
Company Balance Sheet	F-7
Consolidated Statement of Income	F-9
Company Statement of Income	F-10
Consolidated Statement of Cash Flows	F-11
Company Statement of Cash Flows	F-12
Consolidated Statement of Changes in Equity	F-13
Company Statement of Changes in Equity	F-15
Notes to the Financial Statements	F-17

AUDITED CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS AS AT AND FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2019 OF THE GUARANTOR

Independent Auditor's Report	F-99
Consolidated Balance Sheet	F-102
Company Balance Sheet	F-104
Consolidated Statement of Income	F-106
Company Statement of Income	F-107
Consolidated Statement of Cash Flows	F-108
Company Statement of Cash Flows	F-109
Consolidated Statement of Changes in Equity	F-110
Company Statement of Changes in Equity	F-113
Notes to the Financial Statements	F-116

Taian City Development and Investment Co., Ltd.
For the period ended June 30, 2020
Interim Report

Asia Pacific CPAs D-YZ (2020) No. 0002

Entrusted by: Taian City Development and Investment Co., Ltd.

Audit Firm: Asia Pacific (Group) Certified Public Accountants (Special
General Partnership)

Contact number: (86) 010 88312380

Fax: (86) 010 88312386

CONTENTS

I.	Independent Auditor's Report	1
II.	Audited financial statements	
1.	Consolidated Balance Sheet	2-3
2.	Company Balance Sheet	4-5
3.	Consolidated Statement of Income	6
4.	Company Statement of Income	7
5.	Consolidated Statement of Cash Flows	8
6.	Company Statement of Cash Flows	9
7.	Consolidated Statement of Changes in Equity	10-11
8.	Company Statement of Changes in Equity	12-13
9.	Notes to Financial Statements	14-93

INDEPENDENT REVIEW REPORT

Asia Pacific CPAs D-YZ (2020) No. 0002

To the Members of Taian City Development and Investment Co., Ltd.:

We have reviewed the interim financial statements of Taian City Development and Investment Co., Ltd. (hereinafter referred to as the Company), which comprise the consolidated and parent balance sheets as at June 30, 2020, the consolidated and parent statements of income, the consolidated and parent statements of cash flows and the consolidated and parent statements of changes in equity for the year then ended, and a summary of significant accounting policies and related notes to the financial statements. The directors of the Company are responsible for the preparation of interim financial information. Our responsibility is to express a conclusion on this interim consolidated financial statement based on our review, and to report our conclusion.

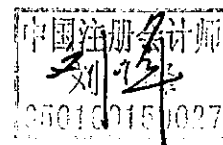
We conducted our review in accordance with China Standards on Review Engagements 2101 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim consolidated financial statement consists of making inquiries, primarily to persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements as at June 30, 2020, do not present fairly, in all material respects.



Beijing, PRC

Certified Public Accountants Registered
in the People's Republic of China:



Certified Public Accountants Registered
in the People's Republic of China:



November 18, 2020

Consolidated Balance Sheet

As at period ended June 30, 2020

Prepared by: Taian City Development and Investment Co., Ltd.

(All amounts in RMB Yuan unless otherwise stated)

Item	Note	June 30,2020	December 31,2019
Current assets			
Cash at bank and on hand	九、1	1,180,002,426.70	2,940,340,848.67
Financial assets measured at fair value through profit or loss			
Derivative financial assets			
Bills receivable	九、2	100,630,000.00	20,611,017.96
Accounts receivable	九、3	89,686,693.70	204,562,377.51
Prepayments	九、4	2,133,582,043.47	1,766,309,348.76
Other receivables	九、5	2,481,486,404.25	2,530,920,602.73
Inventories	九、6	12,309,615,810.89	13,367,494,239.63
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets	九、7	479,578,418.16	501,897,565.50
Total current assets		18,774,581,797.17	21,332,136,000.76
Non-current assets			
Available-for-sale financial assets	九、8	144,437,327.46	144,437,327.46
Held-to-maturity investments			
Long-term receivables	九、9	261,240,963.80	261,240,963.80
Long-term equity investments	九、10	840,721,601.71	840,721,601.71
Investment property	九、11	22,300,047.21	23,568,853.23
Fixed assets	九、12	2,724,475,452.41	2,855,243,270.02
Construction in progress	九、13	946,620,921.42	983,433,851.32
Bearer biological assets			
Oil and gas assets			
Intangible assets	九、14	132,517,639.77	135,899,524.74
Development costs			
Goodwill			
Long-term deferred expenses	九、16	45,235,691.44	52,890,152.37
Deferred tax assets	九、15	5,736,167.58	5,736,167.58
Other non-current assets			
Total non-current assets		5,123,285,812.80	5,303,171,712.23
Total assets		23,897,867,609.97	26,635,307,712.99

Representative:

The person in charge of accounting affairs:

The head of the accounting department:

Consolidated Balance Sheet(continued)

As at period ended June 30, 2020

Prepared by: Taian City Development and Investment Co., Ltd. (All amounts in RMB Yuan unless otherwise stated)

Item	Note	June 30,2020	December 31,2019
Current liabilities			
Short-term loans	九、17	1,125,000,000.00	1,178,270,000.00
Financial liabilities measured at fair value through profit or loss			
Derivative financial liabilities			
Bills payable	九、18	33,000,000.00	32,000,000.00
Accounts payable	九、19	259,232,533.49	520,709,497.77
Advance payment received	九、20	3,996,538,243.69	5,516,589,456.36
Employee benefits payable	九、21	7,456,719.12	10,009,558.26
Taxes payable	九、22	96,146,719.63	68,013,772.42
Other payable	九、23	4,288,570,787.13	4,157,717,244.05
Non-current liabilities due within one year	九、24	1,244,740,000.00	1,244,740,000.00
Other current liabilities			
Total current liabilities		11,050,685,003.06	12,728,049,528.86
Non-current liabilities			
Long-term loans	九、25	160,250,000.00	445,395,000.00
Bonds payable			
Including: Preference Shares			
Perpetual bond			
Long-term payables	九、26	1,462,179,840.15	2,118,445,387.76
Estimated liabilities			
Deferred income	九、27	2,024,089,481.75	2,210,364,177.85
Deferred tax liabilities	九、15		
Other non-current liabilities			
Total non-current liabilities		3,646,519,321.90	4,774,204,565.61
Total liabilities		14,697,204,324.96	17,502,254,094.47
Shareholders' equity			
Paid-in capital	九、28	300,000,000.00	300,000,000.00
Other equity instruments			
Including: Preferred stock			
Perpetual bond			
Capital reserve	九、29	7,830,869,973.49	7,830,869,973.49
Less: Treasury shares			
Other comprehensive income			
Specific reserve		4,567,623.53	4,567,623.53
Surplus reserve	九、30	48,731,180.78	48,731,180.78
Retained earnings	九、31	546,412,545.53	521,171,259.14
Total equity attributable to shareholders of the Company		8,730,581,323.33	8,705,340,036.94
Non-controlling interests		470,081,961.68	427,713,581.58
Total owners' equity		9,200,663,285.01	9,133,053,618.52
Total liabilities and shareholders' equity		23,897,867,609.97	26,635,307,712.99

Representative:

The person in charge of accounting affairs:

The head of the accounting department

Company Balance Sheet

As at period ended June 30, 2020

Prepared by: Taian City Development and Investment Co., Ltd.

(All amounts in RMB Yuan unless otherwise stated)

Item	Note	June 30,2020	December 31,2019
Current assets			
Cash at bank and on hand		235,091,195.14	1,061,001,768.30
Financial assets measured at fair value through profit or loss			
Derivative financial assets			
Bills receivable		99,000,000.00	
Accounts receivable			
Prepayments		7,617,100.00	7,617,100.00
Other receivables		3,389,500,310.86	1,909,183,975.82
Inventories		9,735,052,955.21	9,326,422,714.49
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets		2,704,743.19	2,704,743.19
Total current assets		13,468,966,304.40	12,306,930,301.80
Non-current assets			
Available-for-sale financial assets			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments		484,255,356.03	435,255,356.03
Investment property			
Fixed assets		6,937,640.21	40,336.04
Construction in progress		0.00	
Bearer biological assets			
Oil and gas assets			
Intangible assets			
Development costs			
Goodwill			
Long-term deferred expenses			
Deferred tax assets			
Other non-current assets			
Total non-current assets		491,192,996.24	435,295,692.07
Total assets		13,960,159,300.64	12,742,225,993.87

Representative:

The person in charge of accounting affairs:

The head of the accounting department:

Company Balance sheet(continued)

As at period ended June 30, 2020

Prepared by: Taian City Development and Investment Co., Ltd.

(All amounts in RMB Yuan unless otherwise stated)

Item	Note	June 30,2020	December 31,2019
Current liabilities			
Short-term loans		700,000,000.00	450,000,000.00
Financial liabilities measured at fair value through profit or loss			
Derivative financial liabilities			
Bills payable			
Accounts payable		25,530,266.64	25,291,564.61
Advance payment received			
Employee benefits payable			
Taxes payable		1,474,016.44	17,999,624.80
Other payable		2,694,589,333.14	1,639,147,292.32
Non-current liabilities due within one year		675,000,000.00	705,000,000.00
Other current liabilities			
Total current liabilities		4,096,593,616.22	2,837,438,481.73
Non-current liabilities			
Long-term loans		249,450,000.00	300,000,000.00
Bonds payable			
Including: Preference Shares			
Perpetual bond			
Long-term payables		956,246,128.90	956,246,128.90
Estimated liabilities			
Deferred income			
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		1,205,696,128.90	1,256,246,128.90
Total liabilities		5,302,289,745.12	4,093,684,610.63
Shareholders' equity			
Paid-in capital		300,000,000.00	300,000,000.00
Other equity instruments			
Including: Preferred stock			
Perpetual bond			
Capital reserve		7,658,955,247.22	7,610,955,247.22
Less: Treasury shares			
Other comprehensive income			
Specific reserve			
Surplus reserve		48,731,180.78	48,731,180.78
Retained earnings		650,183,127.52	688,854,955.24
Total owners' equity		8,657,869,555.52	8,648,541,383.24
Total liabilities and shareholders' equity		13,960,159,300.64	12,742,225,993.87

Representative:

The person in charge of accounting affairs:

The head of the accounting department:

Consolidated Statement of Income

For the period ended June 30, 2020

Prepared by: Taian City Development and Investment Co., Ltd.

(All amounts in RMB Yuan unless otherwise stated)

Item	Note	2020	2019
I. Total operating income	九、32	2,654,311,228.80	1,458,250,107.61
Including: Operating income	九、32	2,654,311,228.80	1,458,250,107.61
II. Total operating cost		2,612,987,284.34	1,470,450,278.48
Including: Operating cost	九、32	2,371,391,284.06	1,262,232,719.49
Taxes and surcharge	九、33	48,919,230.44	28,335,201.96
Selling expenses	九、34	23,625,775.73	18,320,627.85
General and administrative expenses	九、35	102,756,343.51	85,617,104.54
Research and development expenses			
Finance expenses	九、36	66,294,650.60	75,944,624.64
Including: Interest expenses			
Interest income			
Add: Other income	九、38	64,181,985.47	79,690,457.18
Investment income ("-" for losses)	九、39		
Including: Income from investment in associated and joint ventures ("-" for losses)			
Gain from fair value changes ("-" for losses)			
Asset impairment losses ("-" for losses)	九、37		
Gain from disposal of assets ("-" for losses)	九、40		
III. Operating profit ("-" for losses)		105,505,929.93	67,490,286.31
Add: Non-operating income	九、41	32,249,502.63	14,009,643.19
Less: Non-operating expenses	九、42	3,584,627.64	5,114,066.51
IV. Total profit ("-" for losses)		134,170,804.92	76,385,862.99
Less: Income tax expenses	九、43	105,509,335.35	18,825,914.74
V. Net profit ("-" for losses)		28,661,469.57	57,559,948.25
(I) Net profit classified by continued of operation			
1. Net profit from continuing operations		28,661,469.57	57,559,948.25
2. Net profit from discontinued operations			
(II) Net profit classified by ownership ("-" for net loss)			
1. Net profit from attributable to owners of the company		3,420,183.18	9,082,336.76
2. Non-controlling losses		25,241,286.39	48,477,611.49
VI. Other comprehensive income, net of tax			
(1) Other comprehensive income (net of tax) attributable to shareholders of the Company			
1. Items that will not be reclassified to profit or loss			
(1) Changes of remeasurement in defined benefit plan			
(2) Other comprehensive income that cannot be reclassified to profit or loss under the equity method			
2. Items that may be reclassified to profit or loss			
(1) Share of other comprehensive income of the equity method investments			
(2) Gains or losses arising from changes in fair value of value of available-for-sale financial assets			
(3) Gains or losses arising from reclassification of held-to-maturity investments to available-for-sale financial assets			
(4) Net fair value gains (losses) on hedging instruments entered into for cash flow hedges			
(5) Translation differences arising from transaction of foreign currency financial statements			
(6) Others			
(II) Other comprehensive income (net of tax) attributable to non-controlling interests			
VII. Total comprehensive income for the year		28,661,469.57	146,598,663.93
(1) Attributable to shareholders of the company		25,241,286.39	129,104,994.14
(II) Attributable to non-controlling interests		3,420,183.18	17,493,669.79
VIII. Earning per share			
(1) Basic earning per share			
(II) Diluted earning per share			

Representative:

The person in charge of accounting affairs:

The head of the accounting department:

Company Statement of Income

For the period ended June 30, 2020

Prepared by: Taian City Development and Investment Co., Ltd.

(All amounts in RMB Yuan unless otherwise stated)

Item	Note	2020	2019
I、Operating income		-	128,705,670.32
Less: Operating cost			101,928,382.38
Taxes and surcharge			418,293.42
Selling and distribution expenses			
General and administrative expenses		1,067,913.02	1,963,597.76
Research and development expenses			
Finance expenses		39,373,677.11	30,707,662.56
Including: Interest expenses			
Interest income			
Add: Other income		0.00	
Investment income ("-" for losses)			
Including: Income from investment in associated and joint ventures ("-" for losses)		0.00	
Gain from fair value changes ("-" for losses)			
Assets impairment losses ("-" for losses)			
Gain from disposal of assets ("-" for losses)			0.00
II、Operating profit ("-" for losses)		-40,441,590.13	-6,312,265.80
Add: Non-operating income		2,027,431.20	5,948,203.60
Less: Non-operating expenses		257,668.79	79,005.20
III、Total profit ("-" for losses)		-38,671,827.72	-443,067.40
Less: Income tax expenses			0.00
IV、Net profit ("-" for losses)		-38,671,827.72	-443,067.40
(I) Net profit classified by continued of operation ("-" for net loss)		-38,671,827.72	-443,067.40
(II) Net profit classified by discontinued operations ("-" for net loss)			
V、Other comprehensive income, net of tax		0.00	0.00
(I) Items that will not be reclassified to profit or loss		0.00	0.00
(1) Changes of remeasurement in defined benefit plan			
(2) Other comprehensive income that cannot be reclassified to profit or loss under the equity method			
(II) Items that may be reclassified to profit or loss		0.00	0.00
(1) Share of other comprehensive income of the equity method investments			
(2) Gains or losses arising from changes in fair value of value of available-for-sale financial assets			
(3) Gains or losses arising from reclassification of held-to-maturity investments to available-for-sale financial assets			
(4) Net fair value gains (losses) on hedging instruments entered into for cash flow hedges			
(5) Translation differences arising from transaction of foreign currency financial statements			
(6) Others			
VI、Total comprehensive income for the year		-38,671,827.72	-443,067.40

Representative:
accounting department:

The person in charge of accounting affairs:

The head of the

Consolidated Statement of Cash Flows

For the period ended June 30, 2020

Prepared by: Taian City Development and Investment Co., Ltd. (All amounts in RMB Yuan unless otherwise stated)

Item	Note	2020	2019
I、Cash flows from operating activities			
Proceeds from sale of goods and rendering of services		1,496,381,694.71	1,395,059,109.35
Refund of taxes and surcharges		16,559,446.66	
Proceeds from other operating activities		3,716,145,304.05	4,524,888,388.59
Sub-total of cash inflows from operating activities		5,229,086,445.42	5,919,947,497.94
Payment for goods and services		1,069,506,514.27	2,088,369,001.96
Payment to and for employment		106,410,006.86	107,968,041.41
Payment of various taxes		232,046,189.55	88,210,675.02
Payment for other operating activities		5,739,676,845.86	4,449,279,584.63
Sub-total of cash outflows in operating activities		7,147,639,556.54	6,733,827,303.02
Net cash flows from operating activities		-1,918,553,111.12	-813,879,805.08
II、Cash flows from investing activities			
Proceeds from disposal of investments			2,143,256.06
Investment returns received		2,591,398.14	6,438,178.87
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets		34,000.00	12,000.00
Net proceeds from disposal of subsidiaries and other business units			
Proceeds from other investing activities		14,435,188.39	44,692,098.00
Sub-total cash inflows from investing activities		17,060,586.53	53,285,532.93
Payment for acquisition of fixed assets, intangible assets and other long-term assets		296,090,265.65	170,361,766.82
Payment for acquisition of investments			83,700,000.00
Payment for acquisition of subsidiaries and other business units			
Payment for other investing activities		1,282,579.85	1,017,289.69
Sub-total of cash outflows in investing activities		297,372,845.50	255,079,056.51
Net cash flows from investing activities		-280,312,258.97	-201,793,523.58
III、Cash flows from financing activities			
Proceeds from investors			80,000,000.00
Including: Cash received from minority shareholders of subsidiaries			
Proceeds from borrowing		2,165,866,391.79	2,888,263,739.28
Proceeds from other financing activities			37,000,000.00
Sub-total of cash inflows from financing activities		2,165,866,391.79	3,005,263,739.28
Repayments of borrowings		1,681,685,236.79	2,090,997,010.33
Payments of dividends, profits distributions or interest		45,654,206.88	37,465,913.33
Including: Payments for dividends or profit to non-controlling interests of subsidiaries			
Payments for other financing activities			-2,446.00
Sub-total of cash outflows		1,727,339,443.67	2,128,460,477.66
Net cash flows from financing activities		438,526,948.12	876,803,261.62
IV、Effect of foreign exchange rate changes on cash and cash equivalents		-	
V、Net increase in cash and cash equivalents		-1,760,338,421.97	-138,870,067.04
Add: Cash and cash equivalents at the beginning of the year		2,922,953,044.32	1,137,528,198.06
VI、Cash and cash equivalents at the end of the year		1,162,614,622.35	998,658,131.02

Representative:

The person in charge of accounting affairs:

The head of the accounting department:

Company Statement of Cash Flows

For the period ended June 30, 2020

Prepared by: Taian City Development and Investment Co., Ltd

(All amounts in RMB Yuan unless otherwise stated)

Item	Note	2020	2019
I、Cash flows from operating activities			
Proceeds from sale of goods and rendering of services		-	234,370,251.44
Refund of taxes and surcharges		-	-
Proceeds from other operating activities		1,311,812,216.69	2,070,651,619.29
Sub-total of cash inflows from operating activities		1,311,812,216.69	2,070,651,619.29
Payment for goods and services		-	101,928,382.38
Payment to and for employment		-	-
Payment of various taxes		1,962,083.85	418,293.42
Payment for other operating activities		3,342,066.553.02	2,152,647,065.73
Sub-total of cash outflows in operating activities		3,344,028,636.87	2,254,993,741.53
Net cash flows from operating activities		-2,032,216,420.18	-184,342,122.24
II、Cash flows from investing activities			
Proceeds from disposal of investments			
Investment returns received			
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets			
Net proceeds from disposal of subsidiaries and other business units			
Proceeds from other investing activities			
Sub-total cash inflows from investing activities		-	-
Payment for acquisition of fixed assets, intangible assets and other long-term assets		7,007,224.26	799,673,580.57
Payment for acquisition of investments			
Payment for acquisition of subsidiaries and other business units			48,000,000.00
Payment for other investing activities			
Sub-total of cash outflows in investing activities		7,007,224.26	847,673,580.57
Net cash flows from investing activities		-7,007,224.26	-847,673,580.57
III、Cash flows from financing activities			
Proceeds from investors			
Proceeds from borrowing		1,727,154,021.39	450,000,000.00
Proceeds from other financing activities			
Sub-total of cash inflows from financing activities		1,727,154,021.39	450,000,000.00
Repayments of borrowings		513,840,950.11	330,398,540.68
Payments of dividends, profits distributions or interest			
Payments for other financing activities			
Sub-total of cash outflows		513,840,950.11	330,398,540.68
Net cash flows from financing activities		1,213,313,071.28	119,601,459.32
IV、Effect of foreign exchange rate changes on cash and cash equivalents		-	-
V、Net increase in cash and cash equivalents		-825,910,573.16	-912,414,243.49
Add: Cash and cash equivalents at the beginning of the year			
VI、Cash and cash equivalents at the end of the year		-825,910,573.16	-912,414,243.49

Representative:

The person in charge of accounting affairs:

The head of the accounting department:

Consolidated Statements of Changes in Equity

For the period ended June 30, 2020

2020												(All amounts in RMB Yuan unless otherwise stated)	
Item	Attributable to shareholders of the company									Non-controlling interest	Sub-total		
	Paid-in capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Specific reserve	Surplus reserve				Retained earnings
		Preference Shares	Perpetual bond	Others									
1. Balance at the beginning of the year	300,000,000.00				7,830,869,973.49			4,567,623.53	48,731,180.78	521,171,259.14	427,713,581.58	9,133,053,618.52	
Add: changes in accounting policies													
Correction of prior period errors													
Business combination involving enterprises under common control													
Others													
II. Balance at the beginning of the year	300,000,000.00				7,830,869,973.49			4,567,623.53	48,731,180.78	521,171,259.14	427,713,581.58	9,133,053,618.52	
III. Changes in equity during the year ("+" for increase)													
(I) Total comprehensive income													
(II) Contribution by owners													
1. Contribution by ordinary shareholders													
2. Other equity holders' contribution													
3. Increase in shareholders' equity resulted from share-based payments													
4. Others					988,040,000.00					25,241,286.39	3,420,183.18	28,661,469.57	
(III) Appropriation of profits												988,040,000.00	
1. Appropriation for surplus reserves													
2. Accrual of general risk reserve													
3. Distributions to shareholders													
4. Others													
(四) 所有者权益内部结转													
1. Share capital increased by capital reserve transfer													
2. Share capital increased by surplus reserve transfer													
3. Transfer of surplus reserve to offset losses													
4. Retained earnings transferred from movements of defined benefit plan													
5. Others													
(V) Specific reserve													
1. Appropriation during the year													
2. Utilisation during the year													
(VI) Others													
IV. Balance at the end of the year	300,000,000.00				7,830,869,973.49			4,567,623.53	48,731,180.78	546,412,545.53	470,091,961.62	9,200,663,285.01	

Representative:

The person in charge of accounting affairs:

The head of the accounting department:

Consolidated Statements of Changes In Equity(continued)

For the period ended June 30, 2020

(All amounts in RMB Yuan unless otherwise stated)

2019												Sub-total
Item	Attributable to shareholders of the company								Non-controlling interest	Sub-total		
	Paid-in capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Specific reserve			Surplus reserve	Retained earnings
		Preference Shares	Perpetual bond	Others								
I. Balance at the beginning of the year	300,000,000.00				6,794,829,973.49			7,196,314.46	32,308,250.31	409,019,507.71	376,957,900.41	7,922,313,946.38
Add: changes in accounting policies												
Correction of prior period errors												
Business combination involving enterprises under common control												
Others												
II. Balance at the beginning of the year	300,000,000.00				6,794,829,973.49			7,196,314.46	32,308,250.31	409,019,507.71	376,957,900.41	7,922,313,946.38
III. Changes in equity during the year ("+" for increase)												
(I) Total comprehensive income												
(II) Contribution by owners												
1. Contribution by ordinary shareholders					48,000,000.00							
2. Other equity holders' contribution										48,477,611.49	9,082,316.76	57,559,948.25
3. Increase in shareholders' equity resulted from share-based payments										48,477,611.49	9,082,316.76	57,559,948.25
4. Others												
(III) Appropriation of profits												
1. Appropriation the surplus reserves												
2. Accord of general risk reserve												
3. Distributions to shareholders												
4. Others												
(四) 所有者权益内部结转												
1. Share capital increased by capital reserves transfer												
2. Share capital increased by surplus reserve transfer												
3. Transfer of surplus reserve to offset losses												
4. Retained earning transferred from movements of defined benefit plan												
5. Others												
(V) Specific reserve												
1. Appropriation during the year												
2. Utilisation during the year												
(VI) Others												
IV. Balance at the end of the year	300,000,000.00				6,794,829,973.49			7,196,314.46	32,308,250.31	457,497,119.20	385,040,237.17	7,979,873,894.65

Prepared by: Tojia City Development and Investment Co., Ltd.

(All amounts in RMB Yuan unless otherwise stated)

The person in charge of accounting affairs:

The head of the accounting department:

Representative

For the period ended June 30, 2020

Prepared by: Taian City Development and Investment Co., Ltd.

The head of the accounting department:

The person in charge of accounting affairs:

Representative-

Company Statement of Changes in Equity(continued)

For the period ended June 30, 2020

Prepared by: Taian City Development and Investment Co., Ltd.

(All amounts in RMB Yuan unless otherwise stated)

Item	Paid-in capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Specific reserve	Surplus reserve	Retained earnings	Sub-total
		Preference Shares	Perpetual bond	Others							
I. Balance at the beginning of the year	300,000,000.00				6,574,915,247.22				32,308,250.31	541,048,581.02	7,448,272,078.55
Add: changes in accounting policies											
Correction of prior period errors											
Others											
II. Balance at the beginning of the year	300,000,000.00				6,574,915,247.22				32,308,250.31	541,048,581.02	7,448,272,078.55
III. Changes in equity during the year ("-" for decrease)											
(I) Total comprehensive income											
(II) Contribution by owners											
1. Contribution by ordinary shareholders											
2. Other equity holders' contribution											
3. Increase in shareholders' equity resulted from share-based payments											
4. Others											
(III) Appropriation of profits											
1. Appropriation for surplus reserves											
2. Accrual of general risk reserve											
3. Distributions to shareholders											
4. Others											
(IV) Transfer within equity											
1. Share capital increased by capital reserve transfer											
2. Share capital increased by surplus reserve transfer											
3. Transfer of surplus reserve to offset losses											
4. Retained earnings transferred from movements of defined benefit plan											
5. Others											
(V) Specific reserve											
1. Appropriation during the year											
2. Utilisation during the year											
(VI) Others											
IV. Balance at the end of the year	300,000,000.00				6,574,915,247.22				32,308,250.31	540,605,513.62	7,447,829,011.15

Representative:

The person in charge of accounting affairs:

The head of the accounting department:

Taian City Development and Investment Co., Ltd.

Notes to the Financial Statements

For the period ended June 30, 2020

(All amounts in RMB Yuan unless otherwise stated)

I. COMPANY STATUS

Taian City Development and Investment Co., Ltd. (hereinafter referred to as the Company) is established by Tai'an Taishan Investment Co., Ltd. on December 24, 2008 by way of cash contribution. The Company is approved for registration by the Administration for Industry and Commerce of Taian Municipality, and a business license added with a uniform social credit code for enterprise as legal person with registration number of 91370900683223480K is issued for it. Its legal representative is Huang Dong Xin, its registered capital is RMB300 million, and the registered address of the Company is at Business A12, Huanhu West Road, Tourism Economy Development Zone, Tai'an City Daiyue District, Shandong Province.

The Company and its subsidiaries are mainly engaged in Urban infrastructure, and Investment in municipal public utilities projects, Authorized operation of state assets, management and capital operation, property development and management, Construction machinery, Sales of construction materials (need requirement license) .

These financial statements were approved for issuance by the general manager's office meeting of the Company through its resolution on November 18, 2020.

II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

Please refer to NOTE VII "Changes of consolidation scope ".

III. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared on the going concern basis, and based on actual transactions and events, in accordance with the requirements of Accounting Standards for Business Enterprises or referred to as China Accounting Standards ("CAS") issued by the Ministry of Finance, its application guide, interpretation and other regulations (collectively referred to as the "Accounting Standards for Business Enterprises"). These financial statements also comply with the disclosure requirements of "Regulation on the Preparation of Information Disclosures by Companies Issuing

Securities, No. 15: General Requirements for Financial Reports” as revised by the China Securities Regulatory Commission (“CSRC”).

IV. STATEMENT OF COMPLIANCE WITH THE ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

These financial statements present truly and completely the consolidated financial position and financial position of the Company as at December 31, 2019, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Company for the year then ended.

The Company adopts the accrual basis of accounting. Except for certain financial instruments, the financial statements are prepared under the historical cost convention. In case of asset impairment, impairment provision is accrued in accordance with relevant regulations.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Accounting period

The accounting period of the Company is from January 1 to December 31.

2. Functional currency

Renminbi ("RMB") is the currency of the economic environment in which the Company and its subsidiaries operate. Therefore, the Company and its subsidiaries choose RMB as their functional currency, and the Company adopts RMB to prepare its financial statements.

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

(1) Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The combination date is the date on which one combining entity obtains control of other combining entities.

The assets acquired and liabilities assumed are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date. In case of inconsistency between the accounting policies adopted by the acquiree and those of the Company, the acquirer makes necessary adjustments of the financial statements based on the Company's accounting policies, and confirm as per the carrying amount basing on this after the adjustment.

The difference between the carrying amount of the net assets acquired and the consideration paid for the combination (or the total par value of shares issued) is adjusted against share premium in the capital reserve, with any excess adjusted against retained earnings.

Any costs directly attributable to the combination are recognised in profit or loss when incurred.

The fees and commissions incurred from issuance of equity securities for the business combination are a direct deduction of the premium income of equity securities. If the premium income of equity securities is not sufficient for the deduction, the remaining balance is adjusted against retained earnings.

For the business combinations under common control impleted by step-by-step's multiple transactions, if it is a package deal, the Company will account the transactions as those for obtaining control right. If it is not a package deal, it will be accounted for as per the following steps on the date that the control right is obtained:

Recognition method of initial investment cost for long-term equity investments acquired through a business combination under common control: The initial investment cost shall be recognized according to the acquirer's interest in the carrying amount of the acquiree's net assets on the financial statements of the ultimate controller at the combination date.

a. The difference between the initial investment cost of long-term equity investments and the aggregate of the carrying amount of long-term equity investments before combination and the carrying amount of the additional consideration paid for acquiring further share at the combination date is treated as an adjustment to capital surplus. If the capital surplus is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings

b. With respect to the equity investments held before the date of combination, its other comprehensive income recognized under equity method or under the recognition and measurement standard for financial instruments will not be accounted for until on the same basis as for the investee's disposal of related assets or liabilities directly. The other changes on the owners' equity other than net profit or loss, other comprehensive income and profits for distribution in the net assets of the investee recognized using equity method will not be accounted, till they are transferred to profit or loss for the current period when such investment is disposed. In them, if the remaining equity after disposal is recognized using cost method or equity method, the other comprehensive income and other owners' equity shall be carried over proportionally. And if the remaining equity is changed to be accounted for under the recognition and measurement standard for financial

instruments, the other comprehensive income and other owners' equity shall be carried over totally.

c. Accounting treatments for a business combination refer to Note IV 6.

(2) Business combinations involving enterprises not under common control

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

Where (1) the aggregate of the acquisition-date fair value of assets transferred (including the acquirer's previously held equity interest in the acquiree), liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree, exceeds (2) the acquirer's interest in the acquisition-date fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill. If (1) is less than (2), the difference is recognised in profit or loss for the current period. Other acquisition-related costs are expensed when incurred. The acquiree's identifiable asset, liabilities and contingent liabilities, if the recognition criteria are met, are recognised by the Group at their acquisition-date fair value. The acquisition date is the date on which the acquirer obtains control of the acquiree.

When the economic benefits brought by the other assets (not only be limited to the originally recognized assets of the acquiree) other than intangible assets acquired from the acquiree in the business combination may flow into the Company and their fair value can be measured reliably, they are recognized separately and measured as per their fair value. When the liabilities acquired from the acquiree other than contingent liabilities may cause economic benefits to flow out of the Company in performing relevant obligations and their fair value can be measured reliably, they are recognized separately and measured as per their fair value. When the fair value for contingent liabilities acquired from the acquiree can be measured reliably, they are recognized separately as liabilities and measured as per their fair value.

In the initial recognition of the assets acquired in the combination, the intangible assets owned by the acquiree but not recognized in its financial statements shall be fully identified and reasonably judged. An intangible asset is identifiable if it meets either the separability criterion or the contractual-legal criterion: (1) arises from contractual or other legal rights; (2) the intangible asset is capable of being

separated or divided from the acquiree and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability.

The acquirer shall not recognize the deductible temporary differences acquired in the combination, if the deductible temporary differences might not satisfy the criteria for separate recognition. Within 12 months after the date of acquisition, if obtaining new or further information indicates that related situation has existed on the date of acquisition, and anticipated economic benefits brought from the deductible temporary difference on the date of acquisition for the acquirer can be realized, related deferred income tax assets are recognized and the goodwill is decreased accordingly. If the goodwill is not sufficient for the deduction, the difference is recognized in profit or loss for the current period. Except for the above situations, the deferred income tax assets related to business combination are recognized in profit or loss of the current period.

The overhead for the business combination, including the expenses for audit, legal services, valuation advisory, and other administrative expenses, are recorded in profit or loss as incurred. The transaction costs of equity or debt securities issued as the considerations of business combination are included in the initial recognition amount of the equity or debt securities.

With respect to the business combination not under common control achieved step by step through multiple transactions, if it is a package deal, the Company will treat the transactions as those for obtaining control right. If it is not a package deal, in individual financial statements, the sum of the carrying amount for the equity investment of the acquiree held before the date of acquisition and the newly increased investment cost on the date of acquisition is set as the initial investment cost changed to be recognized under cost method. As for equity investments of the acquiree held before the date of acquisition, its other comprehensive income recognized under equity method are accounted for on the same basis as that for the investee's direct disposal of related assets or liabilities in disposal of the investment. The owners' equity confirmed by the investee due to change of other owners' equity except for net profit or loss, other comprehensive income and profit for distribution is in profit or loss for the current period during the period of disposal when such investment is being disposed. In which, if the remaining equity after disposal is recognized under cost method or equity method according to the principle for long-term equity investments, the other comprehensive income and other owners' equity shall be carried over proportionally. If the remaining equity after disposal is changed to be recognized under the recognition and measurement standard for financial instruments, the other comprehensive

income and other owners' equity shall be carried over totally. The accounting treatment of the consolidated financial statements is shown in Note IV. (6).

For the equity investments held before the date of acquisition, if it is recognized under the recognition and measurement standard for financial instruments, the sum of the fair value for the equity investment plus newly increased investment cost is set as the initial investment cost changed to be accounted for with cost method, and the difference between the fair value of the originally held equity and the carrying amount and accumulated changes of fair value originally recorded into other comprehensive income are transferred as the investment income of the current period to be otherwise accounted for with cost method totally.

(3) Judging criteria for multiple transactions as a package deal

The following are considered to determine whether the Group should account for the multiple transactions as a bundled transaction:

- a. Arrangements are entered into at the same time or in contemplation of each other;
- b. Arrangements work together to achieve an overall commercial effect;
- c. The occurrence of one arrangement is dependent on the occurrence of at least one other arrangement;
- d. One arrangement considered on its own is not economically justified, but it is economically justified when considered together with other arrangements.

4. Consolidated financial statements

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Company and its subsidiaries. Control exists when the investor has all of following: power over the investee; exposure, or rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Relevant activities are activities of the investee that significantly affect the investee's returns.

Relevant activities of the investee are judged according to specific situations; usually they include sales and purchase of commodities or labor, management of financial assets, purchase and disposal of assets, research and development activities and financing activities, etc.

Consideration of the following factors may assist in making that determination: (a) The purpose and design of the investee; (b) what the relevant activities and how decisions about those activities are made; (c) whether the rights of the investor give it the current ability to direct the relevant activities; (d)

whether the investor is exposed, or has rights, to variable returns from its involvement with the investee; (e) whether the investor has the ability to use its power over the investee to affect the amount of the investor's returns. Once the changes of relevant facts and situations cause related factors involving the control, they will be assessed again.

An investor, in assessing whether it has power, considers only substantive rights relating to an investee (held by the investor and others). For a right to be substantive, the holder must have the practical ability to exercise that right.

The Company sets the financial statements of its own and its subsidiaries as the basis, see the whole enterprise group as an accounting entity according to other information, and has reflected overall financial situation, operating result and cash flow of the enterprise group according to recognition, measurement and presentation requirements of relevant enterprise accounting standards for the unified accounting policies and accounting duration. Consolidated procedures including: (a) combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries; (b) offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary; (c) eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (profits or losses resulting from intragroup transactions that are recognized in assets, such as inventory and fixed assets, are eliminated in full). Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements.

The portion of a subsidiary's equity that is not attributable to the parent is treated as "Non-controlling interests" and presented separately in the consolidated balance sheet within shareholders' equity.

Net profit or loss attributable to non-controlling shareholders is presented separately in the consolidated income statement below the net profit line item. Total comprehensive income attributable to non-controlling shareholders is presented separately in the consolidated income statement below the total comprehensive income line item.

When the amount of loss for the current period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' share of the opening owners' equity of the subsidiary, the excess is still allocated against the non-controlling interests.

Unrealized profits or losses from internal transactions generated from sales of assets to the subsidiary are used to offset the "Net profit attributable to owners of the parent company" in full amount.

Unrealized profits or losses from internal transactions generated from the subsidiary's sales of assets to the parent company are offset in the "Net profit belonging to the owners of the parent company" and the "Non-controlling interests" as per the distribution proportion of the parent company for the subsidiary. Unrealized profits or losses from internal transactions generated from sales of assets between subsidiaries are offset in the "Net profit attributable to owners of the parent company" and the "Non-controlling interests" as per the distribution proportion of the parent company to the subsidiaries as selling parties.

When the Company prepares the consolidated financial statements for the increased subsidiaries and businesses due to business combination under common control within the reporting period, it adjusts the closing balance in the consolidated balance sheet, includes the income, expenses and profit from the beginning of the current period to the end of the reporting period for the combination of the subsidiaries and their businesses in the consolidated income statement and cash flow in the consolidated cash flow statement, and adjust relevant items after comparing them in the statements, and the reporting entity after the combination is regarded as being existing all the time from the beginning of the control time of the final controller.

When the Company prepares the consolidated balance sheet for the subsidiaries and their businesses increased for the Company within the reporting period not due to business combination under common control or other ways, it does not adjust the opening balance in the consolidated balance sheet, but includes the income, expenses, profit and cash flow of the subsidiaries from the date of business combination to the end of the reporting period in the consolidated income statement and consolidated statement of cash flow.

With respect to the Company's disposal of its subsidiaries and their businesses and preparing the consolidated balance sheet within the reporting period, it does not adjust the opening balance in the consolidated balance sheet, but includes the income, expenses and profit of the subsidiaries and their businesses from the beginning of the period to the date of disposal in the consolidated income statement and cash flow in the consolidated statement of cash flow.

When the parent company purchases a subsidiary's equity owned by the minority stockholders of the subsidiary, in the consolidated financial statements, the difference between the long-term equity investment newly acquired from purchasing minority of equity and the net assets continuously calculated from the date of acquisition or combination held in the subsidiary calculated by the

proportion of newly increased shares is adjusted as capital reserve (capital premium or capital stock premium). The retained earnings will be adjusted accordingly if the capital reserve is not sufficient for the deduction.

With respect to the business combination under common control achieved step by step through multiple transactions, if it is not a package deal, on the date of acquiring the control right, the long-term equity investment held by acquirer before combination and the profit or loss, other comprehensive income and changes of other owners' equity that have been recognized on the date of acquisition or the final date of control of the acquirer and the acquiree in the same party, whichever is later, and the date of combination, are used to deduct the opening retained earnings or the profit or loss of the current period during the period of statement comparison.

With respect to the business combination not under common control achieved step by step through multiple transactions, if it is not a package deal, in the consolidated financial statements, the equity of the acquiree held before the date of acquisition is measured as per its fair value on the date of acquisition again, and the difference between its fair value and its carrying amount is recorded into the investment income of the current period, and the equity of the acquiree held before the date of acquisition involving the other comprehensive income accounted for with equity method is transferred as the income of the current period on the date of acquisition together with other comprehensive income, except for other comprehensive income arising from the remeasurement of the net income or asset changes of the income plan by the investee.

In case of partial disposal of long-term equity investments on a subsidiary without losing control, in consolidated financial statements, the Company adjusts the capital premium or share premium based on the difference between the disposal cost and the acquirer's interest in net assets of the subsidiary correspondingly from the disposal of long-term equity investments continuously calculated from the date of acquisition or combination date, and adjusts the retained earnings if the capital reserve is not enough to deduct.

If the control of the investee is lost due to the disposal of part of the equity investment, etc., the Company remeasures the residual equities at their fair value on the date of losing control when preparing consolidated financial statements. By subtracting the the acquirer's interest of net assets of the original subsidiary based on the original shareholding ratio continuously calculated from the acquisition or combination date from the sum of the disposal consideration of equities and the fair

value of residual equities, the balance is recognized in the investment income for the current period when the control is lost, while reducing the goodwill. Other comprehensive income related to equity investments of the original subsidiary shall be recognized in profit or loss for the current period when the control is lost.

Where the Company disposes equity investments on a subsidiary via multiple transaction steps until the control is lost, if the transactions of disposing equity investments on a subsidiary until the control is lost are a package deal, the Company should take all transactions as a transaction in disposal and loss of control for accounting treatment; however, the difference between each disposal cost before the loss of control and the corresponding attributable share of such subsidiary's net assets for investment disposal should be recognized in other comprehensive income on consolidated financial statements, and recognized in profit or loss of the period when the control is lost.

The consolidated statement of changes in equity is prepared based on the consolidated balance sheet and consolidated income statement.

5. Joint arrangement classification and accounting treatment for joint operation

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. When assessing whether the Company can exercise joint control over an investee, the Company first considers whether strategic decisions relating to the investee's related activities require the unanimous consent of all participant parties that sharing of control. All the parties, or a group of the parties, control the arrangement collectively when they must act together to direct the relevant activities.

There are two types of joint arrangements - joint operations and joint ventures. The classification of joint arrangements under is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement.

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. The Group as a joint operator recognizes the following items in relation to its interest in a joint operation:

- A. Its solely-held assets, including its share of any assets held jointly;
- B. Its solely-assumed liabilities, including its share of any liabilities incurred jointly;

- C. Its revenue from the sale of its share of the output arising from the joint operation;
- D. Its share of the revenue from the sale of the output by the joint operation; and
- E. Its solely-incurred expenses, including its share of any expenses incurred jointly.

6. Cash and cash equivalents

In preparing the statement of cash flows, cash comprises cash in hand and deposits that can be readily withdrawn on demand. Cash equivalents include short-term (usually maturing within three months after acquisition), highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value.

7. Foreign currency transactions and translation of foreign currency financial statements

(1) Foreign currency transactions

Foreign currency transactions are translated to the functional currency of the Company at the spot exchange rates on the dates of the transactions.

Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the balance sheet date are directly recognized in the profits and losses, except that translation differences caused by special foreign currency loans borrowed for purchasing or constructing qualified capitalization assets are recognized under the principle of capitalization. Non-monetary items that are measured at historical cost in foreign currencies are translated to Renminbi using the exchange rate at the transaction date. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rate at the date the fair value is determined. The resulting exchange differences are recognized in profit or loss.

(2) Foreign currency translation

Asset and liability items in the balance sheet are translated to Renminbi at the spot exchange rate on the balance sheet date. Owners' equity items, except for the item of "undistributed profits", are translated to Renminbi at spot exchange rates on the transaction dates. Income and expense items in the income statement are translated to Renminbi at the spot exchange rates on the transaction dates. Differences arising from translation of foreign currency financial statements are separately listed as "Foreign currency translation differences" under shareholders' equity in the balance sheet.

The translation differences accumulated in other comprehensive income with respect to a foreign operation are transferred to profit or loss in the period when the foreign operation is disposed.

8. Financial Instruments

Financial instruments include financial assets, financial liabilities and equity instruments. A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or an equity instrument of another enterprise.

(1) Classification of financial assets

For the purpose of holding financial assets and assuming financial liabilities, the management of the Company classified them as: financial assets or financial liabilities are measured at fair value through profit or loss, including held-for-trading financial assets or financial liabilities (and financial assets or financial liabilities directly designated to be measured at fair value through profit or loss); held-to-maturity investments; accounts receivable; available-for-sale financial assets and other financial liabilities.

(2) Recognition and measurement of financial assets

a. Financial assets or financial liabilities measured at fair value through profit or loss

The amount should be initially recognized at fair value when they are acquired (deducting cash dividends that have been declared but not distributed or bond interests that have matured but not been drawn). Relevant transaction expenses shall be recognized in profit or loss for the current period.

The interests and cash dividends to be received during the holding period are recognized as investment income. Changes in fair value shall be recognized in profit or loss at the end of the period.

Difference between the fair value and initial cost shall be recognized as investment income upon disposal; meanwhile, adjustment is made to gains or losses on changes in fair values.

b. Held-to-maturity investments

Held-to-maturity investments are initially recognized at the aggregate of fair values (deducting bond interests that have matured but not been drawn) and transaction costs when acquired.

Interest income shall be recognized in investment income, according to amortization costs and effective interest rate during holding period. The effective interest rates are determined upon acquisition and remain unchanged during the expected remaining period, or a shorter period if applicable.

Difference between the proceeds and the carrying amount of the held-to-maturity investments is recognized as investment income upon disposal.

c. Accounts receivable

For creditor's rights receivable arising from external sales of goods or rendering of services by the Company and other creditor's rights of other enterprises (excluding liability instruments quoted in an active market) held by the Company, including accounts receivable and other receivables, the initial recognition amount shall be the contract price or agreement price receivable from purchasing party. Accounts receivable with financing nature are initially recognized at their present values. The difference between the actual payment and the carrying amount of the accounts receivable shall be recognized in profit or loss as received or disposed by the Company.

d. Available-for-sale financial assets

Available-for-sale financial assets are initially recognized at the aggregate of fair values (deducting cash dividends that have been declared but not distributed and bond interests that have matured but not been drawn) and transaction costs as acquired.

The interests and cash dividends to be received during the holding period are recognized as investment income. Available-for-sale financial assets shall be measured at fair value at the end of the period and changes in fair value are recognized in other comprehensive income. Investments in equity instruments are presented as available-for-sale and measured at cost when the Company has no control, joint control or significant influence on the investee and they do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

Difference between the proceeds and the carrying amount of the financial assets is recognized in investment income as disposed. Meanwhile, the accumulated changes in fair value included in other comprehensive income, shall be transferred to profit or loss for the current period upon disposal portion.

e. Other financial liabilities

Other financial liabilities are initially recognized at the transaction price (including fair value and transaction costs), and subsequently measured at amortized costs.

(3) Recognition basis and measurement method of transfer of financial assets

A financial asset is derecognized if the Company transfers substantially all the risks and rewards of ownership of the financial asset to the transferee. A financial asset is not derecognized if the Company retains substantially all the risks and rewards of ownership of the financial asset to the transferee.

The principle of substance over form is adopted to determine whether the transfer of a financial asset satisfies the criteria as described above for derecognition of a financial asset. The Company classifies the transfer of a financial asset into the entire transfer and the partial transfer. If the entire transfer satisfies the derecognition criteria, the difference between the amounts of the following two items shall be recognized in profit or loss:

- a. The carrying amount of the transferred financial asset;
- b. The aggregate of the consideration received from the transfer and the accumulated amount of the changes in fair value originally and directly included in owners' equity (the situation where the financial asset transferred is an available-for-sale financial asset).

If the partial transfer of financial asset satisfies the criteria for derecognition, the entire carrying amount of the transferred financial asset shall be split into the derecognized and recognized part according to their respective fair value and the difference between the amounts of the following two items shall be recognized in profit or loss:

- a. The carrying amount of derecognized part;
- b. The aggregate of the consideration for the derecognized part and the portion of derecognition corresponding to the accumulated amount of the changes in fair value originally and directly recognized in owners' equity (the transferred financial assets are available for sale).

If the transfer of financial assets does not meet the derecognition criteria, the financial assets shall continue to be recognized, and the consideration received will be recognized as a financial liability.

(4) Derecognition criteria of financial liabilities

A financial liability shall be totally or partly derecognized if its present obligations are totally or partly dissolved. Where the Company enters into an agreement with a creditor so as to substitute the existing financial liabilities with any new financial liability, and the new financial liability is substantially different from the contractual stipulations regarding the existing financial liability, it shall derecognize the existing financial liability, and shall at the same time recognize the new financial liability.

Where substantial revisions are made to all or some of the contractual stipulations of the existing financial liability, the Company shall derecognize the existing financial liability totally or partly, and at the same time recognize the financial liability with revised contractual stipulations as a new financial liability.

Upon total or partial derecognition of financial liabilities, the difference between the carrying amount of the financial liabilities derecognized and the consideration paid (including non-cash assets surrendered or new financial liabilities assumed) shall be recognized in profit or loss for the current period.

Where the Company repurchases part of its financial liabilities, it shall, on the repurchase date, allocate the entire carrying amount of whole financial liabilities according to the comparative fair value of the part that continues to be recognized and the derecognized part. The difference between the carrying amount allocated to the derecognized part and the considerations paid (including non-cash assets surrendered and the new financial liabilities assumed) shall be recognized in profit or loss for the current period.

(5) Determination method of fair value of financial assets and financial liabilities

For financial assets or financial liabilities measured at fair value, the Company uses the quoted prices in active markets as their fair value.

Except for the financial assets measured at fair values through profit or loss, the carrying amount of financial assets should be checked on the balance sheet date. If there is objective evidence that a financial asset is impaired, provision for impairment shall be made.

a. Provision for impairment of available-for-sale financial assets

If the fair value of available-for-sale financial assets has significantly declined at the end of the period, or it is expected that the trend of decrease in value is non-temporary after considering of various relevant factors, the impairment shall be recognized, and accumulated losses from decreases in fair value originally and directly included in owners' equity shall be all transferred out and recognized as impairment loss.

For any available-for-sale financial asset, if due to the impact of the following loss events, its anticipated cash flow in the future is decreased and can be measured reliably, recognizing impairment loss.

- ① The debtor is in serious financial difficulty;
- ② A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;

- ③ Considering economic or legal factors, the Company makes concessions to a debtor in financial difficulties;
- ④ It becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- ⑤ The disappearance of an active market for that financial asset because of financial difficulties faced by the issuer;
- ⑥ Significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of an investment in an equity instrument may not be recovered by the investor;
- ⑦ A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

When an available-for-sale financial asset is impaired, the cumulative loss arising from a decline in fair value that has been recognized directly in owner's equity is reclassified to impairment loss. If, after an impairment loss has been recognized on an available-for-sale debt instrument, the fair value of the debt instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. An impairment loss recognized for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

b. Provision for impairment of held-to-maturity investments:

Measurement of impairment loss on held-to-maturity investments is treated in accordance with the measurement method of impairment loss on accounts receivable.

9. Receivables

Receivables comprise accounts receivable and other receivables.

If an impairment loss on a financial asset has been incurred, the amount of loss is measured at the difference between the asset's carrying amount and the recoverable amount (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate and the values of the underlying collateral (net of estimated disposal expenses, etc.). The amount of loss is recognized in profit or loss for the current period. The original effective interest rate is the actual interest rate used upon the receivable initially recognized. When determining the impairment losses for

short-term receivables, the estimated future cash flows shall not be discounted, as the estimated future cash flows of short-term receivables are very small compared to their present value.

(1) Receivables that are individually significant and assessed individually for impairment:

Judgement basis or criteria for receivables that are individually significant: Receivables individually greater than RMB 1,000 million are significant.

For a receivable that is individually significant, the Company assesses the asset individually for impairment. For financial assets not having been individually assessed as impaired, the Company makes impairment assessment collectively where financial assets share similar credit risk characteristics. For financial assets having been individually assessed as impaired, they are not included in collective assessment of impairment.

(2) Receivables that are collectively assessed for bad debt based on credit risk characteristics:

For a receivable that is not individually significant, the receivables without impairment after separate test are divided into several portfolios to assess impairment collectively where financial assets share similar credit risk characteristics. Based on the actual loss rate of the portfolio of receivables with similar credit risk characteristics in previous years, the proportion of bad debts provision for each portfolio in the current period is determined combining the current situation to calculate bad debt provision accrued for this period.

Group of collective assessment Basis for collective assessment	
Group 1	Aging status
Group 2	Receivables from related parties, government departments and institutions, security deposits, and reserve funds
Provision method for collectively assessed bad debts	
Group 1	Aging analysis method
Group 2	No provision for bad debts

Provision for bad debts by using aging analysis method:

Aging	Receivable	Other Receivables
Within 1 year (inclusive)	5.00%	5.00%
1-2 years	10.00%	10.00%
2-3 years	20.00%	20.00%
Over 3 years	100.00%	100.00%

(3) Receivables that are individually insignificant, but assessed individually for impairment

For receivables that are individually insignificant, the Company assesses the asset individually for impairment and recognizes provision for bad debts where the present value of future cash flow less than the carrying amount.

10. Inventories

(1) Classification of inventories

Inventories include raw material, work in process, circulating materials, finished goods, stock commodities, consumptive biological assets, development costs, etc.

(2) Measurement method of acquired and dispatched inventories

Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditure incurred in bringing the inventories to their present location and condition.

Inventories are calculated using first-in, first-out method and weighted average method when dispatched.

(3) Basis for determining the net realisable value and method for provision for obsolete inventories

After the comprehensive inventory count at the end of the period, any excess of the cost over the net realisable value of inventories is recognized as a provision for obsolete inventories.

The net realizable value of finished goods, stock commodities and materials for sale refers to the amount after deducting estimated sale expense and relevant taxes from the estimated sale price of inventories in the daily business activity. The net realizable value of the materials held for production refers to the amount after deducting the estimated cost of completion, estimated sale expense and relevant taxes from the estimated sale price of inventories in the daily business activity. The net realizable value of inventories held for the execution of sales contracts or labor contracts shall be calculated on the ground of the contract price. If an enterprise holds more inventories than the quantities subscribed in the sales contract, the net realizable value of the excessive part of the inventories shall be calculated on the ground of the general sales price.

The Company usually recognises provision for decline in value of inventories by a single inventory item at the end of the period. For inventories with large quantity and low unit price, the provisions for inventories are made on a category basis. For inventories related to the product portfolios

manufactured and sold in the same area, and of which the final usage or purpose is identical or similar thereto, and which is difficult to separate from other items for measurement purposes, the provisions for inventories shall be made on a portfolio basis.

If the factors caused the value of inventory previously written-down have disappeared, the provision for decline in value of inventories previously made is reversed to profit or loss for the current period.

(4) Inventory count system

The Company maintains a perpetual inventory system.

(5) Amortization method of low-value consumables and packaging materials

- a. Low-value consumables are charged to profit or loss when they are used.
- b. Packaging materials are amortized in full when they are use.

(6) Measurement method of development cost

The cost for development projects of the Company includes:

- a. Compensation for land requisition and demolition: sundry expenses incurred from purchasing or participating in auction of land for development of real estate projects, including land cost, resettlement fee, compensation for demolition and resettlement of original buildings, deed tax and auction service fee, etc.
- b. Pre-construction costs: expenses incurred from planning, design, feasibility study, hydrogeological investigation, surveying and mapping and leveling of site before development.
- c. Infrastructure expenses: expenses incurred from infrastructure such as water, power and gas supply, sewage drainage, flood drainage, communication, greening, sanitation facilities, lighting works and roads in the development process.
- d. Construction and installation expenses: the costs incurred from construction in accordance with the construction and installation drawings in the development process.
- e. Supporting facility expenses: expenses for public supporting facilities incurred from development projects, such as boiler room, water tower (tank), bicycle shed, security and fire prevention room, power distribution room, public restroom, kindergarten, school, recreational, sports and cultural facilities, clubhouse, neighborhood committee and garbage room.

Development overhead: expenses incurred from on-site organization and management and development of projects that cannot be decided to be borne by what project, and they shall be shared

by all projects at a certain criteria at the end of the month, including: borrowing cost incurred before completion of development projects, and office expenses, telephone expenses, traffic and travel expenses, repair expenses, labor protection expenses, depreciation, amortization for low-value consumables and circulation room, manager benefits of project management department as well as other expenditures.

After completion of the development projects and they meet the delivery conditions through acceptance inspection of relevant authorities, calculate or estimate total salable area for developed products such as salable residential houses, commercial shops, office rooms and parking positions, and apportion the development cost among various developed products as per the proportion of various developed products in the total salable area, and calculate the actual cost of various developed products. Those not for final accounting will be recorded into the developed products as per their estimated cost, and adjust the developed products as per the difference between the actual cost and the estimated cost after final accounting.

11. Holding for sale

(1) Initial recognition of non-current assets or disposal groups held for sale

The Group classifies a non-current asset or disposal group as held for sale when the carrying amount of the non-current asset or disposal group will be recovered through a sale transaction (including an exchange transaction of non-monetary assets with commercial substance) rather than through continuing use.

A non-current asset or disposal group is classified as held for sale when all the following criteria are met:

- a. According to the customary practices of selling such asset or disposal group in similar transactions, the non-current asset or disposal group is available for immediate sale in its present condition;
- b. The sale is highly probable to occur, that is, the Group has made a resolution on a sale plan and entered into a legally binding purchase agreement with other parties. The sale is expected to be completed within one year. Where the pertinent regulations require the relevant authority or supervision department of the Company approve before it can be sold, the approval has been obtained.

A legally binding purchase agreement refers to a purchase agreement with legal binding force signed by the Company and other parties, and such agreement contains such important provisions as the transaction price, time and adequately severe penalty for breach, which minimizes the possibility of major adjustment or cancellation of the agreement.

(2) Accounting treatments for non-current assets or disposal groups held for sale

Non-current assets or disposal groups held for sale are initially and subsequently measured at the lower of carrying amount and fair value less costs to sell. Any excess of the carrying amount over the fair value less costs to sell is recognized as an impairment loss in profit or loss. A provision for impairment of the asset held for sale is recognized accordingly.

- a. For fixed assets held for sale, the estimated net residual value of the fixed asset shall be adjusted so that the estimated net residual value of the fixed asset can reflect its fair value minus disposal expenses, but not exceed the original carrying amount of the fixed asset when the fixed asset is qualified to hold for sale. The difference between the original carrying amount and the adjusted estimated net residual value shall be recognized as the impairment loss in profit or loss. The Company does not depreciate the fixed assets held for sale that are measured at the lower of carrying amount and fair value less disposal expenses.
- b. Equity investments held for sale in an associate or a joint venture shall stop using equity method from the date of its classification as held for sale.
- c. The Company that is committed to a sale plan involving loss of control of a subsidiary classifies all the investment in that subsidiary as held for sale in its separate financial statements, and classifies all the assets and liabilities of that subsidiary as held for sale in its consolidated financial statements, when the classification criteria for held for sale are met, regardless of whether the Company retains a non-controlling interest in its former subsidiary after the sale.

(3) Accounting treatments for an asset that ceases to be classified as held for sale

- a. The Company measures a non-current asset or a disposal group that ceases to be classified as held for sale at the lower of:
 - ① Its carrying amount before the asset or disposal group was classified as held for sale, adjusted for any depreciation, amortisation or impairment that would have been recognized had the asset or disposal group not been classified as held for sale, and

- ② Its recoverable amount from the date of not selling any more.

When an equity investment in an associate or a joint venture previously classified as held for sale no longer meets the criteria to be so classified, it is accounted for using the equity method retrospectively as from the date of its classification as held for sale.

(4) Accounting treatments for other non-current assets

Intangible assets and other non-current assets that qualified for holding for sale shall be treated in accordance with the above principles. Other non-current assets referred to herein do not include deferred income tax assets, assets formed by employee benefits, financial assets regulated by Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, investment properties and biological assets measured at fair value and contract rights arising from insurance contracts.

12. Long-term equity investments

(1) Classification and determination criteria for long-term equity investments

a. Classification of long-term equity investments

Long-term equity investments include equity investments in subsidiaries and equity investments in joint ventures and associates.

b. Determination criteria for long-term equity investments

- ① Refer to Note IV-5 for determination criteria for subsidiaries.
- ② Determination criteria for the existence of joint control or significant influence over an investee:

Significant influence is the power to participate in the financial and operating policy decisions of an investee but does not have control or joint control over those policies.

The Company usually judges if it has significant influence on the investee through one or more of the following circumstances:

- i. The Investor assigns its representative to the board of directors or similar authorities of the investee. Under such circumstance, as the Company assigning its representative to the board of directors or similar authorities of the investee, and enjoying the substantial decision-making right in it, the investor can exercise its significant influence on the investee through assigning its representative to participate in formulation of the financial and operating policies of the investee.

- ii. The Investor participates in the formulation process of the financial and operating policies of the investee. Under such circumstance, it can put forward its proposals and suggestions for its own benefits in the process of making policies, thus exercise its significant influence on the investee.
- iii. The Investor makes big deals with the investee. Some deals, due to their importance to daily operation of the investee, can have influence on the investee's decision making in its production and operation to some degree.
- iv. The Investor assigns its managerial personnel to the investee. Under such circumstance, the managerial personnel have the power to dominate related activities of the investee, thus are able to exercise significant influence on the investee.
- v. The Investor provides key technical information for the investee. The production and operation of the investee depending on the technologies or technical information of the investor indicates that the investor has significant influence on the investee.

In judging if it has significant influence on the investee, not limited to whether there's one of more of the above circumstances, the Company needs to consider all the facts and situations in making its judgment comprehensively.

An associate is an enterprise over which the Company has significant influence.

③ The criteria for determining if the investee is an associates:

A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement.

Refer to Note IV-7 for the definition, classification and determination criteria for joint arrangement.

(2) Determination of initial investment cost

a. Long-term equity investment formed from business combination

Business combination under common control: If the consideration for combination is made through payment in cash, transfer of non-cash assets or assumption of debts, the Company should, on the date of combination, regard the share of the carrying amount of the owners' equity of acquirees in consolidated financial statements of the final controlling party as initial investment cost of the long-term equity investment. The difference between the initial investment cost of the long-term equity investment and the carrying amount of the combined consideration paid is adjusted as capital reserve (capital premium or share premium); retained earnings is adjusted if the capital reserve (capital

premium or capital stock premium) is insufficient for the deduction. If the consideration for combination is made by acquirer through issuance of equity securities, the capital reserve (capital premium or share premium) shall be adjusted with the difference between the initial investment cost of the long-term equity investment and the total face value of shares issued with the total face value of the shares issued as the share capital; retained earnings is adjusted if the capital reserve (capital premium or capital stock premium) is insufficient for the deduction.

Business combination not under common control: the Company takes the acquisition cost determined on the acquisition date as the initial investment cost of long-term equity investment. Acquisition cost is the assets paid by the acquirer on the acquisition date for acquiring the control right of the acquiree, the liabilities incurred or assumed and the fair value of the issued equity securities. The transaction expense for the equity securities or debt securities issued by the acquirer as the consideration for the combination is recorded into the initial confirmation amount for the equity securities or debt securities. The business combination of non-identical control realized through multiple transactions in a step-by-step manner, the sum of the carrying amount for the equity investment of the acquiree held on the date of acquisition and the newly increased investment cost on the date of acquisition is set as the initial investment cost of such investment. The Company sets contingent consideration specified in the combination agreement as one part of the transfer consideration for business combination, and records it into the business combination cost as its fair value at the date of acquisition.

The intermediary expenses for audit, legal service, assessment and consulting incurred from acquirer or acquirer for business combination and other related management expenses are recognized in profit or loss of the current period when they are incurred.

a. Long-term equity investment acquired by other ways

The long-term equity investment acquired by paying cash is set as initial investment cost as per the purchasing price that is actually paid. Initial investment cost includes the expenses, taxes and other necessary spending for acquiring the long-term equity investment.

The long-term equity investment acquired from issuance of equity securities is set as initial investment cost as per the fair value of the equity securities that are issued.

On the condition that exchange of non-monetary assets has commercial essence and fair value for the assets received or surrendered can be measured reliably, initial investment cost of long-term equity investment received from exchange of non-monetary assets is determined based on the fair value of its

surrendered assets, unless there's conclusive evidence proving that the fair value for the received assets is more reliable. For the exchange of non-monetary assets not meeting the above condition, the carrying amount for the surrendered assets and related taxes payable are set as the initial investment cost of received long-term equity investment.

The initial investment cost of the long-term equity investment acquired through debt restructuring is determined based on its fair value.

(3) Subsequent measurement and recognition of profit or loss

Long-term equity investments in subsidiaries are accounted for using the cost method.

Long-term equity investments accounted for under the cost method are valued at the initial investment cost. Add or withdraw investment to adjust the cost of long-term equity investment. The cash dividends or profits declared and distributed by the investee are recognized as investment income for the current period.

The long-term equity investment in joint venture or associates is accounted for under equity method. If the initial investment cost is more than the Company's attributable share of the investee's fair value of identifiable net assets for the investment, the initial investment cost may not be adjusted; if the initial investment cost is less than the Company's attributable share of the investee's fair value identifiable net assets for the investment, the difference shall be recorded in profit or loss and the cost of long-term equity investment shall be adjusted.

After acquiring long-term equity investments, the Company's attributable or sharable share of the investee's net profit or loss and other comprehensive income realized in current year is respectively recognized in investment income and other comprehensive income, and the carrying amount of long-term equity investments is adjusted at the same time; investors calculate the attributable part based on profits or cash dividends declared and distributed by the investee and correspondingly decrease the carrying amount of long-term equity investments; as for other changes of the owners' equity in addition to net profit or loss, other comprehensive income and profit distribution of the investee, investors adjust the carrying amount of long-term equity investments and record in the owners' equity.

In recognizing the Company's net profit or loss in the investee, the Company recognizes it after adjusting the net profit of the investee based on the fair value for the identifiable net assets of the investee at acquiring the investment.

If the accounting policies and accounting periods adopted by the investee are inconsistent with the Company, the financial statements of the investee shall be adjusted in accordance with the accounting policies and accounting periods of the Company, and the investment income and other comprehensive income shall be confirmed accordingly.

The net loss of the investee recognized by the Company is written down to zero with the carrying amount for its long-term equity investment and other long-term equity constituting net investment on the investee substantially, except for the case that the Company assumes the obligation for additional loss.

When the investee realizes net profit later on, the Company recovers to recognize its income sharing amount after its income sharing amount makes up for the unconfirmed loss sharing amount.

When the Company is calculating and recognizing its attributable or sharable net profit or loss in the investee, the part of unrealizable internal transaction profit or loss incurred between it and the associates or joint venture enterprise calculated as per the sharable proportion belonging to the Company shall be offset, and investment income shall be recognized on this basis.

If unrealizable internal transaction loss incurred between the Company and the investee belongs to asset impairment loss according to Accounting Standard for Business Enterprises No. 8 - Impairment of Assets and so on, the transaction loss is recognized in full amount.

If the Company is able to exercise its significant impact or common control instead of constituting a control over the investee due to its additional investment, the sum of the fair value for the originally held equity investment determined pursuant to Accounting Standard for Business Enterprises No. 22- Determination and Measurement of Financial Instruments plus newly increased investment cost is set as the initial investment cost otherwise accounted with equity method. As for accounting treatment of equity investment held and classified as available-for-sale financial asset, the difference between its fair value and its carrying amount as well as the accumulated changes in fair value originally recorded in other comprehensive income are transferred into current profit or loss adjusted as using equity method.

If the Company no longer has common control or significant impact over the investee due to disposal of partial equity investments and the residual equity after disposal is otherwise accounted with the Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, and the balance between the fair value and carrying amount on the date of losing common

control or significant impact is recognized in profits or losses. With respect to other comprehensive income recognized from original equity investment calculated under equity method, the Company conducts accounting treatment on the same basis as the investee's direct disposal of relevant assets or liabilities after stopping use of equity method.

If the Company loses control over the investee due to disposal of partial equity investments, when preparing individual financial statement, accounting shall be conducted in equity method and adjustment shall be made by regarding such residual equity as being calculated under equity method from acquisition if the residual equity after disposal is provided with common control or significant impact over the investee; If the residual equity after disposal cannot exercise common control or significant impact over the investee, it shall be otherwise accounted with the Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments.

During disposal of a long-term equity investment, the difference between the carrying amount of the investment and the actual consideration obtained is recognized in profit or loss. Where the equity method is adopted, accounting treatment shall be conducted for the part of other comprehensive income originally recorded as per corresponding proportion on the same basis as the investee direct disposal of relevant assets or liabilities during disposal of such long-term equity investment.

13. The investment property

- (1) Investment properties are properties held either to earn rental income or for capital appreciation or for both. Including the land use right held to transfer after appreciation and leased buildings (includes buildings for lease after completion of self-built or development activities and buildings for lease in the future during construction or development).
- (2) An investment property is measured initially at cost. Subsequent expenditure incurred for such investment property is included in the cost of the investment property if it is probable that economic benefits associated with an investment property will flow to the Company and the subsequent expenditures can be measured reliably, other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.
- (3) The Company adopts cost mode to conduct subsequent measurement of investment properties, and adopts a depreciation or amortizations policy for the investment property which is consistent with that for buildings or land use right.

- (4) When the investment property is changed to owner-occupied, the investment property shall be converted into fixed assets or intangible assets from the date of change, and the book value before the conversion shall be regarded as the book value after the conversion. When the inventory or owner-occupied is converted into earn rental income or capital appreciation, the fixed assets or intangible assets are converted into investment property and converted into investment property adopt cost model, and the book value before the conversion is used as the book value after the conversion; When converted into an investment property adopt fair value mode, cost for subsequent is fair value at date of change of use.
- (5) An investment property is derecognized upon disposal or when the investment property is permanently withdraws from use and no future economic benefits are expected from the disposal. When an investment property is sold, transferred, retired or damaged, the Company recognizes the amount of any proceeds on disposal net of the carrying amount and related taxes in profit or loss for the period.

14. Fixed assets

(1) Recognition criteria of fixed assets

The Company's fixed assets refer to tangible assets held for the purpose of producing commodities, providing services, renting or business management with useful lives exceeding one accounting year. Fixed assets comprise buildings and structures, production equipment, electronic equipment, office equipment, vehicles, hotel equipment and other equipment. Fixed assets will only be recognized when the following criteria are both satisfied: the economic benefits relating to the fixed assets may flow into the Company, and the costs of the fixed assets can be measured reliably.

(2) Depreciation method

Provision for depreciation shall be started when a fixed asset reaches its working condition for intended use. Fixed asset is depreciated using the straight-line method over its estimated useful life, taking into account of residual value. The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates are as follows:

Category of asset	Dperciation method	Estimated useful life (year)	Estimated residual value (%)	Annual depreciation rate (%)
Plant and Building	straight-line method	40.00	5.00%	2.38
Machinery and equipment	straight-line method	5.00-10.00	5.00%	9.50-19.00

Category of asset	Dperciation method	Estimated useful life (year)	Estimated residual value (%)	Annual depreciation rate (%)
Motor vehicles	straight-line method	10.00	5.00%	9.50
Electronic and office equipment	straight-line method	5.00	5.00%	19.00

(3) Identification basis, valuation method and depreciation method of finance leased assets

If any one of the five criteria is met, the lease will be classified as finance leased assets:

- Ownership of the underlying asset transfers from the lessor to the Company by the end of the lease term.
- The Company has the written option to purchase the underlying asset; the opinion is one of the Company is "reasonably certain" to exercise.
- The term of the lease represents the major part of the economic life remaining for the underlying asset.
- The net present value of all lease payments and any guaranteed residual value is equal to or substantially exceeds the underlying asset's fair value.

At the commencement of the lease term, the Company records the leased asset at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments, and recognises a long-term payable at an amount equal to the minimum lease payments, the difference is accounted for as unrecognized finance charge.

The finance leased asset is depreciated over the underlying asset's useful life if ownership or written option criteria are met. Or the finance leased asset is depreciated over shorter of the useful life or the lease term of the asset if net present value, economic life criteria are met.

15. Construction in progress

The Company's construction in progress is accounted for under projects.

Construction in progress shall be transferred to fixed asste when the assets are ready for their intended use and initially recognized at all the costs incurred and before the asset reach intended usable state.

When the construction in progress as a fixed asset has reached intended usable state, but final accounting upon completion is not yet conducted, from the date of reaching intended usable state, according to the budget, construction cost or actual cost of the project, its estimated value is transferred to the fixed assets, for which depreciation is accrued according to the depreciation policy for fixed assets of the Company, and the original temporary estimated value will be adjusted as per actual cost

after the final accounting upon completion is conducted, but the depreciation amount originally accrued will not be adjusted.

16. Borrowing costs

(1) Recognition criteria of borrowing costs

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

The borrowing costs that are directly attributable to the acquisition, construction or production of an asset meeting capitalization condition shall be capitalised as part of the cost of that asset. Other borrowing costs are expensed in profit or loss as incurred.

The asset meeting capitalization condition is an asset including fixed asset, investment property, inventory and other asset that necessarily takes a substantial period of time to reach its intended usable or available-for-sale state.

The capitalisation of borrowing costs shall commence only when the following criteria are met:

- a. Expenditure for assets has been incurred, and expenditure for assets includes the expense incurred for acquisition, construction or production of the assets meeting capitalization conditions by paying cash, transferring non-monetary assets or bearing debts with interests;
- b. Borrowing costs have been incurred;
- c. The activities that are necessary to prepare the asset for its intended use or sale have commenced.

(2) Capitalisation period

Capitalization period refers to a period from time of starting capitalization of borrowing cost to the time of stopping the capitalization, and the duration of suspending capitalization of borrowing cost is not included in it.

Capitalisation of borrowing costs shall cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Capitalisation of borrowing costs shall cease when an entity completes the construction of a qualifying asset in parts and each part is capable of being used.

When the construction of a qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, capitalisation of borrowing costs shall cease when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

(3) Suspension of capitalisation period

Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed. Borrowing costs may incur during an extended period in which it suspends the activities necessary to prepare an asset for its intended use or sale. Such costs are costs of holding partially completed assets and qualify for capitalisation. The borrowing costs incurred during the interruption period are recognized in profit or loss, and the borrowing costs continue to be capitalized until the acquisition or construction of the assets resumes.

(4) Calculation method of capitalised amount of borrowing costs

For special borrowing borrowed for acquisition or production of assets meeting capitalization conditions, the eligible capitalised amount is the net amount of the borrowing costs and auxiliary expenses actually incurred after deducting the amount of the interest income acquired for unused borrowing fund deposited in the bank or the investment income acquired from its temporary investment.

With respect to the general borrowing occupied for acquisition or production of assets meeting capitalization conditions, the interest amount to be capitalized for general borrowing is calculated as per weighted average of the part of accumulated asset spending exceeding special borrowing multiplied by capitalization rate of occupied amount of general borrowing. Capitalization rate is calculated and determined by weighted average rate of general borrowing.

Where discount or premium exists for borrowing, the amount of discount or premium to be amortized for each accounting period shall be determined according to actual interest rate method, and then the amount of interest for each term shall be adjusted accordingly.

17. Intangible assets

(1) Measurement method of intangible assets

a. An intangible asset is initially measured at cost

The cost of a purchased intangible asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. Where the payment of purchase price for intangible assets is delayed beyond the normal credit conditions, which

is of financing intention, the cost of intangible assets shall be determined on the basis of the current value of the purchase price.

With respect to the intangible assets acquired from the debtor in debt restructuring to repay debts, they are initially recognized at fair value, and the difference between the carrying amount for the debt restructuring and the fair value for the intangible assets used for repaying debts is recognized in profit or loss.

An intangible asset may be acquired in exchange for a non-monetary asset. An entity shall measure the cost of the acquired asset at fair value unless (a) the exchange transaction lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measurable. In that case, the asset's cost is measured at the carrying amount and relevant payable taxes of the asset given up and no profit or loss is recognized.

For the intangible assets acquired from adsorption or combination of enterprises under common control, they are initially recognized at carrying amount of acquiree, and for the intangible assets acquired from adsorption or combination of enterprises not under common control, they are initially recognized at fair value.

With respect to the intangible assets developed internally, their cost includes: material cost, labor cost, registration fee, amortization of other patent rights and license rights used in the development process and interest expenses meeting capitalization conditions consumed in developing such intangible assets, as well as other direct expenses incurred to enable such intangible assets to reach their intended usage.

Intangible assets include land use rights, patents, non-patented technologies, and others.

b. Subsequent measurement

The Company shall analyze and judge the useful life of intangible assets.

The intangible assets with limited useful life shall be amortized using the straight-line method during the period of the intangible asset brings economic benefit to the Company is predictable. An intangible asset with an indefinite useful life is not amortised.

For the impairment of intangible assets, please refer to Note IV-21 "Impairment of long-term assets".

For an intangible asset with a finite useful life, the Company shall review the useful life and amortisation method at the end of each year.

(2) Specific criteria for dividing research stages and development stages for internal projects

The expenditures of the Company's internal research and development projects include research expenditures and development expenditures.

The term "research" refers to the creative and planned investigation to acquire and understand new scientific or technological knowledge.

The term "development" refers to the application of research achievements and other knowledge to a certain plan or design, prior to the commercial production or use, so as to produce any new material, device or product, or substantially improved material, device and product.

(3) Specific criteria of capitalization for development expenditures

The development expenditures for its internal research and development projects may be recognized as intangible assets when they satisfy the following criteria simultaneously:

- ① It is technically feasible to complete this intangible asset, so that it can be used or sold;
- ② It has the intention to complete the intangible assets and use or sell;
- ③ The ways in which the intangible assets generate economic benefits, including the existence of a market for the products produced using the intangible assets or the existence of intangible assets, the intangible assets will be used internally and can prove their usefulness;
- ④ It has sufficient technical, financial and other resources to support the development of the intangible assets and have the ability to use or sell the intangible assets;
- ⑤ The expenses attributable to the development stage of this intangible asset can be reliably measured.

The development expenditures, if do not meet the above conditions simultaneously, are recognized in profit or loss when incurred. The research expenditures are in the profit or loss when incurred.

18. Impairment of long-term assets

The Company shall assess at the end of each reporting period whether there is any indication that an asset including long-term equity investments, investment properties measured using a cost model, fixed assets, and construction in progress, productive biological assets measured using a cost model, intangible assets with definite service life of oil and gas assets, etc. may be impaired. If any such indication exists, the Company shall estimate the recoverable amount of the asset. An impairment loss is recognized in profit or loss when the recoverable amount of an asset is less than its carrying amount. A provision for impairment of the asset is recognized accordingly.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its present value of expected future cash flows. The recoverable amount is estimated for each individual asset. If it is not possible to estimate the recoverable amount of each individual asset, the Company determines the recoverable amount for the asset group to which the asset belongs.

After recognition of impairment loss, the depreciation or amortization shall be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An impairment test shall be performed for the intangible assets with indefinite service life, intangible assets yet to reach usable state and goodwill formed from business combination at the end of each year. For goodwill impairment test, the carrying amount of goodwill arising from a business combination is allocated reasonably to the relevant asset group since the acquisition date. If the carrying amount of goodwill is unable to be allocated to asset group, the carrying amount of goodwill will be allocated to relevant asset portfolio. When the carrying amount for goodwill is amortized to related asset group or portfolio, it shall be amortized as per the proportion of the fair value for the asset group or portfolios in the total amount of the asset group or portfolios. If the fair value is hard to be measured reliably, it shall be amortized as per the proportion of the carrying amount for the asset group or portfolios in the total amount of the asset group or portfolios.

In impairment testing, if impairment indication exists in asset group or portfolio of asset group containing allocated goodwill, impairment test is first conducted for asset group or portfolio of asset group that does not contain goodwill, and corresponding recoverable amount is estimated and any impairment loss is recognized. Then impairment test is conducted for asset group or portfolio of asset group containing goodwill by comparing its carrying amount (including the carrying amount of the unamortized goodwill) and its recoverable amount. If the recoverable amount is less than the carrying amount, impairment loss of goodwill is recognized.

19. Long-term deferred expenses

Long-term deferred expenses refer to the prepaid expenditures that have been made but should be recognized as expenses over more than one year in the current and subsequent periods, including the expenditure on improvement of operating leases. Long-term deferred expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of

accumulated amortisation. For long-term deferred expense that cannot bring benefit in future period, the Company recognized its amortised cost in profit or loss for the current period.

20. Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Company in exchange for service rendered by employees or for the termination of employment relationship. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

(1) Short-term employee benefits

During the accounting period in which employees rendering services to the Company, the actual short-term employee benefits shall be accrued as liabilities and the corresponding costs are recognized in profit or loss.

(2) Post-employment benefits

Post-employment benefit plan includes defined contribution plans and defined benefit plans.

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. The obligations are measured on a discounted basis, where they are not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. The discount rate used to discount post-employment benefit obligations shall be determined by reference to market yields at the end of the reporting period on high quality corporate bonds or government bonds which shall be consistent with the currency and estimated term of the post-employment benefit obligations.

The Company discount the wholly obligations at the rate used to discount post-employment benefit obligations determined by reference to market yields at the end of the reporting period on high quality corporate bonds or government bonds which shall be consistent with the currency and estimated term of the post-employment benefit obligations, including the obligations expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service.

If there is an asset in the defined benefit plan, the deficit or surplus formed by the present value of the defined benefit plan obligation minus the fair value of the defined benefit plan asset is recognized as a

net benefit or net asset of the defined benefit plan. If there is a surplus in the defined benefit plan, the enterprise measures the net assets of the defined benefit plan by the lower of the surplus and the asset cap of the defined benefit plan. Among them, the asset cap refers to the present value of the economic benefits that an enterprise can obtain from a defined benefit plan or reduce the future deposit of funds for a defined benefit plan.

At the end of the reporting period, the service cost in the employee compensation cost of the defined benefit plan and interest from net liabilities or net assets of the defined benefit plan are included in profit or loss or asset cost; the changes of net liabilities or assets in remeasurement of defined benefit plan are included in other comprehensive income. And the other comprehensive income is not allowed being reversed to the profit or loss during the subsequent accounting period, but it can be transferred within the equity scope.

As per the defined benefit plan, the past service cost is recognized as the expense of the current period on the date to modify the defined benefit plan and confirm related restructuring expense or the date to confirm dismissal welfare, whichever is earlier.

The gain or loss on a settlement of defined benefit plan is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement, and the settlement price.

(3) Termination benefits

The Company provides for termination benefits to the employees and shall recognise an employee benefits liability for termination benefits, with a corresponding charge to the profit or loss for the current period, at the earlier of the following dates:

- ① When the Company cannot unilaterally withdraw the offer of the termination benefits because of an employment termination plan or a redundancy proposal;
- ② When the Company recognises the costs or expenses relating to a restructuring that involves the payment of the termination benefits.

If the termination benefits are expected to be fully paid within 12 months after the end of the annual reporting period, it shall be treated as short-term employee benefits. However, if the termination benefits are not expected to be fully paid within 12 months after the end of the annual reporting period, it shall be treated as other long-term employee benefits.

(4) Other long-term employee benefits

Other long-term employee benefits meeting the conditions in the defined contribution plan are accounted for as per the above 2. Other long-term employee benefits not meeting the conditions in the defined contribution plan apply to relevant stipulation of the defined benefit plan, and net liability or net asset for other long-term employee benefits will be recognized and measured. At the end of the reporting period, the net interest amount for the service cost, net liability or net asset in the other long-term employee benefits and the changes of net liabilities or assets in remeasurement of defined benefit plan will be recorded into the gain or loss of the current period or related asset cost.

21. Estimated liabilities

In case any litigation, debt guarantee, loss contract or restructuring is involved, if such matters possibly need to deliver assets or render service in the future and their amount can be measured reliably, they are recognized as estimated liabilities.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows. The increased amount of the carrying amount for the estimated liabilities as a result of the discount reduction conducted over time is recognized as interest expense.

The Company reviews the carrying amount of a provision at the balance sheet date and adjusts the carrying amount to the current best estimate.

(1) Loss contracts

A loss contract as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Executory contracts become loss contracts, and the obligations arising from the loss contracts satisfy the above-mentioned criteria for the estimated liabilities, the excess of expected losses of the contracts over the recognized impairment losses (if any) shall be recognized as the estimated liabilities.

(2) Restructuring

With respect to the restructuring plan that is detailed, formal and has been made public to the outside, after it meets the determination conditions for the above estimated liabilities, amount of estimated

liabilities is determined as per the direct expenditure related to the restructuring. For the restructuring obligation for selling part of business, only after the Company commits to sell part of the business (namely it has signed a sales agreement with binding force), the restructuring obligation is recognized.

(3) Warranty for quality and maintenance

The Company will provide estimated liabilities for after-sales quality maintenance commitments to customers for the sale, repair and modification of the products sold. The Company's recent maintenance experience data has been taken into account when estimating liabilities, but recent maintenance experience may not reflect future maintenance. Any increase or decrease in this preparation may affect the profit or loss of the future year.

1、Warranty for repurchase

The Company will provide equipment repurchase warranties to financing institutions for customers with financing needs, and will recognize the estimated liabilities based on possible repurchase warranty losses. The estimated liabilities have taken into account the actual proportion of the repurchase warranties in the history of the Company, the actual loss ratio after the repurchase warranties, and the ability to assess the payment ability of different customers. As historical data or valuation data may not reflect future repurchase losses, any increase or decrease in this preparation may affect future profit or loss.

22. Share-based payments

(1) Categories and accounting treatment for share-based payments

A share-based payment is a transaction in which Company subsidizes equity instruments or assumes liabilities determined on the basis of equity instruments in order to obtain services from employees. Share-based payments are divided into equity-settled share-based payments and cash-settled share-based payments.

a. Equity-settled share-based payment

The stock option plan is an equity-settled share-based payment in exchange for service provided by the employee, and the equity instrument granted to the employee is measured at the fair value at the grant date. The share-based payments can only be vested after fulfilling the service within the waiting period or meeting the specified performance conditions. In the waiting period, based on the best estimate of the number of vested equity instruments, the services obtained in the current period are measured at

fair value of the equity instrument grant date, recognized in related cost or expense, and correspondingly increase capital reserve.

b. Cash-settled share-based payment

The stock appreciation rights plan is a cash-settled share-based payment, which is measured at the fair value of the liabilities determined by the Company based on the number of shares of the Company. The cash-settled share-based payment must be completed after the service in the waiting period or the required performance conditions, and is based on the best estimate of the vesting rights on each balance sheet date of the waiting period. The fair value of the amount, the service obtained in the current period is included in the cost or expense, and the liability is increased accordingly. The fair value of the liability is remeasured at each balance sheet date and at the balance sheet date before the settlement of related liabilities.

(2) Determination method for fair value of equity instruments

For the shares granted to employees, their fair value is measured at the market price of the Company's shares and adjusted after considering the terms and conditions on which grant of the shares is based (vesting conditions other than market conditions are not included).

For the stock options granted to employees, the fair value of the options granted is estimated through the option pricing model.

(3) The determination basis for the best estimate of vested equity instruments

On each balance sheet date during the waiting period, the best estimate is made according to subsequent information including change of number of staff and workers with feasible rights obtained recently to modify the quantity of estimated vested equity instruments.

(4) Accounting treatment for modified and terminated share-based payment plan

If modification of the share-based payment plan increases the fair value for the granted equity instruments, increase of services obtained shall be recognized with increase of fair value for equity instruments.

If modification of the share-based payment plan increases the quantity of the granted equity instruments, increase of services obtained shall be recognized with increase of fair value for equity instruments.

If the vesting conditions are modified in a manner that is beneficial to the employee, such as shortening the waiting period, changing or canceling the performance conditions (rather than market conditions), the Company considers the revised vesting conditions when dealing with the vesting conditions.

If the terms and conditions are modified in a manner that reduces the total fair value of the share-based payment or other means that are not conducive to the employee, the service obtained should continue to be accounted for as if the change had never occurred, unless some or all of the granted benefits were cancelled.

If the granted equity instruments are canceled within the waiting period, the canceled granted equity instruments shall be treated as accelerated vesting, and the amount to be confirmed within the remaining time of the waiting period shall be recognized in profit or loss immediately, and capital reserve shall be recognized at the same time. If employees or other parties are able to choose non-vesting conditions but they are not qualified within the waiting period, it shall be treated as cancellation of granted equity instruments.

23. Other financial instruments such as preferred stock and perpetual bond

The preferred stock or perpetual bond issued by the Company are classified into financial liabilities or equity instruments at initial recognition, based on the contractual terms of the financial instruments issued and the economic substance they reflect, combined with the definition of financial liabilities and equity instruments.

If the preferred stock or perpetual bond are financial liabilities, the relevant interest, dividends (or dividends), gains or losses, and gains or losses arising from redemption or refinancing are included in profit or loss for the current period.

Preferred stock or perpetual bond are equity instruments that are treated as changes in equity when they are issued (including refinancing), repurchased, sold or cancelled. The distribution of the equity instrument holders shall be treated as profit distribution, and the stock dividends issued shall not affect the total owner's equity.

Transaction costs associated with equity transactions are deducted from equity. Transaction costs are incremental fees that can be directly attributable to the purchase, issue or disposal of preferred stock or perpetual bond. Incremental costs refer to expenses that will not occur if the Company does not purchase, issue or dispose of financial instruments.

Transaction costs incurred in the issuance or acquisition of equity instruments (such as registration fees, underwriting fees, legal, accounting, assessment and other professional services fees, printing costs and stamp duty, etc.) may be directly attributable to equity transactions, Less. Transaction costs incurred for the termination of an uncompleted equity transaction are recognized in profit or loss for the period.

24. Revenue

(1) Sale of goods

Revenue is recognized when all the following conditions are satisfied: significant risks and rewards of ownership of goods have been transferred to the buyer; the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; it is probable that the economic benefits will flow to the Company; and the revenue and costs can be measured reliably.

Revenue from sale of goods shall be recognized according to the contract consideration received or receivable from the purchaser, except that the value of the received or receivable consideration is not fair. The collection of the consideration shall be deferred, which is of financing intention, and shall be recognized according to the fair value of the receivable consideration. The difference between the receivable consideration and the fair value of the contract shall be amortized under the actual interest rate method during the contractual period, and included in profit or loss for the current year

(2) Rendering of services

Where the outcome of a transaction involving the rendering of services can be estimated reliably, revenue is recognized by reference to the stage of completion.

Where the outcome cannot be estimated reliably:

- ① Revenues are recognized to the extent of the costs incurred that are expected to be recoverable, and an equivalent amount is charged to profit or loss as service cost;
- ② Otherwise, the costs incurred are recognized in profit or loss and no service revenue is recognized.

(3) Recognition of income from the transfer of asset use rights

The economic benefits associated with the transaction are likely to flow into the business and the amount of revenue can be reliably measured. The amount of income from the transfer of asset use rights is determined in the following cases:

- ① The amount of interest income shall be calculated and determined according to the time and actual interest rate of the use of the Company's monetary funds by others.
- ② The amount of royalty income shall be calculated and determined according to the time and method of charging as stipulated in the relevant contract or agreement.

(4) Recognition of construction contract revenue

a. The results of the construction contract can be reliably estimated

On the balance sheet date, if the outcome of the construction contract can be reliably estimated, the contract revenue and expenses are recognized based on the percentage of completion method. The percentage of completion method refers to the method of recognizing income and expenses based on the progress of the contract. The contract completion schedule is determined by the ratio of the actual contract costs incurred to the estimated total cost of the contract.

The results of fixed cost contracts can be reliably estimated based on:

- ① The total contract revenue can be reliably measured;
 - ② The economic benefits associated with the contract are likely to flow into the Company;
 - ③ The actual contract costs can be clearly distinguished and reliably measured;
 - ④ The contract completion schedule and the costs that need to be incurred to complete the contract can be reliably determined.
- ⑤ The results of the cost-plus contract can be reliably estimated and determined based on:
 - ⑥ The economic benefits associated with the contract are likely to flow into the Company;
 - ⑦ The actual contract costs can be clearly distinguished and reliably measured.

If the estimated total cost of the contract exceeds the total contract revenue, the estimated loss of the contract is recognized as the asset impairment loss and is included in profit or loss. When the contract is completed, the contract is also expected to be lost.

b. The results of the construction contract cannot be reliably estimated

The results of the construction contract cannot be reliably estimated and are handled separately:

- ① If the contract cost can be recovered, the contract revenue is recognized according to the actual contract cost that can be recovered, and the contract cost is recognized as the contract expense in the current period in which it occurs;

- ② If the contract cost cannot be recovered, it shall be confirmed as contract expense immediately when it occurs, and the contract revenue shall not be confirmed.

25. Government subsidies

Government subsidies are cash or non-monetary subsidies that government gives to the Company. They are classified to asset-related government subsidies and income-related government subsidies.

(1) The criteria and accounting for asset-related government subsidies

The government subsidy that the Company obtains and is used for acquisition, construction or forming long-term assets in other ways is set as the asset-related government subsidies.

The asset-related government subsidy is recognized as deferred income, and is recorded into the profits or losses within the useful life of the assets under reasonable and systematic methods. Government subsidies measured at nominal amount is directly recognized in profit or loss.

The balance of the relevant deferred income that has not been allocated shall be transferred to the profit or loss of the current period of disposal of the assets, if the assets are sold, transferred, scrapped or damaged before the end of their useful life.

(2) The criteria and accounting for income-related government subsidies

The other government subsidies other than those related to assets obtained by the Company are set as the income-related government subsidies. Income-related government subsidy is treated as per the following circumstances:

- a. That used for compensating the cost expense and loss of the Company in the future period is recognized as deferred income tax and recognized in profit or loss in the period of recognizing related cost expense or loss.
- b. That used for compensating the cost expense and loss that has been incurred is directly recognized in profit or loss.

For the government subsidy containing both asset-related part and income-related part, it is accounted separately after different parts are differentiated. If they are hard to be differentiated, they shall be categorized into income-related government subsidy as a whole.

Government subsidy related to daily activities is recorded in other income based on the essence of economic business. The government subsidy not related to daily activities is recorded into non-operating income and expense.

(3) Accounting treatments for an interest subsidy for policy-related preferential loans

- a. If the government directly appropriates the interest subsidy to the lending bank, the Company recognized the loan as the amount received, and interest expense is calculated using the loan principal and policy-related preferential interest rate.
- b. If the government directly appropriates the interest subsidy to the Company, the interest subsidy is offset against interest expense.

Government subsidies are recognized and measured as the amount received. Only when there's conclusive evidence proving that such subsidy is allocated as per the fixed quota and there's unambiguous evidence proving that it conforms to the conditions for the financial supporting policy and it is estimated that financial supporting fund can be received, can it be recognized and measured as per the amount receivable.

Where the recognized government subsidy needs to be returned, the Company will account it within current period of such return, viz., in case of offsetting carrying amount for related assets at the initial confirmation, the carrying amount for the assets shall be adjusted.

26. Deferred tax assets and deferred tax liabilities

With respect to the difference between the carrying amount of some assets and liability items and their taxation basis and the temporary difference generated from the difference between the carrying amount for the items not confirmed as assets and liabilities but their taxation basis can be determined pursuant to the tax laws and the taxation basis, their deferred income tax assets and deferred income tax liabilities are recognized with the debt method based on balance sheet.

In general, all temporary differences are recognized for related deferred income tax. However, for the deductible temporary difference, the relevant deferred income tax assets are recognized to the extent that it is probable that the taxable income is used to offset the deductible temporary difference. In addition, related to the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction that is neither a business combination nor an accounting profit and taxable income (or deductible loss). Temporary differences, no deferred income tax assets or liabilities are recognized.

For deductible losses and tax credits that can be carried forward in subsequent years, the corresponding deferred income tax assets are recognized to the extent that it is probable that the future taxable income will be used to offset the deductible losses and tax credits.

The deferred income tax liabilities generated from the taxable temporary difference related to the investment of the subsidiary, associated enterprises or joint venture enterprises are recognized, unless the Company can control the time of reversing the temporary difference, and such temporary difference is most unlikely to be reversed in the foreseeable future. With respect to the deductible temporary difference related to the subsidiary, associated enterprise or joint venture enterprises, only when such temporary difference is most likely to be reversed in the foreseeable future, and the taxable income amount used for deducting the deductible temporary difference is most likely to be acquired in the future, can the deferred income assets can be recognized. On the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured as per the tax rate applicable to the period when such asset is expected to be recovered or such liability is expected to be liquidated.

Except that the income tax and deferred income tax of the current period related to the transactions and matters directly recorded into other comprehensive income or stockholders' equity are recorded into the other comprehensive income or stockholders' equity, and the deferred income incurred from business combination is used to adjust the carrying amount of the goodwill, the other income tax and deferred income tax expense or income are recorded into the gain or loss of the current period.

On the balance sheet date, the book value of the deferred income tax assets is reviewed. If it is probable that sufficient taxable income will not be available in the future to offset the benefits of the deferred income tax assets, the carrying amount of the deferred income tax assets is reduced. When it is probable that sufficient taxable income will be obtained, the amount of the write-down will be reversed.

When there is a statutory right to settle on a net basis, and the intention is to settle the net amount or acquire the assets and pay off the liabilities simultaneously, the current income tax assets of the Company and the current income tax liabilities are presented at the net amount after the offset.

When there is a statutory right to settle the current income tax assets and current income tax liabilities on a net basis, and the deferred income tax assets and deferred income tax liabilities are related to the income tax levied by the same tax collection authority on the same taxpayer or related to different taxpayers, However, in the future period in which each of the important deferred income tax assets and

liabilities are reversed, the taxpayer involved intends to settle the current income tax assets and liabilities on a net basis or acquire assets and liquidate liabilities simultaneously, deferred income tax assets and deferred income tax liabilities are presented at the net amount after offset.

27. Lease

(1) Accounting treatment for operating lease

- a. The rental expense paid for renting assets is amortized with straight-line method and recorded into the expense of the current period within the whole lease period without deducting the rent-free period. The initial direct costs associated with the lease transaction are recognized into expenses of the current period.

After the lessor of the assets bears the expense related to lease, it will deduct such part of expense from the total amount of rent, and then amortize the rental expense after the deduction for the lease term and record it into the expense of the current period.

- b. The rental income received from leasing assets is amortized with straight-line method and recorded into the lease income within the whole lease period without deducting the rent-free period. The paid initial direct expense related to lease transaction is recorded into the expense of the current period. If the amount is large, it is capitalized, and recorded into the income of the current period in phases on the same basis as recognition of lease income within the whole lease term.

When the expenses related to the lease that should be borne by the lessee are assumed, the part of the expenses is deducted from the total rental income, and the deducted rental expenses are allocated during the lease term.

(2) Accounting treatment for finance lease

- a. Finance lease-in assets: On the lease commencement date, the Company takes the lower of the fair value of the leased assets and the present value of the minimum lease payments as the carrying amount of the leased assets, and the minimum lease payments as the initial value of the long-term payables. The difference is treated as unrecognized financing charges.

The unrecognized financing expenses are amortized over the asset lease period using the effective interest rate method and included in finance expenses. The initial direct costs incurred by the Company are included in the value of the leased asset.

- b. Finance lease-out assets: On the lease commencement date, the Company recognizes the difference between the sums of the finance lease outlay payable and guaranteed residual value and their current value as unrealized financing income, and recognizes it as lease income within each period of receiving rent in the future. The initial direct costs incurred for the Company related to lease transaction are recorded into initial measurement for the finance lease outlay receivable, and decrease the income amount recognized within the lease term.

28. Fair value measurement

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company measures related assets or liabilities at fair value assuming the assets or liabilities are exchanged in an orderly transaction in the principal market, in the absence of a principal market, assuming the assets or liabilities are exchanged in an orderly transaction in the most advantageous market. Principal market (or the most advantageous market) is the market that the Company can normally enter into a transaction on measurement date.

The Company use valuation technical tha are appropriate in the circumstances and for which sufficient data are available.take into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.the Company shall give the priority to relevant observable inputs.the unobservable inputs can only be used when relevant observed inputs is not available or practically would not be obtained.

Fair value level for assets and liabilities measured or disclosed at fair value in the financial statements are determined according to the significant lowest level input to the entire measurement: Level 1 inputs are quoted prices (unadjusted) in active market for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. At the balance sheet date, the Company re-values assets and liabilities being measured at fair value continuously in the financial statements to determine whether to change the levels of fair value measurement.

VI. Changes in significant accounting policies and accounting estimates

1. Changes in significant accounting policies

None

2. Changes in significant accounting estimates

None

VII. TAX TYPES

1. Main types of taxes and corresponding tax rates

The main taxes applicable to the Company during the year and their tax rates are listed below

Tax	Tax basis	Tax rate
Value-added tax (VAT)	Output VAT is calculated on product sales and taxable services income. The basis for VAT payable is to deduct input VAT from the output VAT for the period	9%、13%
Consumption tax	Based on taxable income	25%
Urban maintenance and construction tax	Based on turnover tax paid	7%
Education surcharges	Based on turnover tax paid	3%
Local education surcharges	Based on turnover tax paid	2%
Local water construction funds	Based on turnover tax paid	0.5%

VIII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB Yuan unless otherwise stated)

1. Cash at bank and on hand

Item	June 30, 2020	December 31, 2019
Cash on hand	143,542.94	287,085.88
Bank deposits	1,162,471,079.41	2,922,665,958.44
Other monetary funds	17,387,804.35	17,387,804.35
Total	1,180,002,426.70	2,940,340,848.67

2. Bills receivable

(1) Categories of bills receivable

Item	June 30, 2020	December 31, 2019
Bank acceptance bills	100,630,000.00	20,611,017.96
Total	100,630,000.00	20,611,017.96

3. Accounts receivable

(1) Categories of accounts receivable

Item	June 30, 2020	
	Book value	Bad debt provision

	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant and assessed for bad debt provision individually				
Group 1, collectively assessed for bad debt provision based on credit risk characteristics	121,638,988.76	90.31	55,965,455.91	23.79
Group 2, collectively assessed for bad debt provision based on related parties and government and institutions	24,013,160.85	9.69		
Individually insignificant but assessed for bad debt provision individually				
Total	145,652,149.61	100.00	55,965,455.91	23.79

(continued)

Item	December 31, 2019			
	Book value		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant and assessed for bad debt provision individually				
Group 1, collectively assessed for bad debt provision based on credit risk characteristics	235,288,791.56	90.31	55,965,455.91	23.79
Group 2, collectively assessed for bad debt provision based on related parties and government and institutions	25,239,041.86	9.69		
Individually insignificant but assessed for bad debt provision individually				
Total	260,527,833.42	100.00	55,965,455.91	23.79

The ageing analysis of accounts receivable is as follows:

Aging	June 30, 2020		
	Amount	Bad debt provision	Proportion (%)
Within 1 year (inclusive)	32,827,748.89	1,641,387.44	5.00
1-2 years	21,769,734.13	2,176,973.41	10.00
2-3 years	18,618,013.37	3,723,602.67	20.00
Over 3 years	48,423,492.38	48,423,492.38	100.00
Total	121,638,988.76	55,965,455.91	/

(continued)

Aging	December 31, 2019		
	Amount	Bad debt provision	Proportion (%)
Within 1 year (inclusive)	106,949,604.59	5,347,480.23	5.00
1-2 years	72,565,780.42	7,256,578.04	10.00
2-3 years	15,515,011.14	3,103,002.23	20.00
Over 3 years	40,258,395.41	40,258,395.41	100.00
Total	235,288,791.56	55,965,455.91	/

(2) Five largest accounts receivable by debtor at the end of the year

Name of entity	December 31, 2019	Bad debt provision	Proportion of total (%)
Tai'an Taishan Urban and Rural Construction development Co. Ltd.	24,013,160.85	16.49	
Shandong Taishan Nuclear Power Equipment Manufacturing Co. Ltd.	15,140,273.49	10.39	1,514,027.35
Shandong Taishan Shengshi Cultural Real Estate Co. Ltd.	8,387,720.00	5.76	419,386.00
Liaocheng Petrochina Kunlun Gas Co. Ltd.	8,393,033.64	5.76	419,651.68
Taishan Huayi Thermal Power Company	7,461,329.45	5.12	7,461,329.45
Total	63,905,824.02	43.53	9,814,394.48

(3) Addition, recovery or reversal of bad debt provision during the year

December 31, 2019	Addition	Reduction during the year		June 30,2020
		Recovery	Reversal	
55,965,455.91				55,965,455.91

4. Prepayments

(1) The aging analysis of prepayments is as follows:

Aging	June 30,2020		December 31, 2019	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year (inclusive)	1,369,471,176.97	64.19	1,053,439,366.90	59.64
1-2 years	370,189,040.19	17.35	345,364,352.13	19.55
2-3 years	197,873,527.58	9.27	184,604,229.83	10.45
Over 3 years	196,048,298.73	9.19	182,901,399.90	10.36
Total	2,133,582,043.47	100.00	1,766,309,348.76	100.00

(2) Explanation of the reason for the prepayment with the five largest

Debtor	June 30,2020	Proportion of the total amount (%)	Reason for unsettlement
Shandong Guangsha Construction Group Co. Ltd.	211,662,067.32	9.92	Transaction unsettled
Shandong Changjian Construction Group Co. Ltd.	140,218,089.93	6.57	Transaction unsettled
Tai'an City hengsheng construction Co., Ltd.	225,574,103.81	10.57	Transaction unsettled
Tai'an City congee shop construction and installation engineering company	88,383,063.54	4.14	Transaction unsettled
Zhonglian Cement (Wanhe Commercial Concrete)	73,993,783.84	3.47	Transaction unsettled
Total	739,831,108.44	34.68	/

5. Other receivables

(1) Overview

Item	June 30,2020	December 31, 2019

Item	June 30,2020	December 31, 2019
Interests receivable	73,313,107.96	73,313,107.96
Dividends receivable	4,069,776.67	4,069,776.67
Other receivables	2,404,103,519.62	2,453,537,718.10
Total	2,481,486,404.25	2,530,920,602.73

(2) Interests receivable

Item	June 30,2020	December 31, 2019
Loan interests	73,313,107.96	73,313,107.96
Total	73,313,107.96	73,313,107.96

(3) Dividends receivable

Item	June 30,2020	December 31, 2019
Taian Agis Pipeline Engineering Co. Ltd.	4,069,776.67	4,069,776.67
Total	4,069,776.67	4,069,776.67

(4) Other receivables

Categories of other receivables

(1) Item	June 30,2020			
	Book value		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant and assessed for bad debt provision individually				
Group 1,collectively assessed for bad debt provision based on credit risk characteristics	216,685,672.93	8.95	31,556,733.30	14.56
Group 2, collectively assessed for bad debt provision based on related parties and government and institutions	2,218,974,579.99	91.05		
Individually insignificant but assessed for bad debt provision individually				
Total	2,435,660,252.92	100.00	31,556,733.30	14.32

(continued)

Item	December 31, 2019			
	Book value		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant and assessed for bad debt provision individually				

Item	December 31, 2019			
	Book value		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Group 1, collectively assessed for bad debt provision based on credit risk characteristics	220,425,676.36	8.87	31,556,733.30	14.32
Group 2, collectively assessed for bad debt provision based on related parties and government and institutions	2,264,668,775.04	91.13		
Individually insignificant but assessed for bad debt provision individually				
Total	2,485,094,451.40	100.00	31,556,733.30	14.32

The ageing analysis of other receivable is as follows:

Aging	June 30, 2020		
	Amount	Bad debt provision	Proportion (%)
Within 1 year (inclusive)	106,147,741.62	5,307,387.08	5.00
1-2 years	78,540,073.31	7,854,007.33	10.00
2-3 years	17,003,148.89	3,400,629.78	20.00
Over 3 years	14,994,709.11	14,994,709.11	100.00
Total	216,685,672.93	31,556,733.30	/

(continued)

Aging	December 31, 2019		
	Amount	Bad debt provision	Proportion (%)
Within 1 year (inclusive)	113,627,748.54	5,681,387.43	5.00
1-2 years	74,800,069.82	7,480,006.98	10.00
2-3 years	17,003,148.89	3,400,629.78	20.00
Over 3 years	14,994,709.11	14,994,709.11	100.00
Total	220,425,676.36	31,556,733.30	/

a. Five largest other receivables by debtor at the end of the year

Name of entity	Nature	June 30, 2020	Aging	Proportion of total (%)	Closing balance of Bad debt provision
Shandong Taishan Shengshi Cultural Real Estate Co., Ltd.	Transfers	1,180,530,000.00	Within 1 year、1-2year	48.75	
Shandong Taishan Finance and Gold Industry Co., Ltd.	Transfers	592,000,000.00	Within 1 year、1-2year	24.45	
Taian Dianshi Asset Management Co., Ltd.	Transfers	100,000,000.00	Within 1 year	4.13	
Taicheng Key Project Construction	Transfers	91,550,000.00	Within 1 year、	3.78	

Name of entity	Nature	June 30,2020	Aging	Proportion of total (%)	Closing balance of Bad debt provision
Headquarters			2-3 year, Over 3 years		
Taian City dongyue jincai investment co., Ltd.	Transfers	67,500,000.00	Within 1 year, 2-3 year, Over 3 years	2.79	
Total	/	2,031,580,000.00	/	83.90	

b. Other receivables categorized by nature

Item	June 30,2020	December 31, 2019
Transfers	2,213,219,424.71	2,227,282,858.59
Petty cash	2,480,663.06	2,512,571.53
Security deposits	3,274,492.22	3,316,611.62
others	216,685,672.93	220,425,676.36
Total	2,435,660,252.92	2,453,537,718.10

c. Movements of provision for bad doubtful debts

December 31, 2019	Addition	Reduction during the year		June 30,2020
		Recovery	Reversal	
31,556,733.30				31,556,733.30

6. Inventories

(1) Categories of inventories

Item	June 30,2020		
	Book value	Impairment provision for inventories	Carrying amount
Raw materials	41,757,023.98		41,757,023.98
Finished goods	19,125,628.13		19,125,628.13
Development cost (real estate project)	6,851,656,528.47	1,540,000.00	6,850,116,528.47
Development product	256,682,236.66		256,682,236.66
Construction (completed but unsettled)	5,137,827,460.38		5,137,827,460.38
Others	4,106,933.27		4,106,933.27
Total	12,311,155,810.89	1,540,000.00	12,309,615,810.89

(continued)

Item	December 31, 2019		
	Book value	Impairment provision for inventories	Carrying amount
Raw materials	52,196,279.98		52,196,279.98
Finished goods	31,876,046.88		31,876,046.88

Item	December 31, 2019		
	Book value	Impairment provision for inventories	Carrying amount
Development cost (real estate project)	7,656,060,470.81	1,540,000.00	7,654,520,470.81
Development product	584,970,807.70		584,970,807.70
Construction (completed but unsettled)	5,037,085,745.47		5,037,085,745.47
Others	6,844,888.79		6,844,888.79
Total	13,369,034,239.63	1,540,000.00	13,367,494,239.63

Note: This period of construction in progress to reduce mainly for: according to Taian City High-speed New City Construction Development Center, Taian City Tourism Economic Development Zone Management Committee and Taian City urban development investment Co., Ltd., which was signed the 'high-speed rail infrastructure projects entrusted construction agreement' on December 16, 2019, the Company building high-speed rail projects such as public infrastructure transferred to construction project, according to the entrusted construction agreement and high-speed new city investment and financing review center to issue the review of documents, will be transferred from construction in progress to inventory.

(2) Development cost

Item	June 30,2020	December 31, 2019
He Garden, Shuo Garden, Zhi Garden, Xin garden and other projects	3,334,520,470.81	2,203,629,348.62
Cost of land acquisition and storage in high-speed railway area	4,320,000,000.00	4,320,000,000.00
Total	7,654,520,470.81	6,523,629,348.62

Note: According to Taian City Urban Development Investment Co., Ltd. and Taian City Taishan Investment, Taishan Urban Construction Investment, Taian High-speed New City Construction Development Center, Taian Tourism Economic Development Zone Management Committee, Taian Bureau signed " 'land development cooperation memorandum' supplementary agreement ", signed 'the land development cooperation memorandum' of purchase funds into the Company for the Management Committee, High-speed New City land purchase funds in 2017 . In this period, the Company investment of 4.32 billion RMB into land funds into inventory.

(3) Development product

Item	June 30,2020	December 31, 2019
He Garden, Shuo Garden, Zhi Garden, Xin garden and other projects	584,970,807.70	241,912,832.05
Total	584,970,807.70	241,912,832.05

7. Other current assets

Item	June 30,2020	December 31, 2019
Input tax to be credited	206,752,894.10	112,006,193.97

Item	June 30, 2020	December 31, 2019
Prepaid income tax and other tax	258,188,703.36	379,123,996.89
others	14,636,820.70	10,767,374.64
Total	479,578,418.16	501,897,565.50

8. Available-for-sale financial assets

(1) Overview

Item	June 30, 2020		
	Book value	Impairment provision	Carrying amount
Available-for-sale debt instruments:			
Available-for-sale equity instruments:	144,437,327.46		144,437,327.46
At fair value			
At cost	144,437,327.46		144,437,327.46
Total	144,437,327.46		144,437,327.46

(continued)

Item	December 31, 2019		
	Book value	Impairment provision	Carrying amount
Available-for-sale debt instruments:			
Available-for-sale equity instruments:	144,437,327.46		144,437,327.46
At fair value			
At cost	144,437,327.46		144,437,327.46
Total	144,437,327.46		144,437,327.46

(2) Available-for-sale financial assets at fair value

Investee	December 31, 2019	Current year additions	Current year reductions	June 30, 2020
Taian City urban construction and comprehensive development company	1,500,000.00			1,500,000.00
Taian Hongze Environmental Protection Investment Management Co., Ltd.	11,291,760.00		11,291,760.00	
Hong Kong Thai Infrastructure Investment Company	8,002,327.46			8,002,327.46
Tai'an City teng fa gas supporting facilities management Co., Ltd.	46,212.35		46,212.35	
The thermoelectric company	-15,808,318.98		-15,808,318.98	
Dongmingao Energy Co., Ltd.	2,295,000.00			2,295,000.00
Shandong Taian Kunlun Energy Co., Ltd.	30,000,000.00			30,000,000.00
Taian Hongze Environmental Protection Investment	2,000,000.00		2,000,000.00	

Taian City Development and Investment Co., Ltd.
Notes to consolidated financial statements for the period ended June 30, 2020

Management Co., Ltd.				
Taian High-tech Thermal Power Co., Ltd.	2,640,000.00			2,640,000.00
Taian City hongze investment management Co., Ltd.	240,000.00		240,000.00	
Shandong Natural Gas Pipe Network Investment Co., Ltd.	100,000,000.00			100,000,000.00
Total	142,206,980.83		-2,230,346.63	144,437,327.46

9. Long-term receivables

Item	June 30, 2020		
	Book value	Impairment provision	Carrying amount
Loan of receivable	162,000,000.00		162,000,000.00
Others	99,240,963.80		99,240,963.80
Total	261,240,963.80		261,240,963.80

(continued)

Item	December 31, 2019		
	Book value	Impairment provision	Carrying amount
Loan of receivable	162,000,000.00		162,000,000.00
Others	99,240,963.80		99,240,963.80
Total	261,240,963.80		261,240,963.80

10. Long-term equity investments

Investee	December 31, 2019	Changes during the year			Other comprehensive income
		Additional investments	Reduced investments	Investment income/loss recognized under equity method	
Taian Taishan Urban and Rural Construction development Co., Ltd.	91,240,000.00				
Taian City Tongyu Private Capital Management Co., Ltd.	326,050,156.46				
Wenchang Zhongyou Guotai Gas Co., Ltd.	6,000,000.00				
Taian Zhongyou Hua Gas Natural Gas Utilization Co., Ltd.	14,700,000.00				
Taian Kunlun LNG Co., Ltd.	7,800,000.00				
Taian Kunlun NAT Natural Gas Co., Ltd.	11,231,337.06				
Taian Gangxin Gas Co., Ltd.	10,000,000.00				
Lingao Zhongguo Tai Gas Co., Ltd.	3,067,723.27				
Laiwuzhong Petroleum Kunlun Gas Co., Ltd.	9,450,000.00				
Feicheng Taixi Natural Gas Co., Ltd.	2,000,000.00				
Shandong Taishan Shengshi Cultural Real Estate Co., Ltd.	272,985,046.72				
Taian Agis Pipeline Engineering Co., Ltd.	7,256,453.80				
Shandong Gangluo Economic and Trade Co., Ltd.	500,000.00				
Jinan Pingyin Ganghua Gas Co., Ltd.	91,240,000.00				
Total	853,520,717.31				

(continued)

Taian City Development and Investment Co., Ltd.
Notes to consolidated financial statements for the period ended June 30, 2020

Investee	Changes during the year			June 30, 2020	Balance of impairment provision at December 31, 2019
	Changes of other equity	Declared distribution of cash dividends or profits	Impairment provision		
Taian Taishan Urban and Rural Construction development Co., Ltd.				91,240,000.00	
Taian City Tongyu Private Capital Management Co., Ltd.				326,050,156.46	
Wenchang Zhongyou Guotai Gas Co., Ltd.				6,000,000.00	
Taian Zhongyou Hua Gas Natural Gas Utilization Co., Ltd.				14,700,000.00	
Taian Kurlun LNG Co., Ltd.				7,800,000.00	
Taian Kurlun NAT Natural Gas Co., Ltd.				11,231,337.06	
Taian Gangxin Gas Co., Ltd.				10,000,000.00	
Lingao Zhongguo Tai Gas Co., Ltd.				3,067,723.27	
Laiwuzhong Petroleum Kurlun Gas Co., Ltd.				9,450,000.00	
Feicheng Taixi Natural Gas Co., Ltd.				2,000,000.00	
Shandong Taishan Shengshi Cultural Real Estate Co., Ltd.				272,985,046.72	
Taian Agis Pipeline Engineering Co., Ltd.				7,256,453.80	
Shandong Gangluo Economic and Trade Co., Ltd.				500,000.00	
Jinan Pingyin Ganghua Gas Co., Ltd.				91,240,000.00	
Total				853,520,717.31	

11. Investment properties

Items	Buildings	Total
I. Cost		
1. Balance at December 31, 2019	54,029,361.10	54,029,361.10
2. Additions during the year		
(1) Purchases		
(2) Transfers from inventories/fixed assets/construction in progress		
(3) Additions due to business combinations		
3. Reductions during the year		
(1) Disposals		
4. Balance at June 30, 2020	54,029,361.10	54,029,361.10
II. Accumulated depreciation or amortization		
1. Balance at December 31, 2019	30,460,507.87	30,460,507.87
2. Additions during the year	1,268,806.02	1,268,806.02
(1) Depreciated or amortized	1,268,806.02	1,268,806.02
3. Reductions during the year		
(1) Disposals		
4. Balance at June 30, 2020	31,729,313.89	31,729,313.89
III. Impairment provision		
1. Balance at December 31, 2018		
2. Additions during the year		
(1) Provision		
3. Reductions during the year		
(1) Disposals		
4. Balance at December 31, 2019		
IV. Carrying amount		
1. Balance at June 30, 2020	22,300,047.21	22,300,047.21
2. Balance at December 31, 2019	23,568,853.23	23,568,853.23

12. Fixed assets

(1) Overview

Item	June 30, 2020	December 31, 2019
Fixed assets	2,724,470,546.75	2,855,238,364.36
Fixed assets for disposal	4,905.66	4,905.66
Total	2,724,475,452.41	2,855,243,270.02

(2) Fixed assets

a. Details of fixed assets

Item	Buildings	Machinery and equipment	Motor vehicles	Office equipment and others	Total
I. Cost					
1. Balance at December 31, 2019	1,411,419,605.13	2,648,789,830.29	39,111,179.41	10,224,897.73	4,109,545,512.56
2. Additions during the year	3,848,641.52	48,525,320.75	9,741,533.63	731,747.24	4,109,545,512.56
(1) Purchases	3,848,641.52	48,525,320.75	9,741,533.63	731,747.24	62,847,243.14
(2) Transfers from construction in progress					
(4) Others					
3. Reductions during the year	658,750.28	72,763,361.26	1,831,085.63	289,864.56	75,543,061.73
(1) Disposals or scraps	658,750.28	72,763,361.26	1,831,085.63	289,864.56	75,543,061.73
(2) Others					
4. Balance at June 30, 2020	1,414,609,496.37	2,624,551,789.78	47,021,627.41	10,666,780.41	4,096,849,693.97
II. Accumulated depreciation					
1. Balance at December 31, 2019	373,377,504.32	845,136,106.32	26,949,678.09	8,843,859.47	1,254,307,148.20
2. Additions during the year	20,503,848.67	151,160,650.84	3,894,929.38	1,647,142.83	1,254,307,148.2
(1) charge for the year	20,503,848.67	151,160,650.84	3,894,929.38	1,647,142.83	177,206,571.72
(2) Additions due to business combinations					
(3) Others					
3. Reductions during the year	507,094.08	56,594,965.20	1,838,267.03	194,246.39	59,134,572.70
(1) Disposals or scraps	507,094.08	56,594,965.20	1,838,267.03	194,246.39	59,134,572.70
(2) Other transfers out					
4. Balance at June 30, 2020	393,374,258.91	939,701,791.96	29,006,340.45	10,296,755.92	1,372,379,147.24

Taian City Development and Investment Co., Ltd.
Notes to consolidated financial statements for the period ended December 30, 2020

Item	Buildings	Machinery and equipment	Motor vehicles	Office equipment and others	Total
III. Impairment provision					
1. Balance at December 31, 2019					
2. Additions during the year					
(1) Provision					
(2) Others					
3. Reductions during the year					
(1) Disposals or scraps					
(2) Others					
4. Balance at June 30, 2020					
IV. Carrying amount					
1. Balance at June 30, 2020	1,021,235,237.47	1,684,849,997.82	18,015,286.97	370,024.50	2,724,470,546.76
2. Balance at December 31, 2019	1,038,042,100.81	1,803,653,723.97	12,161,501.32	1,381,038.26	2,855,238,364.36

b. Fixed assets acquired under finance leases as at June 30, 2020

Item	December 31, 2019	Accumulated depreciation	Impairment provision	June 30, 2020
Machinery and equipment	185,415,772.92	9,608,455.7		175,807,317.22
Total	185,415,772.92	9,608,455.7		175,807,317.22

c. Fixed assets disposal

Item	June 30, 2020	December 31, 2019
Motor vehicles	4,905.66	4,905.66
Total	4,905.66	4,905.66

13. Construction in progress

(1) Overview

Item	June 30, 2020	December 31, 2019
Construction in progress	698,644,548.55	750,350,389.82
Construction materials	247,976,372.87	233,083,461.50
Total	946,620,921.42	983,433,851.32

(2) Construction in progress

Item	June 30, 2020		
	Book value	Impairment provision for inventories	Carrying amount
Taian City urban water pipe network project	187,317,807.62		187,317,807.62
Pipeline renovation	370,577,384.61		370,577,384.61
Gas supporting project	135,009,356.32		135,009,356.32
Others	5,740,000.00		5,740,000.00
Total	698,644,548.55		698,644,548.55

(continued)

Item	December 31, 2019		
	Book value	Impairment provision for inventories	Carrying amount
Taian City urban water pipe network project	199,187,772.60		199,187,772.60
Pipeline renovation	328,383,460.33		328,383,460.33
Gas supporting project	193,598,434.00		193,598,434.00
Others	29,180,722.89		29,180,722.89
Total	750,350,389.82		750,350,389.82

(3) Construction materials

Item	June 30, 2020	December 31, 2019
Specific materials	247,976,372.87	233,083,461.50
Total	247,976,372.87	233,083,461.50

14. Intangible assets

(1) Overview

Item	Land use right	Patent and Others	Total
I. Cost			
1. Balance at December 31, 2019	155,023,949.94	15,731,735.45	170,755,685.39
2. Additions during the year			
(1) Purchases			

Item	Land use right	Patent and Others	Total
(2) Internal development			
(3) Additions due to business combinations			
(4) Others			
3. Reductions during the year			
(1) Disposals			
(2) Others			
4. Balance at June 30, 2020	155,023,949.94	15,731,735.45	170,755,685.39
II. Accumulated amortization			
1. Balance at December 31, 2019	23,991,780.14	10,864,380.51	34,856,160.65
2. Additions during the year	2,218,572.55	1,163,312.42	3,381,884.97
(1) Charge for the year	2,218,572.55	1,163,312.42	3,381,884.97
(2) Additions due to business combinations			
(3) Others			
3. Reductions during the year			
(1) Disposals			
(2) Other transfers out			
4. Balance at June 30, 2020	26,210,352.69	12,027,692.93	38,238,045.62
III. Impairment provision			
1. Balance at December 31, 2018			
2. Additions during the year			
(1) Provision			
(2) Others			
3. Reductions during the year			
(1) Disposals			
(2) Others			
4. Balance at December 31, 2019			
IV. Carrying amount			
1. Balance at December 31, 2019	128,813,597.25	3,704,042.52	132,517,639.77
2. Balance at December 31, 2018	131,032,169.80	4,867,354.94	135,899,524.74

15. Long-term deferred expenses

Item	December 31, 2019	Additions	Amortization	June 30, 2020
Renovation of heat-supply related assets	18,647,324.02		4,569,680.15	14,077,643.87
Others	5,757,170.60		122,314.80	5,634,855.80
Decoration cost	1,499,696.96	144,755.68	144,755.68	1,499,696.96
Lease payment	26,985,960.79		2,962,465.98	24,023,494.81
Total	52,890,152.37	144,755.68	7,799,216.61	45,235,691.44

16. Deferred tax assets and deferred tax liabilities

Item	June 30, 2020		December 31, 2019	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Impairment provision for assets	22,944,670.32	5,736,167.58	22,944,670.32	5,736,167.58
Total	22,944,670.32	5,736,167.58	22,944,670.32	5,736,167.58

17. Short-term loans

Item	June 30, 2020	December 31, 2019
Guaranteed loans		28,270,000.00
Credit loans	885,000,000.00	745,000,000.00
Pledged loans	240,000,000.00	405,000,000.00
Total	1,125,000,000.00	1,178,270,000.00

18. Bills payable

Item	June 30, 2020	December 31, 2019
Bank acceptance bills	33,000,000.00	32,000,000.00
Total	33,000,000.00	32,000,000.00

19. Accounts payable

(1) Details of accounts payable

Item	June 30, 2020	December 31, 2019
Material payable	34,994,403.60	81,802,030.67
Gas payable	123,935,259.77	256,895,739.56
Others	100,302,870.12	182,011,727.54
Total	259,232,533.49	520,709,497.77

(2) Significant accounts payable with aging of more than 1 year

Item	June 30, 2020	Reason for unsettlement
Taian Agis Pipeline Engineering Co., Ltd.	18,291,177.20	Not yet settled
Shandong Agricultural University	14,541,857.46	Not yet settled
Shandong Guangsha Construction Group Co., Ltd.	7,895,063.15	Not yet settled
Chengdu Qianjia Technology Co., Ltd.	7,696,348.00	Not yet settled
Taian City congee shop construction and installation engineering company	5,371,903.88	Not yet settled
Total	53,796,349.69	/

20. Advances payment received

(1) Details of advances

Item	June 30, 2020	December 31, 2019
Advances for real estate projects	3,936,777,366.50	5,052,714,689.00

Item	June 30, 2020	December 31, 2019
Advances for construction	8,592,564.20	58,834,619.04
Advances for Gas	42,671,271.75	134,386,959.02
Advances for heating		254,887,211.93
Advances for water	294,701.26	928,118.73
Others	8,202,339.98	14,837,858.64
Total	3,996,538,243.69	5,516,589,456.36

(2) Significant advances from customers with aging of more than 1 year

Item	June 30, 2020	Reason for unsettlement
Advances for real estate projects(over 1 years)	2,355,898,809.00	Not yet settled
Taicheng Public Fire Protection Project	1,904,179.20	Not yet settled
Shandong Yijian Construction Co., Ltd. Hainan Branch	1,060,147.20	Not yet settled
Hainan Jichuang Industrial Co., Ltd	1,040,054.40	Not yet settled
Total	2,359,903,189.80	/

Note: More than 1 year advance payment received mainly refers to the project funds and house funds in advance, which have not been carried forward due to the long project period.

21. Employee benefits payable

(1) Overview

Item	December 31, 2019	Accruals	Payments	June 30, 2020
Short-term employee benefits	8,941,277.87	111,714,371.84	114,177,392.29	6,478,257.43
Post-employment benefits - defined contribution plans	1,068,280.39	17,963,739.31	18,053,558.00	978,461.69
Termination benefits				
Other benefits due within one year				
Total	10,009,558.26	129,678,111.15	132,230,950.29	7,456,719.12

(2) Short-term employee benefits

Item	December 31, 2019	Accruals	Payments	June 30, 2020
1. Salaries, bonus, allowances	5,135,986.48	80,747,343.36	83,111,002.68	2,772,327.16
2. Staff welfare	348,046.16	7,599,343.70	7,675,337.14	272,052.72
3. Social insurances	33,095.88	9,244,082.12	9,253,326.21	23,851.80
Including: Medical insurance	25,377.76	7,692,736.10	7,700,428.83	13,666.24
Work-related injury insurance	6,164.20	675,673.01	676,348.69	5,488.53
Maternity insurance	5,572.70	875,673.01	876,548.69	4,697.03
Others				
4. Housing fund	30,346.00	12,227,995.00	12,240,223.00	18,118.01
5. Labor union fees, staff and workers' education fee	3,393,803.35	1,895,607.66	1,897,503.27	3,391,907.74

Item	December 31, 2019	Accruals	Payments	June 30, 2020
6. Short-term paid absences				
7. Economic compensation for termination of labor contract				
8. Other short-term employee benefits				
Total	8,941,277.87	111,714,371.84	114,177,392.29	6,478,257.43

(3) Defined contribution plans

Item	December 31, 2019	Accruals	Payments	June 30, 2020
1. Basic pension insurance	1,003,060.95	17,210,768.20	17,296,822.04	917,007.11
2. Unemployment insurance	65,219.44	752,971.11	756,735.96	61,454.58
Total	1,068,280.39	17,963,739.31	18,053,558.00	978,461.69

22. Taxes payable

Item	June 30, 2020	December 31, 2019
Corporate income tax	88,355,269.75	55,632,721.77
Urban maintenance and construction tax	355,170.52	313,076.12
Property tax	37,381.03	1,108,141.06
Tax on the use of urban land	1,108,572.08	2,430,496.72
Individual income tax	59,949.97	399,675.84
Education surcharge	152,215.94	155,851.15
Local education surcharge	101,477.29	75,662.43
Resource tax	10,880.13	4,632,947.12
Value-added tax	5,073,864.64	2,536,932.32
Stamp duty	334,023.30	400,082.61
Others	557,914.98	328,185.28
Total	96,146,719.63	68,013,772.42

23. Other payable

(1) Overview

Item	June 30, 2020	December 31, 2019
Dividends payable	26,898,742.85	38,610,396.41
Other payables	4,261,672,044.28	4,119,106,847.64
Total	4,288,570,787.13	4,157,717,244.05

(2) Dividends payable

Item	June 30, 2020	December 31, 2019
Dividends for ordinary shares	26,898,742.85	38,610,396.41
Total	26,898,742.85	38,610,396.41

(3) Other payables

a. Other payables categorized by nature

Item	June 30, 2020	December 31, 2019
Transfers	2,990,876,742.60	2,897,129,045.85
Financial fund	764,972,049.58	747,719,026.35
Amounts for real estate projects	17,003,523.00	7,996,644.00
Deposits	51,091,380.25	30,568,342.69
Payables for collections on other behalf	57,464,430.44	64,006,265.02
Others	380,263,918.41	371,687,523.73
Total	4,261,672,044.28	4,119,106,847.64

b. Significant other payable with aging of more than 1 year

Item	June 30, 2020	Reason for unsettlement
Taian Taishan Finance & Investment group Co., Ltd	700,000,000.00	Note yet settled
Taian Taishan Urban and Rural Construction development Co., Ltd	544,518,449.66	Note yet settled
Taian Hengsheng Construction and Installation Engineering Company	380,000,000.00	Note yet settled
Taian City Dayue District Congee Shop Street Office	322,761,878.83	Note yet settled
Taian City Dayue District House Demolition Service Center	175,000,000.00	Note yet settled
Total	2,122,280,328.49	/

24. Non-current liabilities due within one year

Item	June 30, 2020	December 31, 2019
Long-term loans due within one year	1,067,990,000.00	1,067,990,000.00
Long-term payables due within one year	176,750,000.00	176,750,000.00
Total	1,244,740,000.00	1,244,740,000.00

25. Long-term loans

Item	June 30, 2020	December 31, 2019
Guaranteed loans	120,250,000.00	405,395,000.00
Credit loans	40,000,000.00	40,000,000.00
Total	160,250,000.00	445,395,000.00

26. Long-term payables

(1) Overview

Item	June 30, 2020	December 31, 2019
Long-term payables	1,414,153,938.85	1,724,919,435.10
Special accounts payable	48,025,901.30	393,525,952.66
Total	1,462,179,840.15	2,118,445,387.76

(2) Long-term payables

Item	June 30, 2020	December 31, 2019
Found of Penggai	541,150,000.00	541,150,000.00
Guosen Securities	400,000,000.00	400,000,000.00
Finance Lease Payment	150,803,938.85	211,569,435.10
Loan From Shareholders		250,000,000.00
Treasury Bonds	11,000,000.00	11,000,000.00
Land Reserve Bond Funds of the Management Committee	311,200,000.00	311,200,000.00
Total	322,200,000.00	1,724,919,435.10

(3) Special accounts payable

Item	December 31, 2019	Current year additions	Current year reductions	June 30, 2020	Reasons
Special Government Fund for Street of Banhe	9,100,000.00			9,100,000.00	Special Government Fund
Special Government Fund for Removal	1,688,451.60		10,363,004.01	1,688,451.60	Special Government Fund
Special Government Fund for Water and Heating	19,869,534.28		178,825,808.48	19,869,534.28	Special Government Fund
Special Government Fund for Construction	9,479,612.88		85,316,516.02	9,479,612.88	Special Government Fund
Special Government Fund the Construction Project of the Water Plant Around the Lake and the Water Diversion Project of the Colorful Landscape Reservoir	7,888,302.54		70,994,722.86	7,888,302.54	Special Government Fund
Total	393,525,952.66		345,500,051.37	48,025,901.30	

27. Deferred income

(1) Overview

Item	December 31, 2019	Current year additions	Current year reductions	June 30, 2020
Government Grants	1,970,877,707.67		93,542,557.60	1,877,335,150.08
Matching Fund for Tap Water	239,486,470.18		92,732,138.50	146,754,331.68
Total	2,210,364,177.85		186,274,696.10	2,024,089,481.76

(2) Details of government grants

Item	December 31, 2019	Current year additions	Addition by combination during the year	Recognition as non-operating income
130 Tons Boiler Government Subsidy	15,390,625.00			
Special Supporting Funds for Urban Infrastructure Construction	880,509,154.21			

Item	December 31, 2019	Current year additions	Addition by combination during the year	Recognition as non-operating income
Heating Facilities Construction Subsidies	14,244,906.37			
State Subsidy for Energy Conservation and Environmental Protection of Hot Water Boilers	342,333.46			
Incentive Funds for Energy-saving Renovation of Existing Buildings	46,764,858.30			
Heat Project Discount Interest Subsidy Funds	3,688,734.57			
Construction Fund of Guodian Network Pipe Network	67,916,666.57			
Special Fund for Ultra-low Emission of Flue Gas From Hot Water Boiler	2,500,000.00			
Funds for Air Pollution Prevention and Control	420,833.27			
The Government Allocates Water Supply Matching Fees	788,312,236.38			
Financial Return Water Surcharge	22,093,385.55			
Caishan Diversion Project	7,666,666.68			
Fire Protection Construction Fund	79,023,313.05			
Xiaoanmen Diversion Project	12,120,000.00			
Water Supply Facility Construction	14,000,000.00			
Daiyue District Ater Supply Network Improvement Project	2,933,333.32			
Shantytown Area Under the Security of Water Supply Projects	8,525,000.00			
Provincial Clean Heating Award Subsidy Funds	4,425,660.94			
Total	1,970,877,707.67			

(continued)

Item	Recognition as other income	Others	June 30, 2020	Asset-related or income-related government subsidies
130 Tons Boiler Government Subsidy	937,500.00		14,453,125.00	Asset-related
Special Supporting Funds for Urban Infrastructure Construction	39,380,688.46		841,128,465.75	Asset-related
Heating Facilities Construction Subsidies	580,999.98		13,663,906.39	Asset-related
State Subsidy for Energy Conservation and Environmental Protection of Hot Water Boilers	25,999.99		316,333.48	Asset-related
Incentive Funds for Energy-saving Renovation of Existing Buildings	3,114,850.02		43,650,008.28	Asset-related
Heat Project Discount Interest Subsidy Funds	144,656.22		3,544,078.35	Asset-related
Construction Fund of Guodian Network Pipe Network	2,500,000.02		65,416,666.55	Asset-related
Special Fund for Ultra-low Emission of Flue Gas From Hot Water Boiler	150,000.00		2,350,000.00	Asset-related

Item	Recognition as other income	Others	June 30, 2020	Asset-related or income-related government subsidies
Funds for Air Pollution Prevention and Control	25,000.02		395,833.25	Asset-related
The Government Allocates Water Supply Matching Fees	40,219,097.88		748,093,138.50	Asset-related
Financial Return Water Surcharge	1,006,648.44		21,086,737.11	income-related
Caishan Diversion Project	333,333.33		7,333,333.35	Asset-related
Fire Protection Construction Fund	3,080,815.55		75,942,497.50	income-related
Xiaonanmen Diversion Project	606,000.00		11,514,000.00	Asset-related
Water Supply Facility Construction	700,000.00		13,300,000.00	Asset-related
Daiyue District Ater Supply Network Improvement Project	133,333.34		2,799,999.98	Asset-related
Shantytown Area Under the Security of Water Supply Projects	310,000.00		8,215,000.00	Asset-related
Provincial Clean Heating Award Subsidy Funds	293,634.35		4,132,026.59	income-related
Total	93,542,557.60		1,877,335,150.08	

28. Paid-in capital

Investor	December 31, 2019	Current year additions	Current year reductions	June 30, 2020
Taian Taishan Investment Co., Ltd.	300,000,000.00			300,000,000.00
Total	300,000,000.00			300,000,000.00

29. Capital reserve

Item	December 31, 2019	additions	reductions	June 30, 2020
Capital premium	4,810,111,653.21			4,810,111,653.21
Other capital reserves	3,020,758,320.28			3,020,758,320.28
Total	7,830,869,973.49			7,830,869,973.49

30. Surplus reserve

Item	December 31, 2019	additions	reductions	June 30, 2020
Statutory surplus reserve	48,731,180.78			48,731,180.78
Total	48,731,180.78			48,731,180.78

31. Retained earnings

Item	June 30, 2020	December 31, 2019
Retained earnings at the beginning of the year (before adjustment)	521,171,259.14	409,019,507.71
Total adjustments for opening balance of retained earnings (“+” for increase; “-” for decrease)		
Retained earnings at beginning of the year (after adjustment)	521,171,259.14	409,019,507.71

Item	June 30, 2020	December 31, 2019
Add: Net profits for the year attributable to shareholders of the Company	25,241,286.39	129,104,994.14
Less: Appropriation for statutory surplus reserve		16,422,930.47
Appropriation for discretionary surplus reserve		
Appropriation for general reserve fund		
Common stock dividends		
Retained earnings at the beginning of the year (before adjustment)		
Add: Others		-530,312.24
Retained earnings at the end of the year	546,412,545.53	521,171,259.14

32. Operating income and operating costs

Item	2020		2019	
	Income	Cost	Income	Cost
Principal activities	2,602,318,805.54	2,328,976,848.40	1,370,133,596.48	1,240,105,009.80
Other operating activities	51,992,423.26	42,414,435.66	88,116,511.13	22,127,709.69
Total	2,654,311,228.80	2,371,391,284.06	1,458,250,107.61	1,262,232,719.49

33. Taxes and surcharge

Item	2020	2019
Urban maintenance and construction tax	9,781,415.45	4,194,764.93
Educational surcharge	4,247,045.23	1,821,347.48
Local educational surcharge	2,766,225.99	1,186,297.41
Local water conservancy construction fund	2,504,909.47	2,385,628.06
Property tax	1,661,263.52	1,582,155.73
Land use tax	3,441,644.99	3,277,757.13
Land value-added tax	8,919,558.30	3,825,157.06
Water resources tax	6,443,256.63	6,136,434.88
Stamp duty	3,705,486.20	1,589,099.62
Others	5,448,424.66	2,336,559.66
Total	48,919,230.44	28,335,201.96

34. Selling expenses

Item	2020	2019
Employee benefits expenses	5,438,333.58	4,531,944.65
Sales agency fee	12,938,206.14	7,188,552.34
Advertising expenses	3,115,992.25	3,739,190.70
Depreciation and amortization	839,193.87	837,178.53
Office expenses	212,875.14	791,059.87
Transportation fee	418,834.37	480,423.41

Item	2020	2019
Propaganda fee	329,948.05	288,286.88
Sales commission		250,629.85
Amortization of low-value consumables	70,311.67	67,062.72
Others	262,080.66	146,298.90
Total	23,625,775.73	18,320,627.85

35. General and administrative expenses

Item	2020	2019
Employee benefits expenses	68,857,895.60	59,251,325.44
Office expenses	611,703.63	4,722,354.99
Depreciation and amortization	6,490,337.59	4,631,813.60
Transportation expenses	1,470,157.25	1,237,025.32
Lease fee	4,319,397.25	1,070,936.63
amortization	3,381,884.97	1,064,641.18
Labor fee	1,738,621.39	1,034,562.86
Entertainment expenses	2,579,864.50	959,464.22
Agency expenses	771,958.53	925,834.66
Technical service fee	443,566.74	868,868.76
Utilities fee	335,740.63	764,857.68
Communications fee	21,136.00	726,915.67
Flame repairing fee	29,110.87	718,563.14
Audit fee	1,194,613.59	444,282.63
Security service charge	2,794,028.67	431,953.08
Travel and transportation expenses	875,903.00	418,044.46
Repairing expenses	547,829.45	284,436.90
Amortization of low-value consumables	245,505.04	232,911.90
Conference expenses	218,739.69	204,464.69
Others	5,828,349.12	5,623,846.73
Total	102,756,343.51	85,617,104.54

36. Finance expenses

Item	2020	2019
Interest expenses	68,340,835.52	149,101,602.19
Less: Interest income	2,218,242.67	21,528,651.73
Add: Bank charges	172,057.75	1,488,668.18
Net exchange losses/gains		-5,040,094.55
Total	66,294,650.60	124,021,524.09

37. Other income

Item	2020	2019
The financial subsidy for heating is amortized this year	37,864,059.80	34,044,868.78
Financial subsidies for water supply related projects are amortized this year	21,936,827.33	18,455,039.23
Others	4,381,098.34	27,190,549.17
Total	64,184,005.47	79,692,476.18

38. Non-operating income

Item	2020	2019
Gains or losses from disposal of non-current assets	59,544.01	25,866.77
Government grant	1,146,232.50	497,939.72
Physical count surplus	30,855,121.71	13,403,904.26
Others	188,604.41	81,932.44
Total	32,251,522.63	14,009,643.19

39. Non-operating expenses

Item	2020	2019
Losses from damage and scrap of non-current assets	2,386,542.33	3,404,798.89
Physical count deficit	110,836.52	158,126.70
Commonweal donation	152,623.24	217,742.39
Penalties and late fees	162,390.37	231,676.82
Project losses	323,959.02	462,181.33
Others	448,276.16	639,540.38
Total	3,584,627.64	5,114,066.51

40. Income tax expenses

Item	2020	2019
Current tax expenses for the year based on tax law and regulations	105,509,335.35	18,825,914.74
Changes in deferred tax assets/liabilities		
Total	105,509,335.35	18,825,914.74

41. Supplementary information on cash flow statement

(1) Supplement to cash flow statemen

Item	2020	2019
1. Reconciliation of net profit/loss to cash flows from operating activities:		
Net profit/loss	28,661,469.57	57,559,948.25
Add: Provisions for impairment of assets/(reversal)		
Depreciation of fixed assets and investment property	177,206,571.72	154,169,717.40
Amortization of intangible assets	3,381,884.97	2,942,239.92
Amortization of long-term deferred expenses	7,799,216.61	6,785,318.45

Losses from disposal of fixed assets, intangible assets, and other long-term assets ("-" for gains)	2,326,998.32	3,378,932.12
Losses from scrapping of fixed assets ("-" for gains)		
Losses from changes in fair value ("-" for gains)		
Financial expenses ("-" for income)	68,340,835.52	74,550,801.10
Losses arising from investment ("-" for gains)		
Decrease in deferred tax assets ("-" for increase)		
Increase in deferred tax liabilities ("-" for decrease)		
Decrease in gross inventories ("-" for increase)	1,057,878,428.74	-596,297,173.33
Decrease in operating receivables ("-" for increase)	-282,981,794.46	1,464,378,775.28
Increase in operating payables ("-" for decrease)	-2,981,166,722.11	-1,981,348,364.27
Others		
Net cash flows from operating activities	-1,918,553,111.12	-813,879,805.08
2. Investing and financing activities not requiring the use of cash:		
Amount of endorsement transfer of bank acceptance bills received from sales of goods / rendering of services		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Acquisition of fixed assets under finance leases		
3. Change in cash and cash equivalents:		
Cash at end of the year	1,162,614,622.35	998,658,131.02
Less: Cash at beginning of the year	2,922,953,044.32	1,137,528,198.06
Add: Cash equivalents at end of the year		
Less: Cash equivalents at beginning of the year		
Net increase/decrease in cash and cash equivalents	-1,760,338,421.97	-138,870,067.04

IX. Interest in other entities

1. Interests in subsidiaries

(1) Composition of the Group in 2019

Name of subsidiary	Principal place of business	Registration place	Business nature	Shareholding (%)		Voting proportion (%)
				Direct	Indirect	
Taian City Construction State-owned assets Management Co., Ltd	Shandong Taian	Shandong Taian	Real Estate	100.00		100.00%
Taian City Water Company	Shandong Taian	Shandong Taian	Living Water Supply	100.00		100.00%
Tai'an City Taishan Gas Group Co., Ltd	Shandong Taian	Shandong Taian	Gas Sale	57.48		57.48%
Tai'an City Taishan City Thermal Power Co., Ltd	Shandong Taian	Shandong Taian	Heating	100.00		100.00%

Tai'an City Hongze Property Management Co., Ltd	Shandong Taian	Shandong Taian	Property Management	60.00		60.00%
Tai'an City Hongze zhengda trading Co., Ltd	Shandong Taian	Shandong Taian	Sales	90.00		90.00%
Taian Hongze United Textile and Garment Co., Ltd	Shandong Taian	Shandong Taian	Rag trade	60.00		60.00%
Taian Hongze Sanjie Building Materials Co., Ltd	Shandong Taian	Shandong Taian	Building materials industry	55.79		55.79%
Tai'an City Hongze Real Estate Co., Ltd	Shandong Taian	Shandong Taian	Real estate development	100.00		100.00%
Taian City Taishan City construction Thermal Power Co., Ltd	Shandong Taian	Shandong Taian	Heating Operation	100.00		100.00%
Shandong Guanglian Engineering Project Management Co., Ltd	Shandong Taian	Shandong Taian	Project Cost Consultation and Evaluation	100.00		100.00%
Taian City Antong Water Supply Engineering Co., Ltd	Shandong Taian	Shandong Taian	Construction and Installation	100.00		100.00%
Taian City Taishan Mountain Xiquan Drinks Co., Ltd	Shandong Taian	Shandong Taian	Drinking Water Sales	100.00		100.00%
Taian City Dongyue Water Supply Engineering Design Institute	Shandong Taian	Shandong Taian	Engineering Design	100.00		100.00%
Taian Dai Dongtai Gas Co., Ltd	Shandong Taian	Shandong Taian	Gas Sale	66.67		66.67%
Taian Pacific Gas Equipment Installation Co., Ltd.	Shandong Taian	Shandong Taian	Gas Engineering Design and Installation	70.70		70.70%
Feicheng Tairan Natural Gas Co., Ltd.	Shandong Taian	Shandong Taian	Gas Supply	100.00		100.00%
Dongping Tairan Natural Gas Co., Ltd.	Shandong Dngping	Shandong Dngping	Natural Gas Supply and Sale	100.00		100.00%
Taian Lvneng Fuel Gas Complete Set Equipment Co., Ltd.	Shandong Taian	Shandong Taian	Instrument	100.00		100.00%
Taian Kaiyuan Heat Supply Co., Ltd.	Shandong Taian	Shandong Taian	Steam and Hot Water Supply	100.00		100.00%
Taian Taishan City Development Property Management Co., Ltd	Shandong Taian	Shandong Taian	Property Management	100.00		100.00%
Taian Taishan City Development Real Estate Co., Ltd	Shandong Taian	Shandong Taian	Real Estate	100.00		100.00%
Tai an Taishan City Development Landscaping Co., Ltd	Shandong Taian	Shandong Taian	Landscaping	100.00		100.00%

Tai'an Taishan City Development Industry and Trade Co., Ltd	Shandong Taian	Shandong Taian	Processing and Sales Trade	100.00		100.00%
Tai'an City city gas equipment installation Co., Ltd	Shandong Taian	Shandong Taian	Equipment Installation	100.00		100.00%
Taian Taishan Hong Kong and China Gas Company Limited	Shandong Taian	Shandong Taian	Natural Gas Supply and Sale	51.00		51.00%
Feicheng Hengyun Energy Utilization Co., Ltd	Shandong Taian	Shandong Taian	Investment and Construction of CNG Project	55.00		55.00%
Ningyang Ganghua Gas Co., Ltd	Shandong Taian	Shandong Taian	Piped Gas	70.00		70.00%
Taian Ganghua Gas Appliance Marketing Co., Ltd	Shandong Taian	Shandong Taian	Sales and Installation of Gas Appliances	100.00		100.00%
Tai'an City taigang gas Co., Ltd	Shandong Taian	Shandong Taian	Gas Business	51.00		51.00%
Feicheng Tai-Ran Changsheng New Energy Co., Ltd	Shandong Taian	Shandong Taian	Natural Gas, Liquefied Natural Gas	60.00		60.00%
Tai'an City kaiyuan shengshizhi garden department store co., Ltd	Shandong Taian	Shandong Taian	Wine&Food	100.00		100.00%
Tai'an City municipal public utilities industry development group Co., Ltd	Shandong Taian	Shandong Taian	Municipal Public Infrastructure Construction	100.00		100.00%
Taian Zhuojia Public Works Co., Ltd	Shandong Taian	Shandong Taian	Gas Utility Piping Installation	50.33		50.33%
Tai'an City shui yun property management Co., Ltd	Shandong Taian	Shandong Taian	Property Management	100.00		100.00%
Tai'an City yuding energy Co., Ltd	Shandong Taian	Shandong Taian	Gas Sales, Gas Installation	45.00		45.00%
Tai'an City ruicheng thermal engineering Co., Ltd	Shandong Taian	Shandong Taian	Heating	100.00		100.00%
Tai'an Taishan Pick mountain culture development Co. Ltd	Shandong Taian	Shandong Taian	Cultural Transmission	60.00		60.00%

2. Interests in joint ventures or associates

(1) Significant joint ventures or associates

Name	Principal place of business	Registration place	Business nature	Shareholding (%)		Voting proportion (%)
				Direct	Indirect	
Shandong Taishan Shengshi Cultural Real Estate Co. LTD	Shandong Taian	Shandong Taian	Real Estate	45.67		45.67
Tai'an Zhongyou Huaqi Natural Gas Utilization Co., Ltd.	Shandong Taian	Shandong Taian	Natural Gas Sale	49.00		49.00

X. Related parties and related party transactions

1. Information about the parent of the Company

Name	Registration address	Business nature	Shareholding %	Voting rights %
Tai'an Taishan Investment Co., Ltd.	Shandong Taian	Commercial Services	100.00	100.00

2. Information about the subsidiaries of the Company

For information about the subsidiaries of the Company, please refer to Note VIII. 1

3. Information about joint ventures and associates of the Company

For information about the significant joint ventures and associates of the Company, please refer to Note VIII.3.

XI. Events after the reporting period with non-adjusting events

None

XII. Other important events

None

XIII. Notes to the Company's financial statements

1. Other receivables

(1) Overview

Item	June 30, 2020	December 31, 2019
Interests receivable	73,313,107.96	73,313,107.96
Other receivables	3,316,187,202.90	1,835,870,867.86
Total	3,389,500,310.86	1,909,183,975.82

(2) Interests receivable

Item	June 30, 2020	December 31, 2019
Tai 'an Taishan Urban and Rural Construction development Co., Ltd.	73,313,107.96	73,313,107.96
Total	73,313,107.96	73,313,107.96

(3) Other receivables

a. Categories of other receivables

Item	June 30, 2020			
	Book value		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant and assessed for bad debt provision individually				

Item	June 30, 2020			
	Book value		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Group 1, collectively assessed for bad debt provision based on credit risk characteristics	1,785,022.83	0.01	1,661,822.83	93.10
Group 2, collectively assessed for bad debt provision based on related parties and government and institutions	3,311,893,380.07	99.99		
Individually insignificant but assessed for bad debt provision individually				
Total	3,316,187,202.90	100.00	1,661,822.83	93.10

(continued)

Item	December 31, 2019			
	Book value		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant and assessed for bad debt provision individually				
Group 1, collectively assessed for bad debt provision based on credit risk characteristics	2,035,902.83	0.03	1,661,822.83	81.63
Group 2, collectively assessed for bad debt provision based on related parties and government and institutions	3,314,151,300.07	99.97		
Individually insignificant but assessed for bad debt provision individually				
Total	3,316,187,202.90	100.00	1,661,822.83	81.63

b. Five largest other receivable by debtor at the end of the year

Name of entity	Nature	June 30, 2020	Proportion of total (%)	Closing balance of provision for bad and doubtful debts
Tai 'an Taishan Urban and Rural Construction Development Co., Ltd.	transfers	1,079,394,686.09	32.55	
Tai 'an Taishan City Development Real Estate Co., Ltd.	transfers	973,000,000.00	29.34	
Shandong Taishan Shengshi Cultural Real Estate Co., Ltd.	transfers	675,000,000.00	20.35	
Tai 'an Taishan City Development Landscaping Co., Ltd.	transfers	177,407,005.56	5.35	
Taicheng Key Project Construction Headquarters	transfers	91,550,000.00	2.76	
Total	/	2,996,351,691.65	90.35	/

2. Long-term equity investments

Item	June 30, 2020		
	Book value	Provision for impairment	Carrying amount
Investment in subsidiaries	219,965,199.57		219,965,199.57
Investment in joint ventures and associates	264,290,156.46		264,290,156.46
Total	484,255,356.03		484,255,356.03

(continued)

Item	December 31, 2019		
	Book value	Provision for impairment	Carrying amount
Investment in subsidiaries	170,965,199.57		170,965,199.57
Investment in joint ventures and associates	264,290,156.46		264,290,156.46
Total	435,255,356.03		435,255,356.03

(1) Investment in subsidiaries

Investee	December 31, 2019	Additional investments	Reduced investments	June 30, 2020
Tai'an City urban construction state-owned assets management Co., Ltd.	72,965,199.57			72,965,199.57
Tai'an Taishan City Development Real Estate Co., Ltd.	50,000,000.00	49,000,000.00		99,000,000.00
Tai'an Taishan Pick mountain culture development Co., Ltd.	48,000,000.00			48,000,000.00
Total	170,965,199.57	49,000,000.00		219,965,199.57

(2) Investment in joint ventures and associates

Investee	December 31, 2019	Changes during the year			
		Additional investments	Reduced investments	Investment income/loss recognized under equity method	Ajusted other comprehensive income
Tai'an Taishan Urban and Rural Construction development Co., Ltd.	91,240,000.00				
Tai'an City tong yu private capital management Co., Ltd.	173,050,156.46				
Total	264,290,156.46				

(continued)

Investee	Changes during the year				June 30, 2020	Balance of impairment provision at December 31, 2019
	Changes of other equity	Declared distribution of cash dividends or profits	Impairment provision	Other s		
Tai'an Taishan Urban and Rural Construction development Co., Ltd.					91,240,000.00	
Tai'an City tongyu private capital management Co., Ltd.					173,050,156.46	
Total					264,290,156.46	

Taian City Development and Investment Co., Ltd.

November 18, 2020

Taian City Development and Investment Co., Ltd.
For the year ended December 31, 2019 and 2018
Auditor's Report

Asia Pacific CPAs D-YZ (2020) No. 0003

Entrusted by: Taian City Development and Investment Co., Ltd.

Audit Firm: Asia Pacific (Group) Certified Public Accountants (Special
General Partnership)

Contact number: (86) 010 88312380

Fax: (86) 010 88312386

CONTENTS

I.	Independent Auditor's Report	1-3
II.	Audited financial statements	
1.	Consolidated Balance Sheet	4-5
2.	Company Balance Sheet	6-7
3.	Consolidated Statement of Income	8
4.	Company Statement of Income	9
5.	Consolidated Statement of Cash Flows	10
6.	Company Statement of Cash Flows	11
7.	Consolidated Statement of Changes in Equity	12-14
8.	Company Statement of Changes in Equity	15-17
9.	Notes to Financial Statements	18-119

INDEPENDENT AUDITOR'S REPORT

Asia Pacific CPAs D-YZ (2020) No. 0003

To the Members of Taian City Development and Investment Co., Ltd.:

I. Opinion

We have audited the financial statements of Taian City Development and Investment Co., Ltd. (hereinafter referred to as the Company), which comprise the consolidated and parent balance sheets as at December 31, 2019 and 2018, the consolidated and parent statements of income, the consolidated and parent statements of cash flows and the consolidated and parent statements of changes in equity for the year then ended, and a summary of significant accounting policies and related notes to the financial statements.

In our opinion the financial statements present fairly, in all material respects, the consolidated and parent financial position of the Company's as at December 31, 2019 and 2018, its financial performance and its cash flows for the year then ended in accordance with the requirements of the Accounting Standards for Business Enterprises (the "ASBE") by the Ministry of Finance of the People's Republic of China.

II. Basis for Opinion

We conducted our audit in accordance with the requirements of China Standards on Auditing for Certified Public Accountants (the "CSAs"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities of Certified Public Accountants for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the China Code of Ethics for Certified Public Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management of the Company (hereinafter referred to as "Management") is responsible for the preparation and fair presentation of the financial statements in accordance with the ASBE, and for the design, implementation and maintenance of such internal control as management determines is necessary to enable that the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 judgment 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 to comment on the effectiveness of internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on 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 audit 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 Group to express our audit opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit and we remain solely responsible for the audit opinion.

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

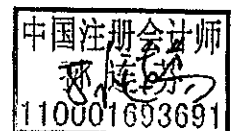


Beijing, PRC

Certified Public Accountants Registered
in the People's Republic of China:



Certified Public Accountants Registered
in the People's Republic of China:



November 18, 2020

Consolidated Balance Sheet

Prepared by: Taian City Development and Investment Co., Ltd.

(All amounts in RMB Yuan unless otherwise stated)

Item	Note	December 31, 2019	December 31, 2018	December 31, 2017
Current assets				
Cash at bank and on hand	VIII.1	2,940,340,848.67	1,138,040,698.06	1,485,423,352.23
Financial assets measured at fair value through profit or loss				
Derivative financial assets				
Bills receivable	VIII.2	20,611,017.96	27,682,191.59	
Accounts receivable	VIII.3	204,562,377.51	287,484,264.23	373,763,837.48
Prepayments	VIII.4	1,766,309,348.76	1,642,069,092.05	1,338,042,812.61
Other receivables	VIII.5	2,530,920,602.73	8,250,179,233.14	4,060,395,177.29
Inventories	VIII.6	13,367,494,239.63	3,710,414,889.58	2,132,888,670.91
Assets classified as held for sale				
Non-current assets due within one year				
Other current assets	VIII.7	501,897,565.50	509,419,162.20	235,046,012.91
Total current assets		21,332,136,000.76	15,565,289,530.85	9,625,559,863.43
Non-current assets				
Loan and payment on other's behalf disbursed				
Available-for-sale financial assets	VIII.8	144,437,327.46	142,206,980.83	142,206,980.83
Held-to-maturity investments				
Long-term receivables	VIII.9	261,240,963.80	321,240,963.80	381,240,963.80
Long-term equity investments	VIII.10	840,721,601.71	824,359,723.89	394,122,464.58
Investment property	VIII.11	23,568,853.23	26,106,465.27	28,254,799.63
Fixed assets	VIII.12	2,855,243,270.02	2,584,399,901.89	2,329,479,005.90
Construction in progress	VIII.13	983,433,851.32	5,333,685,531.40	5,011,571,954.11
Bearer biological assets				
Oil and gas assets				
Intangible assets	VIII.14	135,899,524.74	133,567,262.06	130,905,334.79
Development costs				
Goodwill				
Long-term deferred expenses	VIII.15	52,890,152.37	30,702,835.64	34,124,203.15
Deferred tax assets	VIII.16	5,736,167.58	7,823.43	8,110.82
Other non-current assets				
Total non-current assets		5,303,171,712.23	9,396,277,488.21	8,451,913,817.61
Total assets		26,635,307,712.99	24,961,567,019.06	18,077,473,681.04

Representative:

The person in charge of accounting affairs:

The head of the accounting department:

(承上页)

Consolidated Balance Sheet(continued)

Prepared by: Taian City Development and Investment Co., Ltd.

(All amounts in RMB Yuan unless otherwise stated)

Item	Note	December 31, 2019	December 31, 2018	December 31, 2017
Current liabilities				
Short-term loans	VIII.17	1,178,270,000.00	984,850,000.00	500,150,000.00
Financial liabilities measured at fair value through profit or loss				
Derivative financial liabilities				
Bills payable	VIII.18	32,000,000.00		
Accounts payable	VIII.19	520,709,497.77	502,593,218.90	798,851,233.98
Advance payment received	VIII.20	5,516,589,456.36	5,080,805,644.80	2,895,793,620.39
Employee benefits payable	VIII.21	10,009,558.26	9,828,967.77	7,219,256.70
Taxes payable	VIII.22	68,013,772.42	29,426,823.70	5,141,553.55
Other payable	VIII.23	4,157,717,244.05	4,866,726,635.92	6,905,359,835.06
Liabilities held for sale				
Non-current liabilities due within one year	VIII.24	1,244,740,000.00		
Other current liabilities				1,754,123,780.96
Total current liabilities		12,728,049,528.86	11,474,231,291.09	12,866,639,280.64
Non-current liabilities				
Long-term loans	VIII.25	445,395,000.00	1,489,100,000.00	784,800,000.00
Bonds payable				
Including: Preference Shares				
Perpetual bond				
Long-term payables	VIII.26	2,118,445,387.76	2,140,118,328.96	2,540,303,126.47
Estimated liabilities				
Deferred income	VIII.27	2,210,364,177.85	1,935,803,452.63	
Deferred tax liabilities				
Other non-current liabilities				
Total non-current liabilities		4,774,204,565.61	5,565,021,781.59	3,325,103,126.47
Total liabilities		17,502,254,094.47	17,039,253,072.68	16,191,742,407.11
Shareholders' equity				
Paid-in capital	VIII.28	300,000,000.00	300,000,000.00	300,000,000.00
Other equity instruments				
Including: Preferred stock				
Perpetual bond				
Capital reserve	VIII.29	7,830,869,973.49	6,794,829,973.49	833,004,705.84
Less: Treasury shares				
Other comprehensive income				
Specific reserve		4,567,623.53	7,198,314.46	5,230,685.41
Surplus reserve	VIII.30	48,731,180.78	32,308,250.31	32,047,773.05
Retained earnings	VIII.31	521,171,259.14	409,019,507.71	332,611,889.40
Total equity attributable to shareholders of the Company		8,705,340,036.94	7,543,356,045.97	1,502,895,053.70
Non-controlling interests		427,713,581.58	378,957,900.41	382,836,220.23
Total owners' equity		9,133,053,618.52	7,922,313,946.38	1,885,731,273.93
Total liabilities and shareholders' equity		26,635,307,712.99	24,961,567,019.06	18,077,473,681.04

Representative:

The person in charge of accounting affairs:

The head of the accounting:

Company Balance sheet

Prepared by: Taian City Development and Investment Co., Ltd.

(All amounts in RMB Yuan unless otherwise stated)

Item	Note	December 31, 2019	December 31, 2018	December 31, 2017
Current assets				
Cash at bank and on hand		1,061,001,768.30	159,406,446.77	198,277,308.49
Financial assets measured at fair value through profit or loss				
Derivative financial assets				
Bills receivable				
Accounts receivable				
Prepayments		7,617,100.00	7,617,100.00	7,617,100.00
Other receivables	XIV.1	1,909,183,975.82	5,271,798,402.81	2,765,196,229.05
Inventories		9,326,422,714.49		
Assets classified as held for sale				
Non-current assets due within one year				
Other current assets		2,704,743.19		
Total current assets		12,306,930,301.80	5,438,821,949.58	2,971,090,637.54
Non-current assets				
Available-for-sale financial assets				
Held-to-maturity investments				
Long-term receivables				
Long-term equity investments	XIV.2	435,255,356.03	370,354,536.60	366,318,247.20
Investment property				
Fixed assets		40,336.04	27,650.00	27,650.00
Construction in progress			4,625,661,099.44	4,441,779,670.78
Bearer biological assets				
Oil and gas assets				
Intangible assets				
Development costs				
Goodwill				
Long-term deferred expenses				
Deferred tax assets				
Other non-current assets				
Total non-current assets		435,295,692.07	4,996,043,286.04	4,808,125,567.98
Total assets		12,742,225,993.87	10,434,865,235.62	7,779,216,205.52

Representative:

The person in charge of accounting affairs:

The head of the accounting department:

(承上页)

Company Balance sheet(continued)

Prepared by: Taian City Development and Investment Co., Ltd.

(All amounts in RMB Yuan unless otherwise stated)

Item	Note	December 31, 2019	December 31, 2018	December 31, 2017
Current liabilities				
Short-term loans		450,000,000.00	300,000,000.00	
Financial liabilities measured at fair value through profit or loss				
Derivative financial liabilities				
Bills payable				
Accounts payable		25,291,564.61	39,581,607.32	310,187,387.77
Advance payment received				
Employee benefits payable				
Taxes payable		17,999,624.80	18,009,166.56	156,828.97
Other payable		1,639,147,292.32	1,102,856,254.29	4,591,935,348.62
Liabilities held for sale				
Non-current liabilities due within one year		705,000,000.00		
Other current liabilities				
Total current liabilities		2,837,438,481.73	1,460,447,028.17	4,902,279,565.36
Non-current liabilities				
Long-term loans		300,000,000.00	850,000,000.00	570,000,000.00
Bonds payable				
Including: Preference Shares				
Perpetual bond				
Long-term payables		956,246,128.90	676,146,128.90	878,460,043.90
Estimated liabilities				
Deferred income				
Deferred tax liabilities				
Other non-current liabilities				
Total non-current liabilities		1,256,246,128.90	1,526,146,128.90	1,448,460,043.90
Total liabilities		4,093,684,610.63	2,986,593,157.07	6,350,739,609.26
Shareholders' equity				
Paid-in capital		300,000,000.00	300,000,000.00	300,000,000.00
Other equity instruments				
Including: Preferred stock				
Perpetual bond				
Capital reserve		7,610,955,247.22	6,574,915,247.22	613,089,979.57
Less: Treasury shares				
Other comprehensive income				
Specific reserve				
Surplus reserve		48,731,180.78	32,308,250.31	32,047,773.05
Retained earnings		688,854,955.24	541,048,581.02	483,338,843.64
Total shareholders' equity		8,648,541,383.24	7,448,272,078.55	1,428,476,596.26
Total liabilities and shareholders' equity		12,742,225,993.87	10,434,865,235.62	7,779,216,205.52

Representative:

The person in charge of accounting affairs:

The head of the accounting department:

Consolidated Statement of Income

Prepared by: Talan City Development and Investment Co., Ltd.

(All amounts in RMB Yuan unless otherwise stated)

Item	Note	2019	2018	2017
I、Total operating income		4,926,172,755.38	2,228,462,702.56	2,276,401,162.19
Including: Operating income	VIII.32	4,926,172,755.38	2,228,462,702.56	2,276,401,162.19
II、Total operating cost		4,921,854,866.90	2,313,538,761.95	2,454,729,064.09
Including: Operating cost	VIII.32	4,385,258,949.86	1,969,892,863.94	1,982,251,868.95
Taxes and surcharge	VIII.33	78,669,352.27	31,673,123.76	7,278,391.50
Selling expenses	VIII.34	46,139,581.52	43,018,161.41	49,156,144.91
General and administrative expenses	VIII.35	287,765,459.16	281,088,619.21	258,935,704.54
Research and development expenses				
Finance expenses	VIII.36	124,021,524.09	-12,134,006.37	157,106,954.19
Including: Interest expenses		149,111,602.19	73,324,925.65	161,565,198.25
Interest income		21,528,651.73	86,341,836.79	7,484,478.11
Add: Other income	VIII.37	202,023,734.71	180,113,189.22	104,326,164.22
Investment income ("-" for losses)	VIII.38	26,837,039.57	10,127,424.42	23,156,861.27
Including: Income from investment in associated and joint ventures ("-" for losses)		19,595,848.93	9,595,176.12	5,752,373.32
Gain from fair value changes ("-" for losses)				
Assets impairment losses ("-" for losses)	VIII.39	-22,944,670.33	419,415.22	-28,869,540.80
Gain from disposal of assets ("-" for losses)	VIII.40	572,498.05	14,116,047.18	
III、Operating profit ("-" for losses)		210,806,490.48	119,700,016.65	-79,714,417.21
Add: Non-operating income	VIII.41	23,394,434.66	11,671,208.70	33,878,180.66
Less: Non-operating expenses	VIII.42	20,727,032.76	12,130,630.45	10,746,526.19
IV、Total profit ("-" for losses)		213,473,892.38	119,240,594.90	-56,582,762.74
Less: Income tax expenses	VIII.43	66,875,228.45	38,548,963.79	34,144,373.41
V、Net profit ("-" for losses)		146,598,663.93	80,691,631.11	-90,727,136.15
(I) Net profit classified by continued of operation				
1、Net profit from continuing operations		146,598,663.93	80,691,631.11	-90,727,136.15
2、Net profit from discontinued operations				
(II) Net profit classified by ownership ("-" for net loss)				
1、Net profit from attributable to owners of the company		129,104,994.14	66,223,627.65	-130,267,667.91
2、Non-controlling losses		17,493,669.79	14,468,003.46	39,540,531.76
VI、Other comprehensive income, net of tax		-	-	-
(1) Other comprehensive income (net of tax) attributable to shareholders of the Company		-	-	-
1. Items that will not be reclassified to profit or loss		-	-	-
(1) Changes of remeasurement in defined benefit plan				
(2) Other comprehensive income that cannot be reclassified to profit or loss under the equity method				
(3) Others				
2. Items that may be reclassified to profit or loss		-	-	-
(1) Share of other comprehensive income of the equity method investments				
(2) Gains or losses arising from changes in fair value of value of available-for-sale financial assets				
(3) Gains or losses arising from reclassification of held-to-maturity investments to available-for-sale financial assets				
(4) Net fair value gains (losses) on hedging instruments entered into for cash flow hedges				
(5) Translation differences arising from transaction of foreign currency financial statements				
(6) Others				
(11) Other comprehensive income (net of tax) attributable to non-controlling interests				
VII、Total comprehensive income for the year		146,598,663.93	80,691,631.11	-90,727,136.15
(1) Attributable to shareholders of the company		129,104,994.14	66,223,627.65	-130,267,667.91
(11) Attributable to non-controlling interests		17,493,669.79	14,468,003.46	39,540,531.76
VIII、Earning per share				
(1) Basic earning per share				
(11) Diluted earning pershare				

Representative:

The person in charge of accounting affairs:

The head of the accounting:

Company Statement of Cash Flows

Prepared by: Taian City Development and Investment Co., Ltd.

(All amounts in RMB Yuan unless otherwise stated)

Item	Note	2019	2018	2017
I. Operating income		912,780,484.41	-	
Less: Operating cost		749,061,850.17	-	
Taxes and surcharge		606,931.48	220,577.78	
Selling and distribution expenses		-	-	
General and administrative expenses		3,562,054.89	874,186.23	1,991,892.00
Research and development expenses		-	-	
Finance expenses		13,072,774.48	-70,775,865.19	142,017.94
Including: Interest expenses		12,755,831.08	3,947,954.34	
Interest income			73,313,107.96	
Add: Other income				
Investment income ("-" for losses)		16,900,819.43	4,036,289.40	3,591,406.12
Including: Income from investment in associated and joint ventures("-" for losses)		16,900,819.43	4,036,289.40	
Gain from fair value changes("-" for losses)				
Assets impairment losses("-" for losses)		397,067.44	90,927.41	-884,738.01
Gain from disposal of assets("-" for losses)				
II. Operating profit("-" for losses)		163,774,760.26	73,808,317.99	572,758.17
Add: Non-operating income		455,344.43	2,109,562.60	2,154,747.11
Less: Non-operating expenses		800.00		198,665.87
III. Total profit ("-" for losses)		164,229,304.69	75,917,880.59	2,528,839.41
Less: Income tax expenses			17,947,665.95	
IV. Net profit("-" for losses)		164,229,304.69	57,970,214.64	2,528,839.41
(I) Net profit classified by continued of operation ("-"for net loss)		164,229,304.69	57,970,214.64	2,528,839.41
(II) Net profit classified by discontinued operations ("-"for net loss)				
V. Other comprehensive income, net of tax		-	-	-
(1) Items that will not be reclassified to profit or loss		-	-	-
(1) Changes of remeasurement in defined benefit plan				
(2) Other comprehensive income that cannot be reclassified to profit or loss under the equity method				
(3) Others				
(II) Items that may be reclassified to profit or loss		-		-
(1) Share of other comprehensive income of the equity method investments				
(2) Gains or losses arising from changes in fair value of value of available-for-sale financial assets				
(3) Gains or losses arising from reclassification of held-to-maturity investments to available -for-sale financial assets				
(4) Net fair value gains (losses) on hedging instruments entered into for cash flow hedges				
(5) Translation differences arising from transaction of foreign currency financial statements				
(6) Others				
VI. Total comprehensive income for the year		164,229,304.69	57,970,214.64	2,528,839.41

Representative:

The person in charge of accounting affairs:

The head of the accounting department:

Consolidated Statement of Cash Flows

Prepared by: **Talan City Development and Investment Co., Ltd.**

(All amounts in RMB Yuan unless otherwise stated)

Item	Note	2019	2018	2017
I. Cash flows from operating activities				
Proceeds from sale of goods and rendering of services		6,078,188,676.08	4,872,009,752.22	4,713,142,129.86
Refund of taxes and surcharges		57,019,589.11	1,943,812.37	10,662,298.35
Proceeds from other operating activities		6,227,116,678.36	2,644,644,272.76	1,992,407,225.57
Sub-total of cash inflows from operating activities		12,362,324,943.55	7,518,597,837.35	6,716,211,653.78
Payment for goods and services		5,810,477,977.14	2,945,138,696.49	3,742,434,454.10
Payment to and for employment		340,073,597.76	276,908,379.87	287,451,419.34
Payment of various taxes		408,126,727.60	249,887,640.16	279,534,623.43
Payment for other operating activities		4,587,640,638.60	5,217,311,943.42	1,605,975,312.50
Sub-total of cash outflows in operating activities		11,146,318,941.10	8,689,246,659.94	5,915,395,809.37
Net cash flows from operating activities	VIII.44	1,216,006,002.45	-1,170,648,822.59	800,815,844.41
II. Cash flows from investing activities				
Proceeds from disposal of investments		2,143,256.06		
Investment returns received		4,609,274.11		
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets		443,993.36	13,388,800.40	886,364.68
Net proceeds from disposal of subsidiaries and other business units			285,309,787.75	
Proceeds from other investing activities			131,209,386.61	716,110,024.30
Sub-total cash inflows from investing activities		7,196,523.53	429,907,974.76	716,996,388.98
Payment for acquisition of fixed assets, intangible assets and other long-term assets		551,780,194.13	294,252,877.75	973,489,422.46
Payment for acquisition of investments		3,000,000.00	174,012,515.00	35,226,700.00
Payment for acquisition of subsidiaries and other business units			40,250,000.00	546,500,000.00
Payment for other investing activities		17,387,804.35		18,012,264.96
Sub-total of cash outflows in investing activities		572,167,998.48	508,515,392.75	1,573,228,387.42
Net cash flows from Investing activities		-564,971,474.95	-78,607,417.99	-856,231,998.44
III. Cash flows from financing activities				
Proceeds from investors		1,102,340,000.00	7,000,000.00	595,915,693.00
Including: Cash received from minority shareholders of subsidiaries		66,300,000.00	-	
Proceeds from borrowing		3,612,438,819.56	2,440,960,000.00	2,534,944,622.86
Proceeds from other financing activities		6,000,308.87	60,000,000.00	6,214,813.71
Sub-total of cash inflows from financing activities		4,720,779,128.43	2,507,960,000.00	3,137,075,129.57
Repayments of borrowings		3,217,973,819.56	1,251,960,000.00	2,066,287,269.17
Payments of dividends, profits distributions or interest		368,414,990.11	354,412,413.59	316,009,317.13
Including: Payments for dividends or profit to non-controlling interests of subsidiaries				
Payments for other financing activities				779,931,374.85
Sub-total of cash outflows		3,586,388,809.67	1,606,372,413.59	3,162,227,961.15
Net cash flows from financing activities		1,134,390,318.76	901,587,586.41	-25,152,831.58
IV. Effect of foreign exchange rate changes on cash and cash equivalents				
V. Net increase in cash and cash equivalents	VIII.44	1,785,424,846.26	-347,668,654.17	-80,568,985.61
Add: Cash and cash equivalents at the beginning of the year	VIII.44	1,137,528,198.06	1,485,196,852.23	1,565,765,837.84
VI. Cash and cash equivalents at the end of the year	VIII.44	2,922,953,044.32	1,137,528,198.06	1,485,196,852.23

Representative:

The person in charge of accounting affairs:

The head of the accounting:

Company Statement of Cash Flows

Prepared by: Taian City Development and Investment Co.,

(All amounts in RMB Yuan unless otherwise stated)

Item	Note	2019	2018	2017
I. Cash flows from operating activities				
Proceeds from sale of goods and rendering of services		779,057,562.75		
Refund of taxes and surcharges				
Proceeds from other operating activities		5,163,712,584.61	5,247,970,880.61	870,333,811.81
Sub-total of cash inflows from operating activities		5,942,770,147.36	5,247,970,880.61	870,333,811.81
Payment for goods and services		887,590,157.44		
Payment to and for employment				
Payment of various taxes		11,937,456.05	240,035.20	
Payment for other operating activities		5,381,615,722.06	5,430,359,425.70	1,280,684,594.53
Sub-total of cash outflows in operating activities		6,281,143,335.55	5,430,599,460.90	1,280,684,594.53
Net cash flows from operating activities		-338,373,188.19	-182,628,580.29	-410,350,782.72
II. Cash flows from investing activities				
Proceeds from disposal of investments				
Investment returns received				
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets				
Net proceeds from disposal of subsidiaries and other business units				
Proceeds from other investing activities				
Sub-total cash inflows from investing activities		-	-	-
Payment for acquisition of fixed assets, intangible assets and other long-term assets		16,651.00	183,881,428.66	356,764,651.49
Payment for acquisition of investments				
Payment for acquisition of subsidiaries and other business units		48,000,000.00		
Payment for other investing activities				
Sub-total of cash outflows in investing activities		48,016,651.00	183,881,428.66	356,764,651.49
Net cash flows from investing activities		-48,016,651.00	-183,881,428.66	-356,764,651.49
III. Cash flows from financing activities				
Proceeds from investors		1,036,040,000.00		
Proceeds from borrowing		961,200,000.00	580,000,000.00	570,000,000.00
Proceeds from other financing activities				
Sub-total of cash inflows from financing activities		1,997,240,000.00	580,000,000.00	570,000,000.00
Repayments of borrowings		376,100,000.00	252,360,852.77	250,000,000.00
Payments of dividends, profits distributions or interest		333,154,839.28		
Payments for other financing activities				52,850,000.00
Sub-total of cash outflows		709,254,839.28	252,360,852.77	302,850,000.00
Net cash flows from financing activities		1,287,985,160.72	327,639,147.23	267,150,000.00
IV. Effect of foreign exchange rate changes on cash and cash equivalents				
V. Net increase in cash and cash equivalents		901,595,321.53	-38,870,861.72	-499,965,434.21
Add: Cash and cash equivalents at the beginning of the year		159,406,446.77	198,277,308.49	698,242,742.70
VI. Cash and cash equivalents at the end of the year		1,061,001,768.30	159,406,446.77	198,277,308.49

Representative: The person in charge of accounting affairs: The head of the accounting department:

Consolidated Statements of Changes In Equity

(All amounts in RMB Yuan unless otherwise stated)

Prepared by: Taian City Development and Investment Co., Ltd.

2019														
Item		Attributable to shareholders of the company												
		Other equity instruments				Capital reserve	Less: Treasury shares	Other comprehensive income	Specific reserve	Surplus reserve	Retained earnings	Non-controlling interest	Sub-total	
		Preference Shares	Perpetual bond	Others										
Paid-in capital														
1. Balance at the beginning of the year		300,000,000.00	-	-	-	6,794,829,973.49	-	-	7,198,314.46	32,308,250.31	408,019,507.71	378,957,908.41	7,922,313,946.38	
Add: changes in accounting policies														
Correction of prior period errors														
Business combination involving enterprises under common control														
Others														
II. Balance at the beginning of the year		300,000,000.00	-	-	-	6,794,829,973.49	-	-	7,198,314.46	32,308,250.31	408,019,507.71	378,957,908.41	7,922,313,946.38	
III. Changes in equity during the year ("+" for increase)						1,036,048,000.00	-	-	-2,630,698.93	16,422,930.47	112,151,751.43	48,755,581.17	1,210,729,672.14	
(I) Total comprehensive income														
(1) Contribution by owners						1,036,048,000.00								
1. Contribution by ordinary shareholders						48,000,000.00						34,300,000.00	1,070,340,000.00	
2. Other equity holders' contribution														
3. Increase in shareholders' equity resulted from share-based payments														
4. Others						988,048,000.00							988,048,000.00	
(III) Appropriation of profits														
1. Appropriation for surplus reserves										16,422,930.47	-16,953,242.71	-509,515.68	-1,039,827.92	
2. Accrual of general risk reserve										16,422,930.47	-16,422,930.47			
3. Distributions to shareholders														
4. Others														
(IV) Transfer within equity														
1. Share capital increased by capital reserves transfer														
2. Share capital increased by surplus reserve transfer														
3. Transfer of surplus reserve to offset losses														
4. Retained earnings transferred from movements of defined benefit plan														
5. Other comprehensive income transferred to retained earnings														
6. Others														
(V) Specific reserve														
1. Appropriation during the year										-2,630,698.93	-	-2,578,472.94	-5,159,163.87	
2. Utilisation during the year										3,565,998.38	2,793,562.29	6,369,560.67		
(VI) Others										6,196,689.31	5,232,035.23	11,438,724.54		
IV. Balance at the end of the year		300,000,000.00	-	-	-	7,830,869,973.49	-	-	4,567,623.53	48,731,180.78	521,171,259.14	427,713,581.58	9,130,063,618.52	

The person in charge of accounting affairs: _____

The head of the accounting: _____

Consolidated Statements of Changes In Equity(continued)

2018									
Item	Attributable to shareholders of the company							Non-controlling interest	Sub-total
	Paid-in capital	Other equity instruments		Capital reserve	Less: Treasury shares	Other comprehensive income	Specific reserve	Surplus reserve	Retained earnings
		Preference Shares	Perpetual bond						
I. Balance at the beginning of the year	300,000,000.00			833,004,705.84			5,230,685.41	32,047,773.05	332,611,889.40
Add: changes in accounting policies									
Correction of prior period errors									
Business combination involving enterprises under common control									
Others									
II. Balance at the beginning of the year	300,000,000.00	-	-	833,004,705.84	-	-	5,230,685.41	32,047,773.05	332,611,889.40
III. Changes in equity during the year ("+" for increase)		-	-	5,961,825,267.65	-	-	1,967,629.05	260,477.26	76,407,618.31
(I) Total comprehensive income									
(II) Contribution by owners		-	-	5,961,825,267.65	-	-			66,223,627.65
1. Contribution by ordinary shareholders				4,718,841,006.12					10,444,467.92
2. Other equity holders' contribution									
3. Increase in shareholders' equity resulted from share-based payments									
4. Others				1,242,984,181.53					
(III) Appropriation of profits		-	-		-	-			
1. Appropriation for surplus reserves								260,477.26	10,444,467.92
2. Accrual of general risk reserve									
3. Distributions to shareholders									
4. Others									
(IV) Transfer within equity		-	-		-	-			
1. Share capital increased by capital reserves transfer									
2. Share capital increased by surplus reserve transfer									
3. Transfer of surplus reserve to offset losses									
4. Retained earnings transferred from movements of defined benefit plan									
5. Other comprehensive income transferred to retained earnings									
6. Others									
(V) Specific reserve		-	-		-	-	1,967,629.05		
1. Appropriation during the year							4,538,924.59		
2. Utilization during the year							2,571,295.54		
(VI) Others									
IV. Balance at the end of the year	300,000,000.00	-	-	6,794,829,973.49	-	-	7,198,314.46	32,308,250.31	409,019,507.71

The person in charge of accounting affairs:

The head of the accounting:

Prepared by: Taian City Development and Investment Co., Ltd.

amounts in RMB Yuan unless otherwise stated)

Consolidated Statements of Changes In Equity(continued)

2017												
Item	Attributable to shareholders of the company										Non-controlling interest	Sub-total
	Paid-in capital	Other equity instruments		Capital reserve	Less: Treasury shares	Other comprehensive income	Specific reserve	Surplus reserve	Retained earnings			
		Preference Shares	Perpetual bond							Others		
1. Balance at the beginning of the year	300,000,000.00			836,020,885.84				32,047,773.05	459,391,408.18	279,980,771.99	1,897,440,839.06	
Add: changes in accounting policies												
Correction of prior period errors												
Business combination involving enterprises under common control												
Others												
11. Balance at the beginning of the year	300,000,000.00			836,020,885.84				32,047,773.05	459,391,408.18	279,980,771.99	1,897,440,839.06	
III. Changes in equity during the year ("-" for decrease)												
(I) Total comprehensive income												
(II) Contribution by owners												
1. Contribution by ordinary shareholders												
2. Other equity holders' contribution												
3. Increase in shareholders' equity resulted from share-based payments												
4. Others												
(III) Appropriation of profits												
1. Appropriation for surplus reserves												
2. Aetual of general risk reserve												
3. Distributions to shareholders												
4. Others												
(IV) Transfer within equity												
1. Share capital increased by capital reserves transfer												
2. Share capital increased by surplus reserve transfer												
3. Transfer of surplus reserve to offset losses												
4. Retained earning transferred from movements of defined benefit plan												
5. Other comprehensive income transferred to retained earning												
6. Others												
(V) Specific reserve												
1. Appropriation during the year												
2. Utilisation during the year												
(VI) Others												
IV. Balance at the end of the year	300,000,000.00			833,004,705.84				32,047,773.05	332,611,889.40	382,836,720.23	1,885,731,273.93	

Prepared by: Taian City Development and Investment Co., Ltd.

(All amounts in RMB Yuan unless otherwise stated)

The person in charge of accounting affairs:
Representative(s):

The head of the accounting:

The head of the accounting:

The person in charge of accounting affairs:

Representative:

Company Statement of Changes in Equity

Prepared by: Talen City Development and Investment Co., Ltd.

(All amounts in RMB Yuan unless otherwise stated)

Item	2019						
	Paid-in capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income
		Preference Shares	Perpetual bond	Others			
I. Balance at the beginning of the year	300,000,000.00	-	-	-	6,574,915,247.22	-	-
Add: changes in accounting policies							
Correction of prior period errors							
Others							
II. Balance at the beginning of the year	300,000,000.00	-	-	-	6,574,915,247.22	-	-
III. Changes in equity during the year ("+" for increase)							
(I) Total comprehensive income	-	-	-	-	1,036,040,000.00	-	-
(II) Contribution by owners	-	-	-	-	1,036,040,000.00	-	-
1. Contribution by ordinary shareholders					48,000,000.00		
2. Other equity holders' contribution							
3. Increase in shareholders' equity resulted from share-based payments							
4. Others					988,040,000.00		
(III) Appropriation of profits	-	-	-	-	-	-	-
1. Appropriation for surplus reserves							
2. Accrual of general risk reserve							
3. Distributions to shareholders							
4. Others							
(IV) Transfer within equity	-	-	-	-	-	-	-
1. Share capital increased by capital reserves transfer							
2. Share capital increased by surplus reserve transfer							
3. Transfer of surplus reserve to offset losses							
4. Retained earnings transferred from movements of defined benefit plan							
5. Others							
(V) Specific reserve	-	-	-	-	-	-	-
1. Appropriation during the year							
2. Utilisation during the year							
(VI) Others							
IV. Balance at the end of the year	300,000,000.00	-	-	-	7,610,955,247.22	-	-

Representative: _____ The person in charge of accounting affairs: _____ The head of the accounting department: _____

Company Statement of Changes in Equity(continued)

(All amounts in RMB Yuan unless otherwise stated)

项 目	2018						
	Paid-in capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income
		Preference Shares	Perpetual bond	Others			
I. Balance at the beginning of the year	300,000,000.00				613,089,979.57		
Add: changes in accounting policies							
Correction of prior period errors							
Others							
II. Balance at the beginning of the year	300,000,000.00				613,089,979.57		
III. Changes in equity during the year ("-" for decrease)							
(I) Total comprehensive income							
(II) Contribution by owners					5,961,825,267.65		
1. Contribution by ordinary shareholders					5,961,825,267.65		
2. Other equity holders' contribution					4,718,541,086.12		
3. Increase in shareholders' equity resulted from share-based payments							
4. Others					1,242,984,181.53		
(III) Appropriation of profits							
1. Appropriation for surplus reserves							
2. Accrual of general risk reserve							
3. Distributions to shareholders							
4. Others							
(IV) Transfer within equity							
1. Share capital increased by capital reserves transfer							
2. Share capital increased by surplus reserve transfer							
3. Transfer of surplus reserve to offset losses							
4. Retained earning transferred from movements of defined benefit plan							
5. Others							
(V) Specific reserve							
1. Appropriation during the year							
2. Utilisation during the year							
(VI) Others							
IV. Balance at the end of the year	300,000,000.00				6,574,915,247.22		

Representative: _____ The person in charge of accounting affairs: _____ The head of the accounting department: _____

Company Statement of Changes in Equity(continued)

Item	2017										
	Paid-in capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Specific reserve	Surplus reserve	Retained earnings	Sub-total
		Preference Shares	Perpetual bond	Others							
I. Balance at the beginning of the year	300,000,000.00				613,089,979.57				32,047,773.05	480,810,004.23	1,425,947,756.85
Add: changes in accounting policies											-
Correction of prior period errors											-
Others											-
II. Balance at the beginning of the year	300,000,000.00				613,089,979.57				32,047,773.05	480,810,004.23	1,425,947,756.85
III. Changes in equity during the year ("+"for increase)										2,528,839.41	2,528,839.41
(I) Total comprehensive income										2,528,839.41	2,528,839.41
(II) Contribution by owners											-
1. Contribution by ordinary shareholders											-
2. Other equity holders' contribution											-
3. Increase in shareholders' equity resulted from share-based payments											-
4. Others											-
(III) Appropriation of profits											-
1. Appropriation for surplus reserves											-
2. Accrual of general risk reserve											-
3. Distributions to shareholders											-
4. Others											-
(IV) Transfer within equity											-
1. Share capital increased by capital reserves transfer											-
2. Share capital increased by surplus reserve transfer											-
3. Transfer of surplus reserve to offset losses											-
4. Retained earning transferred from movements of defined benefit plan											-
5. Others											-
(V) Specific reserve											-
1. Appropriation during the year											-
2. Utilisation during the year											-
(VI) Others											-
IV. Balance at the end of the year	300,000,000.00				613,089,979.57				32,047,773.05	483,338,843.64	1,428,476,596.26

The head of the accounting department:

The person in charge of accounting affairs:

Representative:

Taian City Development and Investment Co., Ltd.

Notes to the Financial Statements

For the year ended December 31, 2019 and 2018

(All amounts in RMB Yuan unless otherwise stated)

I. COMPANY STATUS

Taian City Development and Investment Co., Ltd. (hereinafter referred to as the Company) is established by Tai'an Taishan Investment Co., Ltd. on December 24, 2008 by way of cash contribution. The Company is approved for registration by the Administration for Industry and Commerce of Taian Municipality, and a business license added with a uniform social credit code for enterprise as legal person with registration number of 91370900683223480K is issued for it. Its legal representative is Huang Dong Xin, its registered capital is RMB300 million, and the registered address of the Company is at Business A12, Huanhu West Road, Tourism Economy Development Zone, Taian City Daiyue District, Shandong Province.

The Company and its subsidiaries are mainly engaged in Urban infrastructure, and Investment in municipal public utilities projects, Authorized operation of state assets, management and capital operation, property development and management, Construction machinery, Sales of construction materials (need requirement license) .

These financial statements were approved for issuance by the general manager's office meeting of the Company through its resolution on November 18, 2020. .

II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

Please refer to NOTE X "Interest in subsidiary".

III. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared on the going concern basis, and based on actual transactions and events, in accordance with the requirements of Accounting Standards for Business Enterprises or referred to as China Accounting Standards ("CAS") issued by the Ministry of Finance, its application guide, interpretation and other regulations (collectively referred to as the "Accounting Standards for Business Enterprises"). These financial statements also comply with the disclosure requirements of "Regulation on the Preparation of Information Disclosures by Companies Issuing

Securities, No. 15: General Requirements for Financial Reports” as revised by the China Securities Regulatory Commission (“CSRC”).

IV. STATEMENT OF COMPLIANCE WITH THE ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

These financial statements present truly and completely the consolidated financial position and financial position of the Company as at December 31, 2019, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Company for the year then ended.

The Company adopts the accrual basis of accounting. Except for certain financial instruments, the financial statements are prepared under the historical cost convention. In case of asset impairment, impairment provision is accrued in accordance with relevant regulations.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Accounting period

The accounting period of the Company is from January 1 to December 31.

2. Functional currency

Renminbi ("RMB") is the currency of the economic environment in which the Company and its subsidiaries operate. Therefore, the Company and its subsidiaries choose RMB as their functional currency, and the Company adopts RMB to prepare its financial statements.

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

(1) Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The combination date is the date on which one combining entity obtains control of other combining entities.

The assets acquired and liabilities assumed are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date. In case of inconsistency between the accounting policies adopted by the acquiree and those of the Company, the acquirer makes necessary adjustments of the financial statements based on the Company's accounting policies, and confirm as per the carrying amount basing on this after the adjustment.

The difference between the carrying amount of the net assets acquired and the consideration paid for the combination (or the total par value of shares issued) is adjusted against share premium in the capital reserve, with any excess adjusted against retained earnings.

Any costs directly attributable to the combination are recognised in profit or loss when incurred.

The fees and commissions incurred from issuance of equity securities for the business combination are a direct deduction of the premium income of equity securities. If the premium income of equity securities is not sufficient for the deduction, the remaining balance is adjusted against retained earnings.

For the business combinations under common control impletemed by step-by-step's multiple transactions, if it is a package deal, the Company will account the transactions as those for obtaining control right. If it is not a package deal, it will be accounted for as per the following steps on the date that the control right is obtained:

Recognition method of initial investment cost for long-term equity investments acquired through a business combination under common control: The initial investment cost shall be recognized according to the acquirer's interest in the carrying amount of the acquiree's net assets on the financial statements of the ultimate controller at the combination date.

a. The difference between the initial investment cost of long-term equity investments and the aggregate of the carrying amount of long-term equity investments before combination and the carrying amount of the additional consideration paid for acquiring further share at the combination date is treated as an adjustment to capital surplus. If the capital surplus is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings

b. With respect to the equity investments held before the date of combination, its other comprehensive income recognized under equity method or under the recognition and measurement standard for financial instruments will not be accounted for until on the same basis as for the investee's disposal of related assets or liabilities directly. The other changes on the owners' equity other than net profit or loss, other comprehensive income and profits for distribution in the net assets of the investee recognized using equity method will not be accounted, till they are transferred to profit or loss for the current period when such investment is disposed. In them, if the remaining equity after disposal is recognized using cost method or equity method, the other comprehensive income and other owners' equity shall be carried over proportionally. And if the remaining equity is changed to be accounted for under the recognition and measurement standard for financial

instruments, the other comprehensive income and other owners' equity shall be carried over totally.

c. Accounting treatments for a business combination refer to Note IV 6.

(2) Business combinations involving enterprises not under common control

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

Where (1) the aggregate of the acquisition-date fair value of assets transferred (including the acquirer's previously held equity interest in the acquiree), liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree, exceeds (2) the acquirer's interest in the acquisition-date fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill. If (1) is less than (2), the difference is recognised in profit or loss for the current period. Other acquisition-related costs are expensed when incurred. The acquiree's identifiable asset, liabilities and contingent liabilities, if the recognition criteria are met, are recognised by the Group at their acquisition-date fair value. The acquisition date is the date on which the acquirer obtains control of the acquiree.

When the economic benefits brought by the other assets (not only be limited to the originally recognized assets of the acquiree) other than intangible assets acquired from the acquiree in the business combination may flow into the Company and their fair value can be measured reliably, they are recognized separately and measured as per their fair value. When the liabilities acquired from the acquiree other than contingent liabilities may cause economic benefits to flow out of the Company in performing relevant obligations and their fair value can be measured reliably, they are recognized separately and measured as per their fair value. When the fair value for contingent liabilities acquired from the acquiree can be measured reliably, they are recognized separately as liabilities and measured as per their fair value.

In the initial recognition of the assets acquired in the combination, the intangible assets owned by the acquiree but not recognized in its financial statements shall be fully identified and reasonably judged. An intangible asset is identifiable if it meets either the separability criterion or the contractual-legal criterion: (1) arises from contractual or other legal rights; (2) the intangible asset is capable of being

separated or divided from the acquiree and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability.

The acquirer shall not recognize the deductible temporary differences acquired in the combination, if the deductible temporary differences might not satisfy the criteria for separate recognition. Within 12 months after the date of acquisition, if obtaining new or further information indicates that related situation has existed on the date of acquisition, and anticipated economic benefits brought from the deductible temporary difference on the date of acquisition for the acquirer can be realized, related deferred income tax assets are recognized and the goodwill is decreased accordingly. If the goodwill is not sufficient for the deduction, the difference is recognized in profit or loss for the current period. Except for the above situations, the deferred income tax assets related to business combination are recognized in profit or loss of the current period.

The overhead for the business combination, including the expenses for audit, legal services, valuation advisory, and other administrative expenses, are recorded in profit or loss as incurred. The transaction costs of equity or debt securities issued as the considerations of business combination are included in the initial recognition amount of the equity or debt securities.

With respect to the business combination not under common control achieved step by step through multiple transactions, if it is a package deal, the Company will treat the transactions as those for obtaining control right. If it is not a package deal, in individual financial statements, the sum of the carrying amount for the equity investment of the acquiree held before the date of acquisition and the newly increased investment cost on the date of acquisition is set as the initial investment cost changed to be recognized under cost method. As for equity investments of the acquiree held before the date of acquisition, its other comprehensive income recognized under equity method are accounted for on the same basis as that for the investee's direct disposal of related assets or liabilities in disposal of the investment. The owners' equity confirmed by the investee due to change of other owners' equity except for net profit or loss, other comprehensive income and profit for distribution is in profit or loss for the current period during the period of disposal when such investment is being disposed. In which, if the remaining equity after disposal is recognized under cost method or equity method according to the principle for long-term equity investments, the other comprehensive income and other owners' equity shall be carried over proportionally. If the remaining equity after disposal is changed to be recognized under the recognition and measurement standard for financial instruments, the other comprehensive

income and other owners' equity shall be carried over totally. The accounting treatment of the consolidated financial statements is shown in Note IV. (6).

For the equity investments held before the date of acquisition, if it is recognized under the recognition and measurement standard for financial instruments, the sum of the fair value for the equity investment plus newly increased investment cost is set as the initial investment cost changed to be accounted for with cost method, and the difference between the fair value of the originally held equity and the carrying amount and accumulated changes of fair value originally recorded into other comprehensive income are transferred as the investment income of the current period to be otherwise accounted for with cost method totally.

(3) Judging criteria for multiple transactions as a package deal

The following are considered to determine whether the Group should account for the multiple transactions as a bundled transaction:

- a. Arrangements are entered into at the same time or in contemplation of each other;
- b. Arrangements work together to achieve an overall commercial effect;
- c. The occurrence of one arrangement is dependent on the occurrence of at least one other arrangement;
- d. One arrangement considered on its own is not economically justified, but it is economically justified when considered together with other arrangements.

4. Consolidated financial statements

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Company and its subsidiaries. Control exists when the investor has all of following: power over the investee; exposure, or rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Relevant activities are activities of the investee that significantly affect the investee's returns.

Relevant activities of the investee are judged according to specific situations; usually they include sales and purchase of commodities or labor, management of financial assets, purchase and disposal of assets, research and development activities and financing activities, etc.

Consideration of the following factors may assist in making that determination: (a) The purpose and design of the investee; (b) what the relevant activities and how decisions about those activities are made; (c) whether the rights of the investor give it the current ability to direct the relevant activities; (d)

whether the investor is exposed, or has rights, to variable returns from its involvement with the investee; (e) whether the investor has the ability to use its power over the investee to affect the amount of the investor's returns. Once the changes of relevant facts and situations cause related factors involving the control, they will be assessed again.

An investor, in assessing whether it has power, considers only substantive rights relating to an investee (held by the investor and others). For a right to be substantive, the holder must have the practical ability to exercise that right.

The Company sets the financial statements of its own and its subsidiaries as the basis, see the whole enterprise group as an accounting entity according to other information, and has reflected overall financial situation, operating result and cash flow of the enterprise group according to recognition, measurement and presentation requirements of relevant enterprise accounting standards for the unified accounting policies and accounting duration. Consolidated procedures including: (a) combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries; (b) offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary; (c) eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (profits or losses resulting from intragroup transactions that are recognized in assets, such as inventory and fixed assets, are eliminated in full). Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements.

The portion of a subsidiary's equity that is not attributable to the parent is treated as "Non-controlling interests" and presented separately in the consolidated balance sheet within shareholders' equity.

Net profit or loss attributable to non-controlling shareholders is presented separately in the consolidated income statement below the net profit line item. Total comprehensive income attributable to non-controlling shareholders is presented separately in the consolidated income statement below the total comprehensive income line item.

When the amount of loss for the current period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' share of the opening owners' equity of the subsidiary, the excess is still allocated against the non-controlling interests.

Unrealized profits or losses from internal transactions generated from sales of assets to the subsidiary are used to offset the "Net profit attributable to owners of the parent company" in full amount.

Unrealized profits or losses from internal transactions generated from the subsidiary's sales of assets to the parent company are offset in the "Net profit belonging to the owners of the parent company" and the "Non-controlling interests" as per the distribution proportion of the parent company for the subsidiary. Unrealized profits or losses from internal transactions generated from sales of assets between subsidiaries are offset in the "Net profit attributable to owners of the parent company" and the "Non-controlling interests" as per the distribution proportion of the parent company to the subsidiaries as selling parties.

When the Company prepares the consolidated financial statements for the increased subsidiaries and businesses due to business combination under common control within the reporting period, it adjusts the closing balance in the consolidated balance sheet, includes the income, expenses and profit from the beginning of the current period to the end of the reporting period for the combination of the subsidiaries and their businesses in the consolidated income statement and cash flow in the consolidated cash flow statement, and adjust relevant items after comparing them in the statements, and the reporting entity after the combination is regarded as being existing all the time from the beginning of the control time of the final controller.

When the Company prepares the consolidated balance sheet for the subsidiaries and their businesses increased for the Company within the reporting period not due to business combination under common control or other ways, it does not adjust the opening balance in the consolidated balance sheet, but includes the income, expenses, profit and cash flow of the subsidiaries from the date of business combination to the end of the reporting period in the consolidated income statement and consolidated statement of cash flow.

With respect to the Company's disposal of its subsidiaries and their businesses and preparing the consolidated balance sheet within the reporting period, it does not adjust the opening balance in the consolidated balance sheet, but includes the income, expenses and profit of the subsidiaries and their businesses from the beginning of the period to the date of disposal in the consolidated income statement and cash flow in the consolidated statement of cash flow.

When the parent company purchases a subsidiary's equity owned by the minority stockholders of the subsidiary, in the consolidated financial statements, the difference between the long-term equity investment newly acquired from purchasing minority of equity and the net assets continuously calculated from the date of acquisition or combination held in the subsidiary calculated by the

proportion of newly increased shares is adjusted as capital reserve (capital premium or capital stock premium). The retained earnings will be adjusted accordingly if the capital reserve is not sufficient for the deduction.

With respect to the business combination under common control achieved step by step through multiple transactions, if it is not a package deal, on the date of acquiring the control right, the long-term equity investment held by acquirer before combination and the profit or loss, other comprehensive income and changes of other owners' equity that have been recognized on the date of acquisition or the final date of control of the acquirer and the acquiree in the same party, whichever is later, and the date of combination, are used to deduct the opening retained earnings or the profit or loss of the current period during the period of statement comparison.

With respect to the business combination not under common control achieved step by step through multiple transactions, if it is not a package deal, in the consolidated financial statements, the equity of the acquiree held before the date of acquisition is measured as per its fair value on the date of acquisition again, and the difference between its fair value and its carrying amount is recorded into the investment income of the current period, and the equity of the acquiree held before the date of acquisition involving the other comprehensive income accounted for with equity method is transferred as the income of the current period on the date of acquisition together with other comprehensive income, except for other comprehensive income arising from the remeasurement of the net income or asset changes of the income plan by the investee.

In case of partial disposal of long-term equity investments on a subsidiary without losing control, in consolidated financial statements, the Company adjusts the capital premium or share premium based on the difference between the disposal cost and the acquirer's interest in net assets of the subsidiary correspondingly from the disposal of long-term equity investments continuously calculated from the date of acquisition or combination date, and adjusts the retained earnings if the capital reserve is not enough to deduct.

If the control of the investee is lost due to the disposal of part of the equity investment, etc., the Company remeasures the residual equities at their fair value on the date of losing control when preparing consolidated financial statements. By subtracting the the acquirer's interest of net assets of the original subsidiary based on the original shareholding ratio continuously calculated from the acquisition or combination date from the sum of the disposal consideration of equities and the fair

value of residual equities, the balance is recognized in the investment income for the current period when the control is lost, while reducing the goodwill. Other comprehensive income related to equity investments of the original subsidiary shall be recognized in profit or loss for the current period when the control is lost.

Where the Company disposes equity investments on a subsidiary via multiple transaction steps until the control is lost, if the transactions of disposing equity investments on a subsidiary until the control is lost are a package deal, the Company should take all transactions as a transaction in disposal and loss of control for accounting treatment; however, the difference between each disposal cost before the loss of control and the corresponding attributable share of such subsidiary's net assets for investment disposal should be recognized in other comprehensive income on consolidated financial statements, and recognized in profit or loss of the period when the control is lost.

The consolidated statement of changes in equity is prepared based on the consolidated balance sheet and consolidated income statement.

5. Joint arrangement classification and accounting treatment for joint operation

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. When assessing whether the Company can exercise joint control over an investee, the Company first considers whether strategic decisions relating to the investee's related activities require the unanimous consent of all participant parties that sharing of control. All the parties, or a group of the parties, control the arrangement collectively when they must act together to direct the relevant activities.

There are two types of joint arrangements - joint operations and joint ventures. The classification of joint arrangements under is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement.

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. The Group as a joint operator recognizes the following items in relation to its interest in a joint operation:

- A. Its solely-held assets, including its share of any assets held jointly;
- B. Its solely-assumed liabilities, including its share of any liabilities incurred jointly;

- C. Its revenue from the sale of its share of the output arising from the joint operation;
- D. Its share of the revenue from the sale of the output by the joint operation; and
- E. Its solely-incurred expenses, including its share of any expenses incurred jointly.

6. Cash and cash equivalents

In preparing the statement of cash flows, cash comprises cash in hand and deposits that can be readily withdrawn on demand. Cash equivalents include short-term (usually maturing within three months after acquisition), highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value.

7. Foreign currency transactions and translation of foreign currency financial statements

(1) Foreign currency transactions

Foreign currency transactions are translated to the functional currency of the Company at the spot exchange rates on the dates of the transactions.

Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the balance sheet date are directly recognized in the profits and losses, except that translation differences caused by special foreign currency loans borrowed for purchasing or constructing qualified capitalization assets are recognized under the principle of capitalization. Non-monetary items that are measured at historical cost in foreign currencies are translated to Renminbi using the exchange rate at the transaction date. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rate at the date the fair value is determined. The resulting exchange differences are recognized in profit or loss.

(2) Foreign currency translation

Asset and liability items in the balance sheet are translated to Renminbi at the spot exchange rate on the balance sheet date. Owners' equity items, except for the item of "undistributed profits", are translated to Renminbi at spot exchange rates on the transaction dates. Income and expense items in the income statement are translated to Renminbi at the spot exchange rates on the transaction dates. Differences arising from translation of foreign currency financial statements are separately listed as "Foreign currency translation differences" under shareholders' equity in the balance sheet.

The translation differences accumulated in other comprehensive income with respect to a foreign operation are transferred to profit or loss in the period when the foreign operation is disposed.

8. Financial Instruments

Financial instruments include financial assets, financial liabilities and equity instruments. A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or an equity instrument of another enterprise.

(1) Classification of financial assets

For the purpose of holding financial assets and assuming financial liabilities, the management of the Company classified them as: financial assets or financial liabilities are measured at fair value through profit or loss, including held-for-trading financial assets or financial liabilities (and financial assets or financial liabilities directly designated to be measured at fair value through profit or loss); held-to-maturity investments; accounts receivable; available-for-sale financial assets and other financial liabilities.

(2) Recognition and measurement of financial assets

a. Financial assets or financial liabilities measured at fair value through profit or loss

The amount should be initially recognized at fair value when they are acquired (deducting cash dividends that have been declared but not distributed or bond interests that have matured but not been drawn). Relevant transaction expenses shall be recognized in profit or loss for the current period.

The interests and cash dividends to be received during the holding period are recognized as investment income. Changes in fair value shall be recognized in profit or loss at the end of the period.

Difference between the fair value and initial cost shall be recognized as investment income upon disposal; meanwhile, adjustment is made to gains or losses on changes in fair values.

b. Held-to-maturity investments

Held-to-maturity investments are initially recognized at the aggregate of fair values (deducting bond interests that have matured but not been drawn) and transaction costs when acquired.

Interest income shall be recognized in investment income, according to amortization costs and effective interest rate during holding period. The effective interest rates are determined upon acquisition and remain unchanged during the expected remaining period, or a shorter period if applicable.

Difference between the proceeds and the carrying amount of the held-to-maturity investments is recognized as investment income upon disposal.

c. Accounts receivable

For creditor's rights receivable arising from external sales of goods or rendering of services by the Company and other creditor's rights of other enterprises (excluding liability instruments quoted in an active market) held by the Company, including accounts receivable and other receivables, the initial recognition amount shall be the contract price or agreement price receivable from purchasing party. Accounts receivable with financing nature are initially recognized at their present values.

The difference between the actual payment and the carrying amount of the accounts receivable shall be recognized in profit or loss as received or disposed by the Company.

d. Available-for-sale financial assets

Available-for-sale financial assets are initially recognized at the aggregate of fair values (deducting cash dividends that have been declared but not distributed and bond interests that have matured but not been drawn) and transaction costs as acquired.

The interests and cash dividends to be received during the holding period are recognized as investment income. Available-for-sale financial assets shall be measured at fair value at the end of the period and changes in fair value are recognized in other comprehensive income. Investments in equity instruments are presented as available-for-sale and measured at cost when the Company has no control, joint control or significant influence on the investee and they do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

Difference between the proceeds and the carrying amount of the financial assets is recognized in investment income as disposed. Meanwhile, the accumulated changes in fair value included in other comprehensive income, shall be transferred to profit or loss for the current period upon disposal portion.

e. Other financial liabilities

Other financial liabilities are initially recognized at the transaction price (including fair value and transaction costs), and subsequently measured at amortized costs.

(3) Recognition basis and measurement method of transfer of financial assets

A financial asset is derecognized if the Company transfers substantially all the risks and rewards of ownership of the financial asset to the transferee. A financial asset is not derecognized if the Company retains substantially all the risks and rewards of ownership of the financial asset to the transferee.

The principle of substance over form is adopted to determine whether the transfer of a financial asset satisfies the criteria as described above for derecognition of a financial asset. The Company classifies the transfer of a financial asset into the entire transfer and the partial transfer. If the entire transfer satisfies the derecognition criteria, the difference between the amounts of the following two items shall be recognized in profit or loss:

- a. The carrying amount of the transferred financial asset;
- b. The aggregate of the consideration received from the transfer and the accumulated amount of the changes in fair value originally and directly included in owners' equity (the situation where the financial asset transferred is an available-for-sale financial asset).

If the partial transfer of financial asset satisfies the criteria for derecognition, the entire carrying amount of the transferred financial asset shall be split into the derecognized and recognized part according to their respective fair value and the difference between the amounts of the following two items shall be recognized in profit or loss:

- a. The carrying amount of derecognized part;
- b. The aggregate of the consideration for the derecognized part and the portion of derecognition corresponding to the accumulated amount of the changes in fair value originally and directly recognized in owners' equity (the transferred financial assets are available for sale).

If the transfer of financial assets does not meet the derecognition criteria, the financial assets shall continue to be recognized, and the consideration received will be recognized as a financial liability.

(4) Derecognition criteria of financial liabilities

A financial liability shall be totally or partly derecognized if its present obligations are totally or partly dissolved. Where the Company enters into an agreement with a creditor so as to substitute the existing financial liabilities with any new financial liability, and the new financial liability is substantially different from the contractual stipulations regarding the existing financial liability, it shall derecognize the existing financial liability, and shall at the same time recognize the new financial liability.

Where substantial revisions are made to all or some of the contractual stipulations of the existing financial liability, the Company shall derecognize the existing financial liability totally or partly, and at the same time recognize the financial liability with revised contractual stipulations as a new financial liability.

Upon total or partial derecognition of financial liabilities, the difference between the carrying amount of the financial liabilities derecognized and the consideration paid (including non-cash assets surrendered or new financial liabilities assumed) shall be recognized in profit or loss for the current period.

Where the Company repurchases part of its financial liabilities, it shall, on the repurchase date, allocate the entire carrying amount of whole financial liabilities according to the comparative fair value of the part that continues to be recognized and the derecognized part. The difference between the carrying amount allocated to the derecognized part and the considerations paid (including non-cash assets surrendered and the new financial liabilities assumed) shall be recognized in profit or loss for the current period.

(5) Determination method of fair value of financial assets and financial liabilities

For financial assets or financial liabilities measured at fair value, the Company uses the quoted prices in active markets as their fair value.

Except for the financial assets measured at fair values through profit or loss, the carrying amount of financial assets should be checked on the balance sheet date. If there is objective evidence that a financial asset is impaired, provision for impairment shall be made.

a. Provision for impairment of available-for-sale financial assets

If the fair value of available-for-sale financial assets has significantly declined at the end of the period, or it is expected that the trend of decrease in value is non-temporary after considering of various relevant factors, the impairment shall be recognized, and accumulated losses from decreases in fair value originally and directly included in owners' equity shall be all transferred out and recognized as impairment loss.

For any available-for-sale financial asset, if due to the impact of the following loss events, its anticipated cash flow in the future is decreased and can be measured reliably, recognizing impairment loss.

- ① The debtor is in serious financial difficulty;
- ② A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;

- ③ Considering economic or legal factors, the Company makes concessions to a debtor in financial difficulties;
- ④ It becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- ⑤ The disappearance of an active market for that financial asset because of financial difficulties faced by the issuer;
- ⑥ Significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of an investment in an equity instrument may not be recovered by the investor;
- ⑦ A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

When an available-for-sale financial asset is impaired, the cumulative loss arising from a decline in fair value that has been recognized directly in owner's equity is reclassified to impairment loss. If, after an impairment loss has been recognized on an available-for-sale debt instrument, the fair value of the debt instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. An impairment loss recognized for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

b. Provision for impairment of held-to-maturity investments:

Measurement of impairment loss on held-to-maturity investments is treated in accordance with the measurement method of impairment loss on accounts receivable.

9. Receivables

Receivables comprise accounts receivable and other receivables.

If an impairment loss on a financial asset has been incurred, the amount of loss is measured at the difference between the asset's carrying amount and the recoverable amount (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate and the values of the underlying collateral (net of estimated disposal expenses, etc.). The amount of loss is recognized in profit or loss for the current period. The original effective interest rate is the actual interest rate used upon the receivable initially recognized. When determining the impairment losses for

short-term receivables, the estimated future cash flows shall not be discounted, as the estimated future cash flows of short-term receivables are very small compared to their present value.

(1) Receivables that are individually significant and assessed individually for impairment:

Judgement basis or criteria for receivables that are individually significant: Receivables individually greater than RMB 1,000 million are significant.

For a receivable that is individually significant, the Company assesses the asset individually for impairment. For financial assets not having been individually assessed as impaired, the Company makes impairment assessment collectively where financial assets share similar credit risk characteristics. For financial assets having been individually assessed as impaired, they are not included in collective assessment of impairment.

(2) Receivables that are collectively assessed for bad debt based on credit risk characteristics:

For a receivable that is not individually significant, the receivables without impairment after separate test are divided into several portfolios to assess impairment collectively where financial assets share similar credit risk characteristics. Based on the actual loss rate of the portfolio of receivables with similar credit risk characteristics in previous years, the proportion of bad debts provision for each portfolio in the current period is determined combining the current situation to calculate bad debt provision accrued for this period.

Group of collective assessment Basis for collective assessment	
Group 1	Aging status
Group 2	Receivables from related parties, government departments and institutions, security deposits, and reserve funds
Provision method for collectively assessed bad debts	
Group 1	Aging analysis method
Group 2	No provision for bad debts

Provision for bad debts by using aging analysis method:

Aging	Receivable	Other Receivables
Within 1 year (inclusive)	5.00%	5.00%
1-2 years	10.00%	10.00%
2-3 years	20.00%	20.00%
Over 3 years	100.00%	100.00%

(3) Receivables that are individually insignificant, but assessed individually for impairment

For receivables that are individually insignificant, the Company assesses the asset individually for impairment and recognizes provision for bad debts where the present value of future cash flow less than the carrying amount.

10. Inventories

(1) Classification of inventories

Inventories include raw material, work in process, circulating materials, finished goods, stock commodities, consumptive biological assets, development costs, etc.

(2) Measurement method of acquired and dispatched inventories

Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditure incurred in bringing the inventories to their present location and condition.

Inventories are calculated using first-in, first-out method and weighted average method when dispatched.

(3) Basis for determining the net realisable value and method for provision for obsolete inventories

After the comprehensive inventory count at the end of the period, any excess of the cost over the net realisable value of inventories is recognized as a provision for obsolete inventories.

The net realizable value of finished goods, stock commodities and materials for sale refers to the amount after deducting estimated sale expense and relevant taxes from the estimated sale price of inventories in the daily business activity. The net realizable value of the materials held for production refers to the amount after deducting the estimated cost of completion, estimated sale expense and relevant taxes from the estimated sale price of inventories in the daily business activity. The net realizable value of inventories held for the execution of sales contracts or labor contracts shall be calculated on the ground of the contract price. If an enterprise holds more inventories than the quantities subscribed in the sales contract, the net realizable value of the excessive part of the inventories shall be calculated on the ground of the general sales price.

The Company usually recognises provision for decline in value of inventories by a single inventory item at the end of the period. For inventories with large quantity and low unit price, the provisions for inventories are made on a category basis. For inventories related to the product portfolios

manufactured and sold in the same area, and of which the final usage or purpose is identical or similar thereto, and which is difficult to separate from other items for measurement purposes, the provisions for inventories shall be made on a portfolio basis.

If the factors caused the value of inventory previously written-down have disappeared, the provision for decline in value of inventories previously made is reversed to profit or loss for the current period.

(4) Inventory count system

The Company maintains a perpetual inventory system.

(5) Amortization method of low-value consumables and packaging materials

- a. Low-value consumables are charged to profit or loss when they are used.
- b. Packaging materials are amortized in full when they are use.

(6) Measurement method of development cost

The cost for development projects of the Company includes:

- a. Compensation for land requisition and demolition: sundry expenses incurred from purchasing or participating in auction of land for development of real estate projects, including land cost, resettlement fee, compensation for demolition and resettlement of original buildings, deed tax and auction service fee, etc.
- b. Pre-construction costs: expenses incurred from planning, design, feasibility study, hydrogeological investigation, surveying and mapping and leveling of site before development.
- c. Infrastructure expenses: expenses incurred from infrastructure such as water, power and gas supply, sewage drainage, flood drainage, communication, greening, sanitation facilities, lighting works and roads in the development process.
- d. Construction and installation expenses: the costs incurred from construction in accordance with the construction and installation drawings in the development process.
- e. Supporting facility expenses: expenses for public supporting facilities incurred from development projects, such as boiler room, water tower (tank), bicycle shed, security and fire prevention room, power distribution room, public restroom, kindergarten, school, recreational, sports and cultural facilities, clubhouse, neighborhood committee and garbage room.

Development overhead: expenses incurred from on-site organization and management and development of projects that cannot be decided to be borne by what project, and they shall be shared

by all projects at a certain criteria at the end of the month, including: borrowing cost incurred before completion of development projects, and office expenses, telephone expenses, traffic and travel expenses, repair expenses, labor protection expenses, depreciation, amortization for low-value consumables and circulation room, manager benefits of project management department as well as other expenditures.

After completion of the development projects and they meet the delivery conditions through acceptance inspection of relevant authorities, calculate or estimate total salable area for developed products such as salable residential houses, commercial shops, office rooms and parking positions, and apportion the development cost among various developed products as per the proportion of various developed products in the total salable area, and calculate the actual cost of various developed products. Those not for final accounting will be recorded into the developed products as per their estimated cost, and adjust the developed products as per the difference between the actual cost and the estimated cost after final accounting.

11. Holding for sale

(1) Initial recognition of non-current assets or disposal groups held for sale

The Group classifies a non-current asset or disposal group as held for sale when the carrying amount of the non-current asset or disposal group will be recovered through a sale transaction (including an exchange transaction of non-monetary assets with commercial substance) rather than through continuing use.

A non-current asset or disposal group is classified as held for sale when all the following criteria are met:

- a. According to the customary practices of selling such asset or disposal group in similar transactions, the non-current asset or disposal group is available for immediate sale in its present condition;
- b. The sale is highly probable to occur, that is, the Group has made a resolution on a sale plan and entered into a legally binding purchase agreement with other parties. The sale is expected to be completed within one year. Where the pertinent regulations require the relevant authority or supervision department of the Company approve before it can be sold, the approval has been obtained.

A legally binding purchase agreement refers to a purchase agreement with legal binding force signed by the Company and other parties, and such agreement contains such important provisions as the transaction price, time and adequately severe penalty for breach, which minimizes the possibility of major adjustment or cancellation of the agreement.

(2) Accounting treatments for non-current assets or disposal groups held for sale

Non-current assets or disposal groups held for sale are initially and subsequently measured at the lower of carrying amount and fair value less costs to sell. Any excess of the carrying amount over the fair value less costs to sell is recognized as an impairment loss in profit or loss. A provision for impairment of the asset held for sale is recognized accordingly.

- a. For fixed assets held for sale, the estimated net residual value of the fixed asset shall be adjusted so that the estimated net residual value of the fixed asset can reflect its fair value minus disposal expenses, but not exceed the original carrying amount of the fixed asset when the fixed asset is qualified to hold for sale. The difference between the original carrying amount and the adjusted estimated net residual value shall be recognized as the impairment loss in profit or loss. The Company does not depreciate the fixed assets held for sale that are measured at the lower of carrying amount and fair value less disposal expenses.
- b. Equity investments held for sale in an associate or a joint venture shall stop using equity method from the date of its classification as held for sale.
- c. The Company that is committed to a sale plan involving loss of control of a subsidiary classifies all the investment in that subsidiary as held for sale in its separate financial statements, and classifies all the assets and liabilities of that subsidiary as held for sale in its consolidated financial statements, when the classification criteria for held for sale are met, regardless of whether the Company retains a non-controlling interest in its former subsidiary after the sale.

(3) Accounting treatments for an asset that ceases to be classified as held for sale

- a. The Company measures a non-current asset or a disposal group that ceases to be classified as held for sale at the lower of:
 - ① Its carrying amount before the asset or disposal group was classified as held for sale, adjusted for any depreciation, amortisation or impairment that would have been recognized had the asset or disposal group not been classified as held for sale, and

② Its recoverable amount from the date of not selling any more.

When an equity investment in an associate or a joint venture previously classified as held for sale no longer meets the criteria to be so classified, it is accounted for using the equity method retrospectively as from the date of its classification as held for sale.

(4) Accounting treatments for other non-current assets

Intangible assets and other non-current assets that qualified for holding for sale shall be treated in accordance with the above principles. Other non-current assets referred to herein do not include deferred income tax assets, assets formed by employee benefits, financial assets regulated by Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, investment properties and biological assets measured at fair value and contract rights arising from insurance contracts.

12. Long-term equity investments

(1) Classification and determination criteria for long-term equity investments

a. Classification of long-term equity investments

Long-term equity investments include equity investments in subsidiaries and equity investments in joint ventures and associates.

b. Determination criteria for long-term equity investments

① Refer to Note IV-5 for determination criteria for subsidiaries.

② Determination criteria for the existence of joint control or significant influence over an investee:

Significant influence is the power to participate in the financial and operating policy decisions of an investee but does not have control or joint control over those policies.

The Company usually judges if it has significant influence on the investee through one or more of the following circumstances:

- i. The Investor assigns its representative to the board of directors or similar authorities of the investee. Under such circumstance, as the Company assigning its representative to the board of directors or similar authorities of the investee, and enjoying the substantial decision-making right in it, the investor can exercise its significant influence on the investee through assigning its representative to participate in formulation of the financial and operating policies of the investee.

- ii. The Investor participates in the formulation process of the financial and operating policies of the investee. Under such circumstance, it can put forward its proposals and suggestions for its own benefits in the process of making policies, thus exercise its significant influence on the investee.
- iii. The Investor makes big deals with the investee. Some deals, due to their importance to daily operation of the investee, can have influence on the investee's decision making in its production and operation to some degree.
- iv. The Investor assigns its managerial personnel to the investee. Under such circumstance, the managerial personnel have the power to dominate related activities of the investee, thus are able to exercise significant influence on the investee.
- v. The Investor provides key technical information for the investee. The production and operation of the investee depending on the technologies or technical information of the investor indicates that the investor has significant influence on the investee.

In judging if it has significant influence on the investee, not limited to whether there's one of more of the above circumstances, the Company needs to consider all the facts and situations in making its judgment comprehensively.

An associate is an enterprise over which the Company has significant influence.

③ The criteria for determining if the investee is an associates:

A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement.

Refer to Note IV-7 for the definition, classification and determination criteria for joint arrangement.

(2) Determination of initial investment cost

a. Long-term equity investment formed from business combination

Business combination under common control: If the consideration for combination is made through payment in cash, transfer of non-cash assets or assumption of debts, the Company should, on the date of combination, regard the share of the carrying amount of the owners' equity of acquirees in consolidated financial statements of the final controlling party as initial investment cost of the long-term equity investment. The difference between the initial investment cost of the long-term equity investment and the carrying amount of the combined consideration paid is adjusted as capital reserve (capital premium or share premium); retained earnings is adjusted if the capital reserve (capital

premium or capital stock premium) is insufficient for the deduction. If the consideration for combination is made by acquirer through issuance of equity securities, the capital reserve (capital premium or share premium) shall be adjusted with the difference between the initial investment cost of the long-term equity investment and the total face value of shares issued with the total face value of the shares issued as the share capital; retained earnings is adjusted if the capital reserve (capital premium or capital stock premium) is insufficient for the deduction.

Business combination not under common control: the Company takes the acquisition cost determined on the acquisition date as the initial investment cost of long-term equity investment. Acquisition cost is the assets paid by the acquirer on the acquisition date for acquiring the control right of the acquiree, the liabilities incurred or assumed and the fair value of the issued equity securities. The transaction expense for the equity securities or debt securities issued by the acquirer as the consideration for the combination is recorded into the initial confirmation amount for the equity securities or debt securities. The business combination of non-identical control realized through multiple transactions in a step-by-step manner, the sum of the carrying amount for the equity investment of the acquiree held on the date of acquisition and the newly increased investment cost on the date of acquisition is set as the initial investment cost of such investment. The Company sets contingent consideration specified in the combination agreement as one part of the transfer consideration for business combination, and records it into the business combination cost as its fair value at the date of acquisition.

The intermediary expenses for audit, legal service, assessment and consulting incurred from acquirer or acquirer for business combination and other related management expenses are recognized in profit or loss of the current period when they are incurred.

a. Long-term equity investment acquired by other ways

The long-term equity investment acquired by paying cash is set as initial investment cost as per the purchasing price that is actually paid. Initial investment cost includes the expenses, taxes and other necessary spending for acquiring the long-term equity investment.

The long-term equity investment acquired from issuance of equity securities is set as initial investment cost as per the fair value of the equity securities that are issued.

On the condition that exchange of non-monetary assets has commercial essence and fair value for the assets received or surrendered can be measured reliably, initial investment cost of long-term equity investment received from exchange of non-monetary assets is determined based on the fair value of its

surrendered assets, unless there's conclusive evidence proving that the fair value for the received assets is more reliable. For the exchange of non-monetary assets not meeting the above condition, the carrying amount for the surrendered assets and related taxes payable are set as the initial investment cost of received long-term equity investment.

The initial investment cost of the long-term equity investment acquired through debt restructuring is determined based on its fair value.

(3) Subsequent measurement and recognition of profit or loss

Long-term equity investments in subsidiaries are accounted for using the cost method.

Long-term equity investments accounted for under the cost method are valued at the initial investment cost. Add or withdraw investment to adjust the cost of long-term equity investment. The cash dividends or profits declared and distributed by the investee are recognized as investment income for the current period.

The long-term equity investment in joint venture or associates is accounted for under equity method. If the initial investment cost is more than the Company's attributable share of the investee's fair value of identifiable net assets for the investment, the initial investment cost may not be adjusted; if the initial investment cost is less than the Company's attributable share of the investee's fair value identifiable net assets for the investment, the difference shall be recorded in profit or loss and the cost of long-term equity investment shall be adjusted.

After acquiring long-term equity investments, the Company's attributable or sharable share of the investee's net profit or loss and other comprehensive income realized in current year is respectively recognized in investment income and other comprehensive income, and the carrying amount of long-term equity investments is adjusted at the same time; investors calculate the attributable part based on profits or cash dividends declared and distributed by the investee and correspondingly decrease the carrying amount of long-term equity investments; as for other changes of the owners' equity in addition to net profit or loss, other comprehensive income and profit distribution of the investee, investors adjust the carrying amount of long-term equity investments and record in the owners' equity.

In recognizing the Company's net profit or loss in the investee, the Company recognizes it after adjusting the net profit of the investee based on the fair value for the identifiable net assets of the investee at acquiring the investment.

If the accounting policies and accounting periods adopted by the investee are inconsistent with the Company, the financial statements of the investee shall be adjusted in accordance with the accounting policies and accounting periods of the Company, and the investment income and other comprehensive income shall be confirmed accordingly.

The net loss of the investee recognized by the Company is written down to zero with the carrying amount for its long-term equity investment and other long-term equity constituting net investment on the investee substantially, except for the case that the Company assumes the obligation for additional loss.

When the investee realizes net profit later on, the Company recovers to recognize its income sharing amount after its income sharing amount makes up for the unconfirmed loss sharing amount.

When the Company is calculating and recognizing its attributable or sharable net profit or loss in the investee, the part of unrealizable internal transaction profit or loss incurred between it and the associates or joint venture enterprise calculated as per the sharable proportion belonging to the Company shall be offset, and investment income shall be recognized on this basis.

If unrealizable internal transaction loss incurred between the Company and the investee belongs to asset impairment loss according to Accounting Standard for Business Enterprises No. 8 - Impairment of Assets and so on, the transaction loss is recognized in full amount.

If the Company is able to exercise its significant impact or common control instead of constituting a control over the investee due to its additional investment, the sum of the fair value for the originally held equity investment determined pursuant to Accounting Standard for Business Enterprises No. 22- Determination and Measurement of Financial Instruments plus newly increased investment cost is set as the initial investment cost otherwise accounted with equity method. As for accounting treatment of equity investment held and classified as available-for-sale financial asset, the difference between its fair value and its carrying amount as well as the accumulated changes in fair value originally recorded in other comprehensive income are transferred into current profit or loss adjusted as using equity method.

If the Company no longer has common control or significant impact over the investee due to disposal of partial equity investments and the residual equity after disposal is otherwise accounted with the Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, and the balance between the fair value and carrying amount on the date of losing common

control or significant impact is recognized in profits or losses. With respect to other comprehensive income recognized from original equity investment calculated under equity method, the Company conducts accounting treatment on the same basis as the investee's direct disposal of relevant assets or liabilities after stopping use of equity method.

If the Company loses control over the investee due to disposal of partial equity investments, when preparing individual financial statement, accounting shall be conducted in equity method and adjustment shall be made by regarding such residual equity as being calculated under equity method from acquisition if the residual equity after disposal is provided with common control or significant impact over the investee; If the residual equity after disposal cannot exercise common control or significant impact over the investee, it shall be otherwise accounted with the Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments.

During disposal of a long-term equity investment, the difference between the carrying amount of the investment and the actual consideration obtained is recognized in profit or loss. Where the equity method is adopted, accounting treatment shall be conducted for the part of other comprehensive income originally recorded as per corresponding proportion on the same basis as the investee direct disposal of relevant assets or liabilities during disposal of such long-term equity investment.

13. The investment property

- (1) Investment properties are properties held either to earn rental income or for capital appreciation or for both. Including the land use right held to transfer after appreciation and leased buildings (includes buildings for lease after completion of self-built or development activities and buildings for lease in the future during construction or development).
- (2) An investment property is measured initially at cost. Subsequent expenditure incurred for such investment property is included in the cost of the investment property if it is probable that economic benefits associated with an investment property will flow to the Company and the subsequent expenditures can be measured reliably, other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.
- (3) The Company adopts cost mode to conduct subsequent measurement of investment properties, and adopts a depreciation or amortizations policy for the investment property which is consistent with that for buildings or land use right.

- (4) When the investment property is changed to owner-occupied, the investment property shall be converted into fixed assets or intangible assets from the date of change, and the book value before the conversion shall be regarded as the book value after the conversion. When the inventory or owner-occupied is converted into earn rental income or capital appreciation, the fixed assets or intangible assets are converted into investment property and converted into investment property adopt cost model, and the book value before the conversion is used as the book value after the conversion; When converted into an investment property adopt fair value mode, cost for subsequent is fair value at date of change of use.
- (5) An investment property is derecognized upon disposal or when the investment property is permanently withdraws from use and no future economic benefits are expected from the disposal. When an investment property is sold, transferred, retired or damaged, the Company recognizes the amount of any proceeds on disposal net of the carrying amount and related taxes in profit or loss for the period.

14. Fixed assets

(1) Recognition criteria of fixed assets

The Company's fixed assets refer to tangible assets held for the purpose of producing commodities, providing services, renting or business management with useful lives exceeding one accounting year. Fixed assets comprise buildings and structures, production equipment, electronic equipment, office equipment, vehicles, hotel equipment and other equipment. Fixed assets will only be recognized when the following criteria are both satisfied: the economic benefits relating to the fixed assets may flow into the Company, and the costs of the fixed assets can be measured reliably.

(2) Depreciation method

Provision for depreciation shall be started when a fixed asset reaches its working condition for intended use. Fixed asset is depreciated using the straight-line method over its estimated useful life, taking into account of residual value. The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates are as follows:

Category of asset	Dperciation method	Estimated useful life (year)	Estimated residual value (%)	Annual depreciation rate (%)
Plant and Building	straight-line method	40.00	5.00%	2.38
Machinery and equipment	straight-line method	5.00-10.00	5.00%	9.50-19.00

Category of asset	Dperciation method	Estimated useful life (year)	Estimated residual value (%)	Annual depreciation rate (%)
Motor vehicles	straight-line method	10.00	5.00%	9.50
Electronic and office equipment	straight-line method	5.00	5.00%	19.00

(3) Identification basis, valuation method and depreciation method of finance leased assets

If any one of the five criteria is met, the lease will be classified as finance leased assets:

- Ownership of the underlying asset transfers from the lessor to the Company by the end of the lease term.
- The Company has the written option to purchase the underlying asset; the opinion is one of the Company is “reasonably certain” to exercise.
- The term of the lease represents the major part of the economic life remaining for the underlying asset.
- The net present value of all lease payments and any guaranteed residual value is equal to or substantially exceeds the underlying asset’s fair value.

At the commencement of the lease term, the Company records the leased asset at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments, and recognises a long-term payable at an amount equal to the minimum lease payments, the difference is accounted for as unrecognized finance charge.

The finance leased asset is depreciated over the underlying asset’s useful life if ownership or written option criteria are met. Or the finance leased asset is depreciated over shorter of the useful life or the lease term of the asset if net present value, economic life criteria are met.

15. Construction in progress

The Company’s construction in progress is accounted for under projects.

Construction in progress shall be transferred to fixed asste when the assets are ready for their intended use and initially recognized at all the costs incurred and before the asset reach intended usable state. When the construction in progress as a fixed asset has reached intended usable state, but final accounting upon completion is not yet conducted, from the date of reaching intended usable state, according to the budget, construction cost or actual cost of the project, its estimated value is transferred to the fixed assets, for which depreciation is accrued according to the depreciation policy for fixed assets of the Company, and the original temporary estimated value will be adjusted as per actual cost

after the final accounting upon completion is conducted, but the depreciation amount originally accrued will not be adjusted.

16. Borrowing costs

(1) Recognition criteria of borrowing costs

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

The borrowing costs that are directly attributable to the acquisition, construction or production of an asset meeting capitalization condition shall be capitalised as part of the cost of that asset. Other borrowing costs are expensed in profit or loss as incurred.

The asset meeting capitalization condition is an asset including fixed asset, investment property, inventory and other asset that necessarily takes a substantial period of time to reach its intended usable or available-for-sale state.

The capitalisation of borrowing costs shall commence only when the following criteria are met:

- a. Expenditure for assets has been incurred, and expenditure for assets includes the expense incurred for acquisition, construction or production of the assets meeting capitalization conditions by paying cash, transferring non-monetary assets or bearing debts with interests;
- b. Borrowing costs have been incurred;
- c. The activities that are necessary to prepare the asset for its intended use or sale have commenced.

(2) Capitalisation period

Capitalization period refers to a period from time of starting capitalization of borrowing cost to the time of stopping the capitalization, and the duration of suspending capitalization of borrowing cost is not included in it.

Capitalisation of borrowing costs shall cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Capitalisation of borrowing costs shall cease when an entity completes the construction of a qualifying asset in parts and each part is capable of being used.

When the construction of a qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, capitalisation of borrowing costs shall cease when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

(3) Suspension of capitalisation period

Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed. Borrowing costs may incur during an extended period in which it suspends the activities necessary to prepare an asset for its intended use or sale. Such costs are costs of holding partially completed assets and qualify for capitalisation. The borrowing costs incurred during the interruption period are recognized in profit or loss, and the borrowing costs continue to be capitalized until the acquisition or construction of the assets resumes.

(4) Calculation method of capitalised amount of borrowing costs

For special borrowing borrowed for acquisition or production of assets meeting capitalization conditions, the eligible capitalised amount is the net amount of the borrowing costs and auxiliary expenses actually incurred after deducting the amount of the interest income acquired for unused borrowing fund deposited in the bank or the investment income acquired from its temporary investment.

With respect to the general borrowing occupied for acquisition or production of assets meeting capitalization conditions, the interest amount to be capitalized for general borrowing is calculated as per weighted average of the part of accumulated asset spending exceeding special borrowing multiplied by capitalization rate of occupied amount of general borrowing. Capitalization rate is calculated and determined by weighted average rate of general borrowing.

Where discount or premium exists for borrowing, the amount of discount or premium to be amortized for each accounting period shall be determined according to actual interest rate method, and then the amount of interest for each term shall be adjusted accordingly.

17. Intangible assets

(1) Measurement method of intangible assets

a. An intangible asset is initially measured at cost

The cost of a purchased intangible asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. Where the payment of purchase price for intangible assets is delayed beyond the normal credit conditions, which

is of financing intention, the cost of intangible assets shall be determined on the basis of the current value of the purchase price.

With respect to the intangible assets acquired from the debtor in debt restructuring to repay debts, they are initially recognized at fair value, and the difference between the carrying amount for the debt restructuring and the fair value for the intangible assets used for repaying debts is recognized in profit or loss.

An intangible asset may be acquired in exchange for a non-monetary asset. An entity shall measure the cost of the acquired asset at fair value unless (a) the exchange transaction lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measurable. In that case, the asset's cost is measured at the carrying amount and relevant payable taxes of the asset given up and no profit or loss is recognized.

For the intangible assets acquired from adsorption or combination of enterprises under common control, they are initially recognized at carrying amount of acquiree, and for the intangible assets acquired from adsorption or combination of enterprises not under common control, they are initially recognized at fair value.

With respect to the intangible assets developed internally, their cost includes: material cost, labor cost, registration fee, amortization of other patent rights and license rights used in the development process and interest expenses meeting capitalization conditions consumed in developing such intangible assets, as well as other direct expenses incurred to enable such intangible assets to reach their intended usage. Intangible assets include land use rights, patents, non-patented technologies, and others.

b. Subsequent measurement

The Company shall analyze and judge the useful life of intangible assets.

The intangible assets with limited useful life shall be amortized using the straight-line method during the period of the intangible asset brings economic benefit to the Company is predictable. An intangible asset with an indefinite useful life is not amortised.

For the impairment of intangible assets, please refer to Note IV-21 "Impairment of long-term assets".

For an intangible asset with a finite useful life, the Company shall review the useful life and amortisation method at the end of each year.

(2) Specific criteria for dividing research stages and development stages for internal projects

The expenditures of the Company's internal research and development projects include research expenditures and development expenditures.

The term "research" refers to the creative and planned investigation to acquire and understand new scientific or technological knowledge.

The term "development" refers to the application of research achievements and other knowledge to a certain plan or design, prior to the commercial production or use, so as to produce any new material, device or product, or substantially improved material, device and product.

(3) Specific criteria of capitalization for development expenditures

The development expenditures for its internal research and development projects may be recognized as intangible assets when they satisfy the following criteria simultaneously:

- ① It is technically feasible to complete this intangible asset, so that it can be used or sold;
- ② It has the intention to complete the intangible assets and use or sell;
- ③ The ways in which the intangible assets generate economic benefits, including the existence of a market for the products produced using the intangible assets or the existence of intangible assets, the intangible assets will be used internally and can prove their usefulness;
- ④ It has sufficient technical, financial and other resources to support the development of the intangible assets and have the ability to use or sell the intangible assets;
- ⑤ The expenses attributable to the development stage of this intangible asset can be reliably measured.

The development expenditures, if do not meet the above conditions simultaneously, are recognized in profit or loss when incurred. The research expenditures are in the profit or loss when incurred.

18. Impairment of long-term assets

The Company shall assess at the end of each reporting period whether there is any indication that an asset including long-term equity investments, investment properties measured using a cost model, fixed assets, and construction in progress, productive biological assets measured using a cost model, intangible assets with definite service life of oil and gas assets, etc. may be impaired. If any such indication exists, the Company shall estimate the recoverable amount of the asset. An impairment loss is recognized in profit or loss when the recoverable amount of an asset is less than its carrying amount. A provision for impairment of the asset is recognized accordingly.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its present value of expected future cash flows. The recoverable amount is estimated for each individual asset. If it is not possible to estimate the recoverable amount of each individual asset, the Company determines the recoverable amount for the asset group to which the asset belongs.

After recognition of impairment loss, the depreciation or amortization shall be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An impairment test shall be performed for the intangible assets with indefinite service life, intangible assets yet to reach usable state and goodwill formed from business combination at the end of each year. For goodwill impairment test, the carrying amount of goodwill arising from a business combination is allocated reasonably to the relevant asset group since the acquisition date. If the carrying amount of goodwill is unable to be allocated to asset group, the carrying amount of goodwill will be allocated to relevant asset portfolio. When the carrying amount for goodwill is amortized to related asset group or portfolio, it shall be amortized as per the proportion of the fair value for the asset group or portfolios in the total amount of the asset group or portfolios. If the fair value is hard to be measured reliably, it shall be amortized as per the proportion of the carrying amount for the asset group or portfolios in the total amount of the asset group or portfolios.

In impairment testing, if impairment indication exists in asset group or portfolio of asset group containing allocated goodwill, impairment test is first conducted for asset group or portfolio of asset group that does not contain goodwill, and corresponding recoverable amount is estimated and any impairment loss is recognized. Then impairment test is conducted for asset group or portfolio of asset group containing goodwill by comparing its carrying amount (including the carrying amount of the unamortized goodwill) and its recoverable amount. If the recoverable amount is less than the carrying amount, impairment loss of goodwill is recognized.

19. Long-term deferred expenses

Long-term deferred expenses refer to the prepaid expenditures that have been made but should be recognized as expenses over more than one year in the current and subsequent periods, including the expenditure on improvement of operating leases. Long-term deferred expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of

accumulated amortisation. For long-term deferred expense that cannot bring benefit in future period, the Company recognized its amortised cost in profit or loss for the current period.

20. Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Company in exchange for service rendered by employees or for the termination of employment relationship. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

(1) Short-term employee benefits

During the accounting period in which employees rendering services to the Company, the actual short-term employee benefits shall be accrued as liabilities and the corresponding costs are recognized in profit or loss.

(2) Post-employment benefits

Post-employment benefit plan includes defined contribution plans and defined benefit plans.

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. The obligations are measured on a discounted basis, where they are not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. The discount rate used to discount post-employment benefit obligations shall be determined by reference to market yields at the end of the reporting period on high quality corporate bonds or government bonds which shall be consistent with the currency and estimated term of the post-employment benefit obligations.

The Company discount the wholly obligations at the rate used to discount post-employment benefit obligations determined by reference to market yields at the end of the reporting period on high quality corporate bonds or government bonds which shall be consistent with the currency and estimated term of the post-employment benefit obligations, including the obligations expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service.

If there is an asset in the defined benefit plan, the deficit or surplus formed by the present value of the defined benefit plan obligation minus the fair value of the defined benefit plan asset is recognized as a

net benefit or net asset of the defined benefit plan. If there is a surplus in the defined benefit plan, the enterprise measures the net assets of the defined benefit plan by the lower of the surplus and the asset cap of the defined benefit plan. Among them, the asset cap refers to the present value of the economic benefits that an enterprise can obtain from a defined benefit plan or reduce the future deposit of funds for a defined benefit plan.

At the end of the reporting period, the service cost in the employee compensation cost of the defined benefit plan and interest from net liabilities or net assets of the defined benefit plan are included in profit or loss or asset cost; the changes of net liabilities or assets in remeasurement of defined benefit plan are included in other comprehensive income. And the other comprehensive income is not allowed being reversed to the profit or loss during the subsequent accounting period, but it can be transferred within the equity scope.

As per the defined benefit plan, the past service cost is recognized as the expense of the current period on the date to modify the defined benefit plan and confirm related restructuring expense or the date to confirm dismissal welfare, whichever is earlier.

The gain or loss on a settlement of defined benefit plan is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement, and the settlement price.

(3) Termination benefits

The Company provides for termination benefits to the employees and shall recognise an employee benefits liability for termination benefits, with a corresponding charge to the profit or loss for the current period, at the earlier of the following dates:

- ① When the Company cannot unilaterally withdraw the offer of the termination benefits because of an employment termination plan or a redundancy proposal;
- ② When the Company recognises the costs or expenses relating to a restructuring that involves the payment of the termination benefits.

If the termination benefits are expected to be fully paid within 12 months after the end of the annual reporting period, it shall be treated as short-term employee benefits. However, if the termination benefits are not expected to be fully paid within 12 months after the end of the annual reporting period, it shall be treated as other long-term employee benefits.

(4) Other long-term employee benefits

Other long-term employee benefits meeting the conditions in the defined contribution plan are accounted for as per the above 2. Other long-term employee benefits not meeting the conditions in the defined contribution plan apply to relevant stipulation of the defined benefit plan, and net liability or net asset for other long-term employee benefits will be recognized and measured. At the end of the reporting period, the net interest amount for the service cost, net liability or net asset in the other long-term employee benefits and the changes of net liabilities or assets in remeasurement of defined benefit plan will be recorded into the gain or loss of the current period or related asset cost.

21. Estimated liabilities

In case any litigation, debt guarantee, loss contract or restructuring is involved, if such matters possibly need to deliver assets or render service in the future and their amount can be measured reliably, they are recognized as estimated liabilities.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows. The increased amount of the carrying amount for the estimated liabilities as a result of the discount reduction conducted over time is recognized as interest expense.

The Company reviews the carrying amount of a provision at the balance sheet date and adjusts the carrying amount to the current best estimate.

(1) Loss contracts

A loss contract as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Executory contracts become loss contracts, and the obligations arising from the loss contracts satisfy the above-mentioned criteria for the estimated liabilities, the excess of expected losses of the contracts over the recognized impairment losses (if any) shall be recognized as the estimated liabilities.

(2) Restructuring

With respect to the restructuring plan that is detailed, formal and has been made public to the outside, after it meets the determination conditions for the above estimated liabilities, amount of estimated

liabilities is determined as per the direct expenditure related to the restructuring. For the restructuring obligation for selling part of business, only after the Company commits to sell part of the business (namely it has signed a sales agreement with binding force), the restructuring obligation is recognized.

(3) Warranty for quality and maintenance

The Company will provide estimated liabilities for after-sales quality maintenance commitments to customers for the sale, repair and modification of the products sold. The Company's recent maintenance experience data has been taken into account when estimating liabilities, but recent maintenance experience may not reflect future maintenance. Any increase or decrease in this preparation may affect the profit or loss of the future year.

1、Warranty for repurchase

The Company will provide equipment repurchase warranties to financing institutions for customers with financing needs, and will recognize the estimated liabilities based on possible repurchase warranty losses. The estimated liabilities have taken into account the actual proportion of the repurchase warranties in the history of the Company, the actual loss ratio after the repurchase warranties, and the ability to assess the payment ability of different customers. As historical data or valuation data may not reflect future repurchase losses, any increase or decrease in this preparation may affect future profit or loss.

22. Share-based payments

(1) Categories and accounting treatment for share-based payments

A share-based payment is a transaction in which Company subsidizes equity instruments or assumes liabilities determined on the basis of equity instruments in order to obtain services from employees. Share-based payments are divided into equity-settled share-based payments and cash-settled share-based payments.

a. Equity-settled share-based payment

The stock option plan is an equity-settled share-based payment in exchange for service provided by the employee, and the equity instrument granted to the employee is measured at the fair value at the grant date. The share-based payments can only be vested after fulfilling the service within the waiting period or meeting the specified performance conditions. In the waiting period, based on the best estimate of the number of vested equity instruments, the services obtained in the current period are measured at

fair value of the equity instrument grant date, recognized in related cost or expense, and correspondingly increase capital reserve.

b. Cash-settled share-based payment

The stock appreciation rights plan is a cash-settled share-based payment, which is measured at the fair value of the liabilities determined by the Company based on the number of shares of the Company. The cash-settled share-based payment must be completed after the service in the waiting period or the required performance conditions, and is based on the best estimate of the vesting rights on each balance sheet date of the waiting period. The fair value of the amount, the service obtained in the current period is included in the cost or expense, and the liability is increased accordingly. The fair value of the liability is remeasured at each balance sheet date and at the balance sheet date before the settlement of related liabilities.

(2) Determination method for fair value of equity instruments

For the shares granted to employees, their fair value is measured at the market price of the Company's shares and adjusted after considering the terms and conditions on which grant of the shares is based (vesting conditions other than market conditions are not included).

For the stock options granted to employees, the fair value of the options granted is estimated through the option pricing model.

(3) The determination basis for the best estimate of vested equity instruments

On each balance sheet date during the waiting period, the best estimate is made according to subsequent information including change of number of staff and workers with feasible rights obtained recently to modify the quantity of estimated vested equity instruments.

(4) Accounting treatment for modified and terminated share-based payment plan

If modification of the share-based payment plan increases the fair value for the granted equity instruments, increase of services obtained shall be recognized with increase of fair value for equity instruments.

If modification of the share-based payment plan increases the quantity of the granted equity instruments, increase of services obtained shall be recognized with increase of fair value for equity instruments.

If the vesting conditions are modified in a manner that is beneficial to the employee, such as shortening the waiting period, changing or canceling the performance conditions (rather than market conditions), the Company considers the revised vesting conditions when dealing with the vesting conditions.

If the terms and conditions are modified in a manner that reduces the total fair value of the share-based payment or other means that are not conducive to the employee, the service obtained should continue to be accounted for as if the change had never occurred, unless some or all of the granted benefits were cancelled.

If the granted equity instruments are canceled within the waiting period, the canceled granted equity instruments shall be treated as accelerated vesting, and the amount to be confirmed within the remaining time of the waiting period shall be recognized in profit or loss immediately, and capital reserve shall be recognized at the same time. If employees or other parties are able to choose non-vesting conditions but they are not qualified within the waiting period, it shall be treated as cancellation of granted equity instruments.

23. Other financial instruments such as preferred stock and perpetual bond

The preferred stock or perpetual bond issued by the Company are classified into financial liabilities or equity instruments at initial recognition, based on the contractual terms of the financial instruments issued and the economic substance they reflect, combined with the definition of financial liabilities and equity instruments.

If the preferred stock or perpetual bond are financial liabilities, the relevant interest, dividends (or dividends), gains or losses, and gains or losses arising from redemption or refinancing are included in profit or loss for the current period.

Preferred stock or perpetual bond are equity instruments that are treated as changes in equity when they are issued (including refinancing), repurchased, sold or cancelled. The distribution of the equity instrument holders shall be treated as profit distribution, and the stock dividends issued shall not affect the total owner's equity.

Transaction costs associated with equity transactions are deducted from equity. Transaction costs are incremental fees that can be directly attributable to the purchase, issue or disposal of preferred stock or perpetual bond. Incremental costs refer to expenses that will not occur if the Company does not purchase, issue or dispose of financial instruments.

Transaction costs incurred in the issuance or acquisition of equity instruments (such as registration fees, underwriting fees, legal, accounting, assessment and other professional services fees, printing costs and stamp duty, etc.) may be directly attributable to equity transactions, Less. Transaction costs incurred for the termination of an uncompleted equity transaction are recognized in profit or loss for the period.

24. Revenue

(1) Sale of goods

Revenue is recognized when all the following conditions are satisfied: significant risks and rewards of ownership of goods have been transferred to the buyer; the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; it is probable that the economic benefits will flow to the Company; and the revenue and costs can be measured reliably.

Revenue from sale of goods shall be recognized according to the contract consideration received or receivable from the purchaser, except that the value of the received or receivable consideration is not fair. The collection of the consideration shall be deferred, which is of financing intention, and shall be recognized according to the fair value of the receivable consideration. The difference between the receivable consideration and the fair value of the contract shall be amortized under the actual interest rate method during the contractual period, and included in profit or loss for the current year

(2) Rendering of services

Where the outcome of a transaction involving the rendering of services can be estimated reliably, revenue is recognized by reference to the stage of completion.

Where the outcome cannot be estimated reliably:

- ① Revenues are recognized to the extent of the costs incurred that are expected to be recoverable, and an equivalent amount is charged to profit or loss as service cost;
- ② Otherwise, the costs incurred are recognized in profit or loss and no service revenue is recognized.

(3) Recognition of income from the transfer of asset use rights

The economic benefits associated with the transaction are likely to flow into the business and the amount of revenue can be reliably measured. The amount of income from the transfer of asset use rights is determined in the following cases:

① The amount of interest income shall be calculated and determined according to the time and actual interest rate of the use of the Company's monetary funds by others.

② The amount of royalty income shall be calculated and determined according to the time and method of charging as stipulated in the relevant contract or agreement.

(4) Recognition of construction contract revenue

a. The results of the construction contract can be reliably estimated

On the balance sheet date, if the outcome of the construction contract can be reliably estimated, the contract revenue and expenses are recognized based on the percentage of completion method. The percentage of completion method refers to the method of recognizing income and expenses based on the progress of the contract. The contract completion schedule is determined by the ratio of the actual contract costs incurred to the estimated total cost of the contract.

The results of fixed cost contracts can be reliably estimated based on:

- ① The total contract revenue can be reliably measured;
- ② The economic benefits associated with the contract are likely to flow into the Company;
- ③ The actual contract costs can be clearly distinguished and reliably measured;
- ④ The contract completion schedule and the costs that need to be incurred to complete the contract can be reliably determined.
- ⑤ The results of the cost-plus contract can be reliably estimated and determined based on:
- ⑥ The economic benefits associated with the contract are likely to flow into the Company;
- ⑦ The actual contract costs can be clearly distinguished and reliably measured.

If the estimated total cost of the contract exceeds the total contract revenue, the estimated loss of the contract is recognized as the asset impairment loss and is included in profit or loss. When the contract is completed, the contract is also expected to be lost.

b. The results of the construction contract cannot be reliably estimated

The results of the construction contract cannot be reliably estimated and are handled separately:

- ① If the contract cost can be recovered, the contract revenue is recognized according to the actual contract cost that can be recovered, and the contract cost is recognized as the contract expense in the current period in which it occurs;

- ② If the contract cost cannot be recovered, it shall be confirmed as contract expense immediately when it occurs, and the contract revenue shall not be confirmed.

25. Government subsidies

Government subsidies are cash or non-monetary subsidies that government gives to the Company. They are classified to asset-related government subsidies and income-related government subsidies.

(1) The criteria and accounting for asset-related government subsidies

The government subsidy that the Company obtains and is used for acquisition, construction or forming long-term assets in other ways is set as the asset-related government subsidies.

The asset-related government subsidy is recognized as deferred income, and is recorded into the profits or losses within the useful life of the assets under reasonable and systematic methods. Government subsidies measured at nominal amount is directly recognized in profit or loss.

The balance of the relevant deferred income that has not been allocated shall be transferred to the profit or loss of the current period of disposal of the assets, if the assets are sold, transferred, scrapped or damaged before the end of their useful life.

(2) The criteria and accounting for income-related government subsidies

The other government subsidies other than those related to assets obtained by the Company are set as the income-related government subsidies. Income-related government subsidy is treated as per the following circumstances:

- a. That used for compensating the cost expense and loss of the Company in the future period is recognized as deferred income tax and recognized in profit or loss in the period of recognizing related cost expense or loss.
- b. That used for compensating the cost expense and loss that has been incurred is directly recognized in profit or loss.

For the government subsidy containing both asset-related part and income-related part, it is accounted separately after different parts are differentiated. If they are hard to be differentiated, they shall be categorized into income-related government subsidy as a whole.

Government subsidy related to daily activities is recorded in other income based on the essence of economic business. The government subsidy not related to daily activities is recorded into non-operating income and expense.

(3) Accounting treatments for an interest subsidy for policy-related preferential loans

- a. If the government directly appropriates the interest subsidy to the lending bank, the Company recognized the loan as the amount received, and interest expense is calculated using the loan principal and policy-related preferential interest rate.
- b. If the government directly appropriates the interest subsidy to the Company, the interest subsidy is offset against interest expense.

Government subsidies are recognized and measured as the amount received. Only when there's conclusive evidence proving that such subsidy is allocated as per the fixed quota and there's unambiguous evidence proving that it conforms to the conditions for the financial supporting policy and it is estimated that financial supporting fund can be received, can it be recognized and measured as per the amount receivable.

Where the recognized government subsidy needs to be returned, the Company will account it within current period of such return, viz., in case of offsetting carrying amount for related assets at the initial confirmation, the carrying amount for the assets shall be adjusted.

26. Deferred tax assets and deferred tax liabilities

With respect to the difference between the carrying amount of some assets and liability items and their taxation basis and the temporary difference generated from the difference between the carrying amount for the items not confirmed as assets and liabilities but their taxation basis can be determined pursuant to the tax laws and the taxation basis, their deferred income tax assets and deferred income tax liabilities are recognized with the debt method based on balance sheet.

In general, all temporary differences are recognized for related deferred income tax. However, for the deductible temporary difference, the relevant deferred income tax assets are recognized to the extent that it is probable that the taxable income is used to offset the deductible temporary difference. In addition, related to the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction that is neither a business combination nor an accounting profit and taxable income (or deductible loss). Temporary differences, no deferred income tax assets or liabilities are recognized.

For deductible losses and tax credits that can be carried forward in subsequent years, the corresponding deferred income tax assets are recognized to the extent that it is probable that the future taxable income will be used to offset the deductible losses and tax credits.

The deferred income tax liabilities generated from the taxable temporary difference related to the investment of the subsidiary, associated enterprises or joint venture enterprises are recognized, unless the Company can control the time of reversing the temporary difference, and such temporary difference is most unlikely to be reversed in the foreseeable future. With respect to the deductible temporary difference related to the subsidiary, associated enterprise or joint venture enterprises, only when such temporary difference is most likely to be reversed in the foreseeable future, and the taxable income amount used for deducting the deductible temporary difference is most likely to be acquired in the future, can the deferred income assets can be recognized. On the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured as per the tax rate applicable to the period when such asset is expected to be recovered or such liability is expected to be liquidated.

Except that the income tax and deferred income tax of the current period related to the transactions and matters directly recorded into other comprehensive income or stockholders' equity are recorded into the other comprehensive income or stockholders' equity, and the deferred income incurred from business combination is used to adjust the carrying amount of the goodwill, the other income tax and deferred income tax expense or income are recorded into the gain or loss of the current period.

On the balance sheet date, the book value of the deferred income tax assets is reviewed. If it is probable that sufficient taxable income will not be available in the future to offset the benefits of the deferred income tax assets, the carrying amount of the deferred income tax assets is reduced. When it is probable that sufficient taxable income will be obtained, the amount of the write-down will be reversed.

When there is a statutory right to settle on a net basis, and the intention is to settle the net amount or acquire the assets and pay off the liabilities simultaneously, the current income tax assets of the Company and the current income tax liabilities are presented at the net amount after the offset.

When there is a statutory right to settle the current income tax assets and current income tax liabilities on a net basis, and the deferred income tax assets and deferred income tax liabilities are related to the income tax levied by the same tax collection authority on the same taxpayer or related to different taxpayers, However, in the future period in which each of the important deferred income tax assets and

liabilities are reversed, the taxpayer involved intends to settle the current income tax assets and liabilities on a net basis or acquire assets and liquidate liabilities simultaneously, deferred income tax assets and deferred income tax liabilities are presented at the net amount after offset.

27. Lease

(1) Accounting treatment for operating lease

- a. The rental expense paid for renting assets is amortized with straight-line method and recorded into the expense of the current period within the whole lease period without deducting the rent-free period. The initial direct costs associated with the lease transaction are recognized into expenses of the current period.

After the lessor of the assets bears the expense related to lease, it will deduct such part of expense from the total amount of rent, and then amortize the rental expense after the deduction for the lease term and record it into the expense of the current period.

- b. The rental income received from leasing assets is amortized with straight-line method and recorded into the lease income within the whole lease period without deducting the rent-free period. The paid initial direct expense related to lease transaction is recorded into the expense of the current period. If the amount is large, it is capitalized, and recorded into the income of the current period in phases on the same basis as recognition of lease income within the whole lease term.

When the expenses related to the lease that should be borne by the lessee are assumed, the part of the expenses is deducted from the total rental income, and the deducted rental expenses are allocated during the lease term.

(2) Accounting treatment for finance lease

- a. Finance lease-in assets: On the lease commencement date, the Company takes the lower of the fair value of the leased assets and the present value of the minimum lease payments as the carrying amount of the leased assets, and the minimum lease payments as the initial value of the long-term payables. The difference is treated as unrecognized financing charges.

The unrecognized financing expenses are amortized over the asset lease period using the effective interest rate method and included in finance expenses. The initial direct costs incurred by the Company are included in the value of the leased asset.

- b. Finance lease-out assets: On the lease commencement date, the Company recognizes the difference between the sums of the finance lease outlay payable and guaranteed residual value and their current value as unrealized financing income, and recognizes it as lease income within each period of receiving rent in the future. The initial direct costs incurred for the Company related to lease transaction are recorded into initial measurement for the finance lease outlay receivable, and decrease the income amount recognized within the lease term.

28. Fair value measurement

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company measures related assets or liabilities at fair value assuming the assets or liabilities are exchanged in an orderly transaction in the principal market, in the absence of a principal market, assuming the assets or liabilities are exchanged in an orderly transaction in the most advantageous market. Principal market (or the most advantageous market) is the market that the Company can normally enter into a transaction on measurement date.

The Company use valuation technical tha are appropriate in the circumstances and for which sufficient data are available.take into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.the Company shall give the priority to relevant observable inputs.the unobservable inputs can only be used when relevant observed inputs is not available or practically would not be obtained.

Fair value level for assets and liabilities measured or disclosed at fair value in the financial statements are determined according to the significant lowest level input to the entire measurement: Level 1 inputs are quoted prices (unadjusted) in active market for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. At the balance sheet date, the Company re-values assets and liabilities being measured at fair value continuously in the financial statements to determine whether to change the levels of fair value measurement.

VI. Changes in significant accounting policies and accounting estimates

1. Changes in significant accounting policies

None

2. Changes in significant accounting estimates

None

VII. TAX TYPES

1. Main types of taxes and corresponding tax rates

The main taxes applicable to the Company during the year and their tax rates are listed below

Tax	Tax basis	Tax rate
Value-added tax (VAT)	Output VAT is calculated on product sales and taxable services income. The basis for VAT payable is to deduct input VAT from the output VAT for the period	9%、13%
Consumption tax	Based on taxable income	25%
Urban maintenance and construction tax	Based on turnover tax paid	7%
Education surcharges	Based on turnover tax paid	3%
Local education surcharges	Based on turnover tax paid	2%
Local water construction funds	Based on turnover tax paid	0.5%

VIII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB Yuan unless otherwise stated)

1. Cash at bank and on hand

Item	December 31, 2019	December 31, 2018	December 31, 2017
Cash on hand	287,085.88	234,134.38	332,455.84
Bank deposits	2,922,665,958.44	1,137,294,063.68	1,484,864,396.39
Other monetary funds	17,387,804.35	512,500.00	226,500.00
Total	2,940,340,848.67	1,138,040,698.06	1,485,423,352.23

2. Bills receivable

(1) Categories of bills receivable

Item	December 31, 2019	December 31, 2018	December 31, 2017
Bank acceptance bills	20,611,017.96	27,682,191.59	44,535,399.50
Trade acceptance draft			
Subtotal	20,611,017.96	27,682,191.59	44,535,399.50
Less: Bad debt provision			
Total	20,611,017.96	27,682,191.59	44,535,399.50

Note: In 2019, the Company accumulated RMB 100,000,000.00 of discounted commercial acceptance drafts with the bank. In accordance with the discount agreement, the Bank waives its right of recourse against the Company, and therefore the Company terminates its recognition of the discounted unmatured notes receivable amount RMB 100,000,000.00, resulting in a discount charge of RMB 3,041,666.69.

3. Accounts receivable

(1) Categories of accounts receivable

Item	December 31, 2019			
	Book value		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant and assessed for bad debt provision individually				
Group 1, collectively assessed for bad debt provision based on credit risk characteristics	235,288,791.56	90.31	55,965,455.91	23.79
Group 2, collectively assessed for bad debt provision based on related parties and government and institutions	25,239,041.86	9.69		
Individually insignificant but assessed for bad debt provision individually				
Total	260,527,833.42	100.00	55,965,455.91	23.79

(continued)

Item	December 31, 2018			
	Book value		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant and assessed for bad debt provision individually				
Group 1, collectively assessed for bad debt provision based on credit risk characteristics	284,101,165.94	85.80	43,624,654.17	15.36
Group 2, collectively assessed for bad debt provision based on related parties and government and institutions	47,007,752.46	14.20		
Individually insignificant but assessed for bad debt provision individually				
Total	331,108,918.40	100.00	43,624,654.17	15.36

(continued)

Item	December 31, 2017			
	Book value		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant and assessed for bad debt provision individually				
Group 1, collectively assessed for bad debt	207,747,956.48	57.99	29,099,311.72	14.01

Item	December 31, 2017			
	Book value		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
provision based on credit risk characteristics				
Group 2, collectively assessed for bad debt provision based on related parties and government and institutions	150,548,499.50	42.01		
Individually insignificant but assessed for bad debt provision individually				
Total	358,327,749.70	100.00	29,099,311.72	14.01

The ageing analysis of accounts receivable is as follows:

Aging	December 31, 2019		
	Amount	Bad debt provision	Proportion (%)
Within 1 year (inclusive)	106,949,604.59	5,347,480.23	5.00
1-2 years	72,565,780.42	7,256,578.04	10.00
2-3 years	15,515,011.14	3,103,002.23	20.00
Over 3 years	40,258,395.41	40,258,395.41	100.00
Total	235,288,791.56	55,965,455.91	/

(continued)

Aging	December 31, 2018		
	Amount	Bad debt provision	Proportion (%)
Within 1 year (inclusive)	175,378,530.95	8,768,926.55	5.00
1-2 years	52,303,706.49	5,230,370.65	10.00
2-3 years	33,491,964.41	6,698,392.88	20.00
Over 3 years	22,926,964.09	22,926,964.09	100.00
Total	284,101,165.94	43,624,654.17	/

(continued)

Aging	December 31, 2017		
	Amount	Bad debt provision	Proportion (%)
Within 1 year (inclusive)	127,977,056.46	6,398,852.82	5.00
1-2 years	44,021,791.98	4,402,179.20	10.00
2-3 years	21,813,535.43	4,362,707.09	2.00
Over 3 years	13,935,572.61	13,935,572.61	100.00
Total	207,779,250.20	29,099,311.72	/

(2) Five largest accounts receivable by debtor at the end of the year

Name of entity	December 31, 2019	Bad debt provision
Tai 'an Taishan Urban and Rural Construction development Co., Ltd.	24,396,986.95	9.36

Name of entity	December 31, 2019	Bad debt provision
Shandong Taishan Nuclear Power Equipment Manufacturing Co., Ltd.	15,140,273.49	5.81
Ping Yin Gang Long Gas Co., Ltd.	8,514,200.49	3.27
Liaocheng Petrochina Kunlun Gas Co., Ltd.	8,393,033.64	3.22
Taishan Huayi Thermal Power Company	7,461,329.45	2.86
Total	63,905,824.02	24.52

(continued)

Name of entity	December 31, 2018	Bad debt provision
Tai'an Taishan Urban and Rural Construction development Co., Ltd.	36,220,291.41	12.60
Shandong Taishan Nuclear Power Equipment Manufacturing Co., Ltd.	15,140,273.49	5.27
Liaocheng Development Zone Jinhong Natural Gas Co., Ltd.	13,493,484.77	4.69
Ping Yin Gang Long Gas Co., Ltd.	10,514,200.49	3.66
Jinan Pingyin Ganghua Gas Co., Ltd.	10,152,367.89	3.53
Total	63,905,824.02	24.52

(3) Addition, recovery or reversal of bad debt provision during the year

December 31, 2018	Addition	Reduction during the year		December 31, 2019
		Recovery	Reversal	
43,624,654.17	12,340,801.74			55,965,455.91

(continued)

December 31, 2017	Addition	Reduction during the year		December 31, 2018
		Recovery	Reversal	
29,099,311.72	14,525,342.45			43,624,654.17

4. Prepayments

(1) The aging analysis of prepayments is as follows:

Aging	December 31, 2019		December 31, 2018		December 31, 2017	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year (inclusive)	1,053,439,366.90	59.64	1,042,460,995.13	63.48	901,672,830.78	67.39
1-2 years	345,364,352.13	19.55	332,163,619.78	20.23	330,503,611.96	24.7
2-3 years	184,604,229.83	10.45	192,250,382.02	11.71	7,595,726.43	0.57
Over 3 years	182,901,399.90	10.36	75,194,095.12	4.58	98,270,643.44	7.34
Total	1,766,309,348.76	100.00	1,642,069,092.05	100.00	1,338,042,812.61	100.00

(2) Five largest prepayment by debtor at the end of the year

Debtor	December 31, 2019	Proportion of the total amount (%)	Reason for unsettlement
Tai'an City hengsheng construction Co.,Ltd.	173,097,046.94	9.80	Transaction unsettled
Shandong Guangsha Construction Group Co.,Ltd.	159,092,190.95	9.01	Transaction unsettled
Shandong Changjian Construction Group Co.,Ltd.	118,952,034.94	6.73	Transaction unsettled
Zhonglian Cement (Wanhe Commercial Concrete)	71,003,492.56	4.02	Transaction unsettled
Tai'an City congee shop construction and installation engineering Company	65,586,946.97	3.71	Transaction unsettled
Total	587,731,712.36	33.27	/

(continued)

Debtor	December 31, 2018	Proportion of the total amount (%)	Reason for unsettlement
Shiheng Special Steel Group Co.,Ltd.	264,609,972.01	16.11	Transaction unsettled
Shandong Guangsha Construction Group Co.,Ltd.	114,958,828.87	7.00	Transaction unsettled
Shandong Yijian Construction Co.,Ltd.	83,843,037.33	5.11	Transaction unsettled
Guodian Taian Thermal Power Co.,Ltd.	65,763,690.00	4.00	Transaction unsettled
Shandong Changjian Construction Group Co.,Ltd.	65,677,723.09	4.00	Transaction unsettled
Total	594,853,251.30	36.22	/

5. Other receivables

(1) Overview

Item	December 31, 2019	December 31, 2018	December 31, 2017
Interests receivable	73,313,107.96	73,313,107.96	
Dividends receivable	4,069,776.67	4,069,776.67	4,902,495.70
Other receivables	2,453,537,718.10	8,172,796,348.51	4,055,492,681.59
Total	2,530,920,602.73	8,250,179,233.14	4,060,395,177.29

(2) Interests receivable

Item	December 31, 2019	December 31, 2018	December 31, 2017
Loan interests	73,313,107.96	73,313,107.96	
Total	73,313,107.96	73,313,107.96	/

(3) Dividends receivable

Item	December 31, 2019	December 31, 2018	December 31, 2017
Taian Agis Pipeline Engineering Co.,Ltd.	4,069,776.67	4,069,776.67	4,902,495.70
Total	4,069,776.67	4,069,776.67	4,902,495.70

(4) Other receivables

a. Categories of other receivables

Item	December 31, 2019			
	Book value		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant and assessed for bad debt provision individually				
Group 1, collectively assessed for bad debt provision based on credit risk characteristics	220,425,676.36	8.87	31,556,733.30	14.32
Group 2, collectively assessed for bad debt provision based on related parties and government and institutions	2,264,668,775.04	91.13		
Individually insignificant but assessed for bad debt provision individually				
Total	2,485,094,451.40	100.00	31,556,733.30	14.32

(continued)

Item	December 31, 2018			
	Book value		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant and assessed for bad debt provision individually				
Group 1, collectively assessed for bad debt provision based on credit risk characteristics	222,181,998.22	2.71	20,937,217.85	9.42
Group 2, collectively assessed for bad debt provision based on related parties and government and institutions	7,971,551,568.14	97.29		
Individually insignificant but assessed for bad debt provision individually				
Total	8,193,733,566.36	100.00	20,937,217.85	9.42

(continued)

Item	December 31, 2017			
	Book value		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant and assessed for bad debt provision individually				
Group 1, collectively assessed for bad debt provision based on credit risk characteristics	299,120,823.14	7.30	41,156,809.09	13.76
Group 2, collectively assessed for bad debt provision based on related	3,797,528,667.54	92.70		

Item	December 31, 2017			
	Book value		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
parties and government and institutions				
Individually insignificant but assessed for bad debt provision individually				
Total	4,096,649,490.68	100.00	41,156,809.09	13.76

The ageing analysis of other receivable is as follows:

Aging	December 31, 2019		
	Amount	Bad debt provision	Proportion (%)
Within 1 year (inclusive)	113,627,748.54	5,681,387.43	5.00
1-2 years	74,800,069.82	7,480,006.98	10.00
2-3 years	17,003,148.89	3,400,629.78	20.00
Over 3 years	14,994,709.11	14,994,709.11	100.00
Total	220,425,676.36	31,556,733.30	/

(continued)

Aging	December 31, 2018		
	Amount	Bad debt provision	Proportion (%)
Within 1 year (inclusive)	182,078,147.54	9,103,907.38	5.00
1-2 years	20,509,981.29	2,050,998.13	10.00
2-3 years	12,264,446.30	2,452,889.26	20.00
Over 3 years	7,329,423.09	7,329,423.08	100.00
Total	222,181,998.22	20,937,217.85	/

(continued)

Aging	December 31, 2017		
	Amount	Bad debt provision	Proportion (%)
Within 1 year (inclusive)	231,663,538.73	11,583,176.94	5.00
1-2 years	30,420,587.71	3,042,058.77	10.00
2-3 years	13,131,404.14	2,626,280.83	20.00
Over 3 years	23,905,292.56	23,905,292.55	100.00
Total	299,120,823.14	41,156,809.09	/

b. Five largest other receivables by debtor at the end of the year

Name of entity	Nature	December 31, 2019	Aging	Proportion of total (%)	Closing balance of Bad debt provision

Name of entity	Nature	December 31, 2019	Aging	Proportion of total (%)	Closing balance of Bad debt provision
Shandong Taishan Shengshi Cultural Real Estate Co., Ltd.	Transfers	1,364,130,000.00	Within 1 year, 1-2year	54.94	
Shandong Taishan Finance and Gold Industry Co., Ltd.	Transfers	547,000,000.00	Within 1 year, 1-2year	22.03	
Taian Dianshi Asset Management Co., Ltd.	Transfers	100,000,000.00	Within 1 year	4.03	
Taicheng Key Project Construction Headquarters	Transfers	91,550,000.00	Within 1 year, 2-3year, Over 3 years	3.69	
Taian City dongyue jincai investment Co., Ltd.	Transfers	67,500,000.00	Within 1 year, 2-3year, Over 3 years	2.72	
Total	/	2,170,180,000.00	/	87.41	

(continued)

Name of entity	Nature	December 31, 2018	Aging	Proportion of total (%)	Closing balance of Bad debt provision
Taian City Taishan Investment Co., Ltd.	Transfers	3,320,000,000.00	Within 1 year, 1-2year	40.24	
Taian Taishan Urban and Rural Construction Development Co., Ltd.	Transfers	1,969,467,504.09	Within 1 year, 1-2year	23.87	
Shandong Taishan Shengshi Cultural Real Estate Co., Ltd.	Transfers	1,368,950,000.00	Within 1 year	16.59	
Taian Congee Shop Construction and Installation Engineering Company	Transfers	93,170,000.00	Within 1 year, 2-3year, over 3 years	1.13	
Taian City Dongyue Municipal Engineering Co., Ltd.	Transfers	82,940,288.76	Within 1 year, 2-3year, over 3 years	1.01	
Total	/	6,834,527,792.85	/	82.84	

c. Other receivables categorized by nature

Item	December 31, 2019	December 31, 2018	December 31, 2017
Transfers	2,227,282,858.59	7,552,294,394.33	
Petty cash	2,512,571.53	794,178.24	
Security deposits	3,316,611.62	102,497,693.32	
others	220,425,676.36	517,210,082.62	
Total	2,453,537,718.10	8,172,796,348.51	

d. Movements of provision for bad doubtful debts

December 31, 2018	Addition	Reduction during the year		December 31, 2019
		Recovery	Reversal	
20,937,217.85	10,619,515.45			31,556,733.30

(continued)

December 31, 2017	Addition	Reduction during the year		December 31, 2018
		Recovery	Reversal	
41,156,809.09		20,219,591.24		20,937,217.85

6. Inventories

(1) Categories of inventories

Item	December 31, 2019		
	Book value	Impairment provision for inventories	Carrying amount
Raw materials	52,196,279.98		52,196,279.98
Finished goods	31,876,046.88		31,876,046.88
Development cost (real estate project)	7,656,060,470.81	1,540,000.00	7,654,520,470.81
Development product	584,970,807.70		584,970,807.70
Construction (completed but unsettled)	5,037,085,745.47		5,037,085,745.47
Others	6,844,888.79		6,844,888.79
Total	13,369,034,239.63	1,540,000.00	13,367,494,239.63

(continued)

Item	December 31, 2018		
	Book value	Impairment provision for inventories	Carrying amount
Raw materials	43,435,230.18		43,435,230.18
Finished goods	28,891,866.52		28,891,866.52
Development cost (real estate project)	3,574,222,419.12	1,540,000.00	3,572,682,419.12
Development product	44,489,062.69		44,489,062.69
Others	20,916,311.07		20,916,311.07
Total	3,711,954,889.58	1,540,000.00	3,710,414,889.58

(continued)

Item	December 31, 2017		
	Book value	Impairment provision for inventories	Carrying amount
Raw materials	46,877,995.65		46,877,995.65
Finished goods	30,745,577.38		30,745,577.38
Development cost (real estate project)	1,958,547,746.71	1,540,000.00	1,957,007,746.71
Development product	76,629,943.30		76,629,943.30
Others	21,627,407.87		21,627,407.87

Item	December 31, 2017		
	Book value	Impairment provision for inventories	Carrying amount
Total	2,134,428,670.91	1,540,000.00	2,132,888,670.91

Note: This period of construction in progress to reduce mainly for: according to Taian City High-speed New City Construction Development Center, Taian City Tourism Economic Development Zone Management Committee and Taian City urban development investment Co., Ltd., which was signed the 'high-speed rail infrastructure projects entrusted construction agreement' on December 16, 2019, the Company building high-speed rail projects such as public infrastructure transferred to construction project, according to the entrusted construction agreement and high-speed new city investment and financing review center to issue the review of documents, will be transferred 5,006,422,714.49 from construction in progress to inventory.

(2) Details of development cost

Item	December 31, 2019	December 31, 2018
He Garden、Shuo Garden、Zhi Garden、Xin Garden etc.	3,334,520,470.81	3,572,682,419.12
Cost of land acquisition and storage in high-speed railway area	4,320,000,000.00	
Total	7,654,520,470.81	3,572,682,419.12

Notes: According to the "land cooperation and development memorandum" supplementary agreement signed by Taian Urban Development Investment Co., Ltd. and Taian Taishan Investment Co., Ltd. Taishan Construction Investment, Taian High-Speed Railway New District Construction and Development Center, Taian Tourism Economic Development Zone Management Committee and Taian Finance Bureau. The land purchase fund of the Company signed in the Memorandum of Land Cooperation and Development in 2017 will be transformed into the land purchase and storage fund of the Management Committee and the New Area of High-speed Railway. In this period, the Company paid Taian Taishan Investment of 4.32 billion RMB into land funds into inventory.

(3) Details of development product

Item	December 31, 2019	December 31, 2018
Early stage projects of He Garden、Shuo Garden、Zhi Garden	584,970,807.70	44,489,062.69
Total	584,970,807.70	44,489,062.69

(4) Details of construction

Item	December 31, 2019
High Speed Railway Construction Project	2,878,063,009.63
Other Agent Construction Assets in the High Speed Railway Area	2,128,359,704.86

Others	30,663,030.98
Total	5,037,085,745.47

7. Other current assets

Item	December 31, 2019	December 31, 2018	December 31, 2017
Input tax to be credited	112,006,193.97	81,220,094.54	
Prepaid income tax and other tax	379,123,996.89	400,912,609.48	235,046,012.91
others	10,767,374.64	27,286,458.18	
Total	501,897,565.50	509,419,162.20	235,046,012.91

8. Available-for-sale financial assets

(1) Overview

Item	December 31, 2019		
	Book value	Impairment provision	Carrying amount
Available-for-sale debt instruments:			
Available-for-sale equity instruments:	144,437,327.46		144,437,327.46
At fair value			
At cost	144,437,327.46		144,437,327.46
Total	144,437,327.46		144,437,327.46

(continued)

Item	December 31, 2018		
	Book value	Impairment provision	Carrying amount
Available-for-sale debt instruments:			
Available-for-sale equity instruments:	142,206,980.83		142,206,980.83
At fair value			
At cost	142,206,980.83		142,206,980.83
Total	142,206,980.83		142,206,980.83

(continued)

Item	December 31, 2017		
	Book value	Impairment provision	Carrying amount
Available-for-sale debt instruments:			
Available-for-sale equity instruments:	142,206,980.83		142,206,980.83
At fair value			
At cost	142,206,980.83		142,206,980.83
Total	142,206,980.83		142,206,980.83

(2) Available-for-sale financial assets at fair value

Investee	December 31, 2018	Current	Current year	December 31,

Taian City Development and Investment Co., Ltd.
Notes to consolidated financial statements for the year ended December 31, 2019 and 2018

		year additions	reductions	2019
Taian City urban construction and comprehensive development company	1,500,000.00			1,500,000.00
Taian Hongze Environmental Protection Investment Management Co., Ltd.	11,291,760.00		11,291,760.00	
Hong Kong Thai Infrastructure Investment Company	8,002,327.46			8,002,327.46
Tai'an City teng fa gas supporting facilities management Co., Ltd.	46,212.35		46,212.35	
The thermoelectric company	-15,808,318.98		-15,808,318.98	
Dongmingao Energy Co., Ltd.	2,295,000.00			2,295,000.00
Shandong Taian Kunlun Energy Co., Ltd.	30,000,000.00			30,000,000.00
Taian Hongze Environmental Protection Investment Management Co., Ltd.	2,000,000.00		2,000,000.00	
Taian High-tech Thermal Power Co., Ltd.	2,640,000.00			2,640,000.00
Taian City hongze investment management Co., Ltd.	240,000.00		240,000.00	
Shandong Natural Gas Pipe Network Investment Co., Ltd.	100,000,000.00			100,000,000.00
Total	142,206,980.83		-2,230,346.63	144,437,327.46

(continued)

Investee	December 31, 2017	Current year additions	Current year reductions	December 31, 2018
Taian City urban construction and comprehensive development company	1,500,000.00			1,500,000.00
Taian Hongze Environmental Protection Investment Management Co., Ltd.	11,291,760.00			11,291,760.00
Hong Kong Thai Infrastructure Investment Company	8,002,327.46			8,002,327.46
Tai'an City teng fa gas supporting facilities management Co., Ltd.	46,212.35			46,212.35
The thermoelectric company	-15,808,318.98			-15,808,318.98
Dongmingao Energy Co., Ltd.	2,295,000.00			2,295,000.00
Shandong Taian Kunlun Energy Co., Ltd.	30,000,000.00			30,000,000.00
Taian Hongze Environmental Protection Investment Management Co., Ltd.	2,000,000.00			2,000,000.00
Taian High-tech Thermal Power Co., Ltd.	2,640,000.00			2,640,000.00
Taian City hongze investment management Co., Ltd.	240,000.00			240,000.00

Shandong Natural Gas Pipe Network Investment Co., Ltd.	100,000,000.00			100,000,000.00
Total	142,206,980.83			142,206,980.83

9. Long-term receivables

Item	December 31, 2019		
	Book value	Impairment provision	Carrying amount
Loan of receivable	162,000,000.00		162,000,000.00
Others	99,240,963.80		99,240,963.80
Total	261,240,963.80		261,240,963.80

(continued)

Item	December 31, 2018		
	Book value	Impairment provision	Carrying amount
Loan of receivable	222,000,000.00		222,000,000.00
Others	99,240,963.80		99,240,963.80
Total	321,240,963.80		321,240,963.80

(continued)

Item	December 31, 2017		
	Book value	Impairment provision	Carrying amount
Loan of receivable	282,000,000.00		282,000,000.00
Others	99,240,963.80		99,240,963.80
Total	381,240,963.80		381,240,963.80

Taian City Development and Investment Co., Ltd.
Notes to consolidated financial statements for the year ended December 31, 2019 and 2018

10. Long-term equity investments

Investee	December 31, 2018	Changes during the year			Other comprehensive income
		Additional investments	Reduced investments	Investment income/loss recognized under equity method	
Taian Taishan Urban and Rural Construction development Co., Ltd.	91,240,000.00				
Taian City tong yu private capital management Co., Ltd.	309,149,337.03			16,900,819.43	
Wenchang ZHONGGUO Tai Gas Co., Ltd.	6,000,000.00				
Taian ZHONGYOU Hua Gas Natural Gas Utilization Co., Ltd.	14,700,000.00				
Taian Kurlun LNG Co., Ltd.	7,800,000.00				
Taian Kurlun NAT Natural Gas Co., Ltd.	11,231,337.06				
Taian Gangxin Gas Co., Ltd.	10,000,000.00				
Lingao Zhongguo Tai Gas Co., Ltd.	3,067,723.27				
Laiwuzhong Petroleum Kurlun Gas Co., Ltd.	9,450,000.00				
Feicheng Taixi Natural Gas Co., Ltd.	2,000,000.00				
Shandong Taishan Shengshi Cultural Real Estate Co., Ltd.	274,000,000.00			-1,014,953.28	
Taian Agis Pipeline Engineering Co., Ltd.	7,256,453.80				
Shandong Gangluo Economic and Trade Co., Ltd.	500,000.00				
Jinan Pingyin Ganghua Gas Co., Ltd.	77,964,872.73			476,011.67	
Total	824,359,723.89			16,361,877.82	

(continued)

Taian City Development and Investment Co., Ltd.

Notes to consolidated financial statements for the year ended December 31, 2019 and 2018

Investee	Changes during the year				December 31, 2019	Balance of impairment provision at December 31, 2019
	Changes of other equity	Declared distribution of cash dividends or profits	Impairment provision	Others		
Taian Taishan Urban and Rural Construction development Co., Ltd.					91,240,000.00	
Taian City tong yu private capital management Co., Ltd.					326,050,156.46	
Wenchang ZHONGguo Tai Gas Co., Ltd.					6,000,000.00	
Taian ZHONGyou Hua Gas Natural Gas Utilization Co., Ltd.					14,700,000.00	
Taian Kunlun LNG Co., Ltd.					7,800,000.00	
Taian Kunlun NAT Natural Gas Co., Ltd.					11,231,337.06	
Taian Gangxin Gas Co., Ltd.					10,000,000.00	
Lingao Zhongguo Tai Gas Co., Ltd.					3,067,723.27	
Laiwuzhong Petroleum Kunlun Gas Co., Ltd.					9,450,000.00	
Feicheng Taixi Natural Gas Co., Ltd.					2,000,000.00	
Shandong Taishan Shengshi Cultural Real Estate Co., Ltd.					272,985,046.72	
Taian Agis Pipeline Engineering Co., Ltd.					7,256,453.80	
Shandong Gangluo Economic and Trade Co., Ltd.					500,000.00	
Jinan Pingyin Ganghua Gas Co., Ltd.					91,240,000.00	
Total					853,520,717.31	

(continued)

Taian City Development and Investment Co., Ltd.

Notes to consolidated financial statements for the year ended December 31, 2019 and 2018

Investee	December 31, 2017	Changes during the year			
		Additional investments	Reduced investments	Investment income/loss recognized under equity method	Other comprehensive income
Taian Taishan Urban and Rural Construction development Co., Ltd.	91,240,000.00				
Taian City tong yu private capital management Co., Ltd.	152,113,047.63	153,000,000.00		4,036,289.40	
Wenchang ZHONGGuo Tai Gas Co., Ltd.	6,000,000.00				
Taian ZHONGyou Hua Gas Natural Gas Utilization Co., Ltd.	14,700,000.00				
Taian Kunlun LNG Co., Ltd.	7,800,000.00				
Taian Kunlun NAT Natural Gas Co., Ltd.	11,231,337.06				
Taian Gangxin Gas Co., Ltd.	10,000,000.00				
Lingao Zhongguo Tai Gas Co., Ltd.	3,067,723.27				
Laiwuzhong Petroleum Kunlun Gas Co., Ltd.	9,450,000.00				
Feicheng Taixi Natural Gas Co., Ltd.	2,000,000.00				
Shandong Taishan Shengshi Cultural Real Estate Co., Ltd.		274,000,000.00			
Taian Agis Pipeline Engineering Co., Ltd.	7,256,453.80				
Shandong Gangluo Economic and Trade Co., Ltd.		500,000.00		-	
Jinan Pingyin Ganghua Gas Co., Ltd.	79,263,902.82			2,440,969.91	
Total	394,122,464.58	427,500,000.00		6,477,259.31	

(continued)

Investee	Changes during the year			December 31, 2018	Balance of impairment provision at December 31, 2018
	Changes of other equity	Declared distribution of cash dividends or profits	Impairment provision	Others	
Taian Taishan Urban and Rural Construction development Co., Ltd.				91,240,000.00	
Taian City tong yu private capital management Co., Ltd.				309,149,337.03	
Wenchang ZHONGGUO Tai Gas Co., Ltd.				6,000,000.00	
Taian ZHONGYOU Hua Gas Natural Gas Utilization Co., Ltd.				14,700,000.00	
Taian Kunlun LNG Co., Ltd.				7,800,000.00	
Taian Kunlun NAT Natural Gas Co., Ltd.				11,231,337.06	
Taian Gangxin Gas Co., Ltd.				10,000,000.00	
Lingao Zhongguo Tai Gas Co., Ltd.				3,067,723.27	
Laiwuzhong Petroleum Kunlun Gas Co., Ltd.				9,450,000.00	
Feicheng Taixi Natural Gas Co., Ltd.				2,000,000.00	
Shandong Taishan Shengshi Cultural Real Estate Co., Ltd.				274,000,000.00	
Taian Agis Pipeline Engineering Co., Ltd.				7,256,453.80	
Shandong Gangluo Economic and Trade Co., Ltd.				500,000.00	
Jinan Pingyin Ganghua Gas Co., Ltd.		3,740,000.00		77,964,872.73	
Total		3,740,000.00		824,359,723.89	

11. Investment properties

Items	Buildings	Total
I. Cost		
1. Balance at December 31, 2018	54,029,361.10	54,029,361.10
2. Additions during the year		
(1) Purchases		
(2) Transfers from inventories/fixed assets/construction in progress		
(3) Additions due to business combinations		
3. Reductions during the year		
(1) Disposals		
4. Balance at December 31, 2019	54,029,361.10	54,029,361.10
II. Accumulated depreciation or amortization		
1. Balance at December 31, 2018	27,922,895.83	27,922,895.83
2. Additions during the year	2,537,612.04	2,537,612.04
(1) Depreciated or amortized	2,537,612.04	2,537,612.04
3. Reductions during the year		
(1) Disposals		
4. Balance at December 31, 2019	30,460,507.87	30,460,507.87
III. Impairment provision		
1. Balance at December 31, 2018		
2. Additions during the year		
(1) Provision		
3. Reductions during the year		
(1) Disposals		
4. Balance at December 31, 2019		
IV. Carrying amount		
1. Balance at December 31, 2019	23,568,853.23	23,568,853.23
2. Balance at December 31, 2018	26,106,465.27	26,106,465.27

(continued)

Items	Buildings	Total
I. Cost		
1. Balance at December 31, 2017	54,140,500.24	54,140,500.24
2. Additions during the year	667,700.00	667,700
(1) Purchases	667,700.00	667,700
(2) Transfers from inventories/fixed assets/construction in progress		
(3) Additions due to business combinations		

Items	Buildings	Total
3. Reductions during the year	778,839.14	778,839.14
(1) Disposals	778,839.14	778,839.14
4. Balance at December 31, 2018	54,029,361.10	54,029,361.1
II. Accumulated depreciation or amortization		
1. Balance at December 31, 2017	25,885,700.61	25,885,700.61
2. Additions during the year	2,505,217.21	2,505,217.21
(1) Deprecized or amortized	2,505,217.21	2,505,217.21
3. Reductions during the year	468,021.99	468,021.99
(1) Disposals	468,021.99	468,021.99
4. Balance at December 31, 2018	27,922,895.83	27,922,895.83
III. Impairment provision		
1. Balance at December 31, 2017		
2. Additions during the year		
(1) Provision		
3. Reductions during the year		
(1) Disposals		
4. Balance at December 31, 2018		
IV. Carrying amount		
1. Balance at December 31, 2018	26,106,465.27	26,106,465.27
2. Balance at December 31, 2017	28,254,799.63	28,254,799.63

12. Fixed assets**(1) Overview**

Item	December 31, 2019	December 31, 2018	December 31, 2017
Fixed assets	2,855,238,364.36	2,584,389,952.06	2,329,473,961.73
Fixed assets for disposal	4,905.66	9,949.83	5,044.17
Total	2,855,243,270.02	2,584,399,901.89	2,329,479,005.90

(2) Fixed assets

a. Details of fixed assets

Item	Buildings	Machinery and equipment	Motor vehicles	Office equipment and others	Total
I. Cost					
1. Balance at December 31, 2018	1,360,712,724.85	2,224,172,757.17	37,057,323.60	7,713,212.41	3,629,656,018.03
2. Additions during the year	51,255,838.85	485,253,207.50	3,579,760.50	2,753,239.12	542,842,045.97
(1) Purchases	51,255,838.85	485,253,207.50	3,579,760.50	2,753,239.12	542,842,045.97
(2) Transfers from construction in progress					
(3) Additions due to business combinations					
(4) Others					
3. Reductions during the year	548,958.57	60,636,134.38	1,525,904.69	241,553.80	62,952,551.44
(1) Disposals or scraps	548,958.57	60,636,134.38	1,525,904.69	241,553.80	62,952,551.44
(2) Others					
4. Balance at December 31, 2019	1,411,419,605.13	2,648,789,830.29	39,111,179.41	10,224,897.73	4,109,545,512.56
II. Accumulated depreciation					
1. Balance at December 31, 2018	339,627,001.61	676,570,602.48	23,255,086.32	5,813,375.56	1,045,266,065.97
2. Additions during the year	34,173,081.11	215,727,974.84	5,226,480.96	3,192,355.90	258,319,892.81
(1) charge for the year	34,173,081.11	215,727,974.84	5,226,480.96	3,192,355.90	258,319,892.81
(2) Additions due to business combinations					
(3) Others					
3. Reductions during the year	422,578.40	47,162,471.00	1,531,889.19	161,871.99	49,278,810.58
(1) Disposals or scraps	422,578.40	47,162,471.00	1,531,889.19	161,871.99	49,278,810.58
(2) Other transfers out					

Taian City Development and Investment Co., Ltd.
Notes to consolidated financial statements for the year ended December 31, 2019 and 2018

Item	Buildings	Machinery and equipment	Motor vehicles	Office equipment and others	Total
4. Balance at December 31, 2019	373,377,504.32	845,136,106.32	26,949,678.09	8,843,859.47	1,254,307,148.2
III. Impairment provision					
1. Balance at December 31, 2018					
2. Additions during the year					
(1) Provision					
(2) Others					
3. Reductions during the year					
(1) Disposals or scraps					
(2) Others					
4. Balance at December 31, 2019					
IV. Carrying amount					
1. Balance at December 31, 2019	1,038,042,100.81	1,803,653,723.97	12,161,501.32	1,381,038.26	2,855,238,364.36
2. Balance at December 31, 2018	1,021,085,723.24	1,547,602,154.69	13,802,237.28	1,899,836.85	2,584,389,952.06

(continued)

Item	Buildings	Machinery and equipment	Motor vehicles	Office equipment and others	Total
I. Cost					
1. Balance at December 31, 2017	1,261,729,496.52	1,904,675,738.48	44,958,862.93	6,395,092.30	3,217,759,190.23
2. Additions during the year	130,643,919.01	344,893,241.79	4,738,175.32	1,328,254.11	481,603,590.23
(1) Purchases	130,643,919.01	344,893,241.79	4,738,175.32	1,328,254.11	481,603,590.23
(2) Transfers from construction in progress					
(3) Additions due to business combinations					
(4) Others					

Taian City Development and Investment Co., Ltd.
Notes to consolidated financial statements for the year ended December 31, 2019 and 2018

Item	Buildings	Machinery and equipment	Motor vehicles	Office equipment and others	Total
3. Reductions during the year	31,660,690.68	25,396,223.11	12,639,714.65	10,134.00	69,706,762.44
(1) Disposals or scraps	31,660,690.68	25,396,223.11	12,639,714.65	10,134.00	69,706,762.44
(2) Others					
4. Balance at December 31, 2018	1,360,712,724.85	2,224,172,757.17	37,057,323.60	7,713,212.41	3,629,656,018.03
II. Accumulated depreciation					
1. Balance at December 31, 2017	347,121,793.71	514,683,129.24	22,415,718.37	4,064,587.18	888,285,228.50
2. Additions during the year	15,093,317.06	182,404,477.05	7,404,636.84	1,757,267.79	206,659,698.74
(1) charge for the year	15,093,317.06	182,404,477.05	7,404,636.84	1,757,267.79	206,659,698.74
(2) Additions due to business combinations					
(3) Others					
3. Reductions during the year	22,588,109.16	20,517,003.81	6,565,268.89	8,479.40	49,678,861.26
(1) Disposals or scraps	22,588,109.16	20,517,003.81	6,565,268.89	8,479.40	49,678,861.26
(2) Other transfers out					
4. Balance at December 31, 2018	339,627,001.61	676,570,602.48	23,255,086.32	5,813,375.56	1,045,266,065.97
III. Impairment provision					
1. Balance at December 31, 2017					
2. Additions during the year					
(1) Provision					
(2) Others					
3. Reductions during the year					
(1) Disposals or scraps					
(2) Others					
4. Balance at December 31, 2018					

Taian City Development and Investment Co., Ltd.
Notes to consolidated financial statements for the year ended December 31, 2019 and 2018

Item	Buildings	Machinery and equipment	Motor vehicles	Office equipment and others	Total
IV. Carrying amount					
1. Balance at December 31, 2018	1,021,085,723.24	1,547,602,154.69	13,802,237.28	1,899,836.85	2,584,389,952.06
2. Balance at December 31, 2017	914,607,702.81	1,389,992,609.24	22,543,144.56	2,330,505.12	2,329,473,961.73

b. Temporarily idle fixed assets: None

c. Fixed assets acquired under finance leases as at December 31, 2019

Item	December 31, 2018	Accumulated depreciation	Impairment provision	December 31, 2019
Machinery and equipment	310,748,455.78	106,115,771.46		204,632,684.32
Total	310,748,455.78	106,115,771.46		204,632,684.32

d. Fixed assets disposal

Item	December 31, 2019	December 31, 2018	December 31, 2017
Motor vehicles	4,905.66	9,949.83	5,044.17
Total	4,905.66	9,949.83	5,044.17

13. Construction in progress

(1) Overview

Item	December 31, 2019	December 31, 2018	December 31, 2017
Construction in progress	750,350,389.82	5,158,281,784.65	5,011,571,954.11
Construction materials	233,083,461.50	175,403,746.75	
Total	983,433,851.32	5,333,685,531.40	5,011,571,954.11

(2) Construction in progress

Item	December 31, 2019		
	Book value	Impairment provision for inventories	Carrying amount
High speed rail project			
Urban road construction and renovation project			
Taian City urban water pipe network project	199,187,772.60		199,187,772.60
Pipeline renovation	328,383,460.33		328,383,460.33
Dongyue Street renovation			
Gas supporting project	193,598,434.00		193,598,434.00
Others	29,180,722.89		29,180,722.89
Total	750,350,389.82		750,350,389.82

(continued)

Item	December 31, 2018		
	Book value	Impairment provision for inventories	Carrying amount
High speed rail project	2,605,341,591.45		2,605,341,591.45
Urban road construction and renovation project	1,776,653,355.96		1,776,653,355.96
Taian City urban water pipe network project	76,957,074.92	17,541,076.80	59,415,998.12
Pipeline renovation	376,748,060.72		376,748,060.72
Dongyue Street renovation	59,526,141.74		59,526,141.74
Gas supporting project	47,948,489.67		47,948,489.67
Others	232,648,146.99		232,648,146.99
Total	5,175,822,861.45	17,541,076.80	5,158,281,784.65

(continued)

Item	December 31, 2017		
	Book value	Impairment provision for inventories	Carrying amount
High speed rail project	2,360,224,343.65		2,360,224,343.65
Urban road construction and renovation project	1,639,604,982.04		1,639,604,982.04

Item	December 31, 2017		
	Book value	Impairment provision for inventories	Carrying amount
Taian City urban water pipe network project	110,086,965.10	17,541,076.80	92,545,888.30
Pipeline renovation	111,175,077.07		111,175,077.07
Dongyue Street renovation	59,526,141.74		59,526,141.74
Gas supporting project	261,289,381.57		261,289,381.57
Others	487,206,139.74		487,206,139.74
Total	5,029,113,030.91	17,541,076.80	5,011,571,954.11

Note: This period of construction in progress to reduce mainly for: according to Taian City High-speed New City Construction Development Center, Taian City Tourism Economic Development Zone Management Committee and Taian City urban development investment Co., Ltd., which was signed the 'high-speed rail infrastructure projects entrusted construction agreement' on December 16, 2019, the Company building high-speed rail projects such as public infrastructure transferred to construction project, according to the entrusted construction agreement and high-speed new city investment and financing review center to issue the review of documents, will be transferred 5,006,422,714.49 from construction in progress to inventory.

(3) Construction materials

Item	December 31, 2019	December 31, 2018	December 31, 2017
Specific material	233,083,461.50	175,403,746.75	
Total	233,083,461.50	175,403,746.75	/

14. Intangible assets

(1) Overview

Item	Land use right	Patent and Others	Total
I.Cost			
1. Balance at December 31, 2018	149,041,413.44	12,618,239.33	161,659,652.77
2. Additions during the year	6,069,301.14	3,196,603.15	9,265,904.29
(1) Purchases	6,069,301.14	3,196,603.15	9,265,904.29
(2) Internal development			
(3) Additions due to business combinations			
(4) Others			
3. Reductions during the year	86,764.64	83,107.03	169,871.67
(1) Disposals	86,764.64	83,107.03	169,871.67
(2) Others			

Item	Land use right	Patent and Others	Total
4. Balance at December 31, 2019	155,023,949.94	15,731,735.45	170,755,685.39
II. Accumulated amortization			
1. Balance at December 31, 2018	19,554,635.04	8,537,755.67	28,092,390.71
2. Additions during the year	4,437,145.10	2,335,876.97	6,773,022.07
(1) Charge for the year	4,437,145.10	2,335,876.97	6,773,022.07
(2) Additions due to business combinations			
(3) Others			
3. Reductions during the year		9,252.13	9,252.13
(1) Disposals		9,252.13	9,252.13
(2) Other transfers out			
4. Balance at December 31, 2019	23,991,780.14	10,864,380.51	34,856,160.65
III. Impairment provision			
1. Balance at December 31, 2018			
2. Additions during the year			
(1) Provision			
(2) Others			
3. Reductions during the year			
(1) Disposals			
(2) Others			
4. Balance at December 31, 2019			
IV. Carrying amount			
1. Balance at December 31, 2019	131,032,169.80	4,867,354.94	135,899,524.74
2. Balance at December 31, 2018	129,486,778.40	4,080,483.66	133,567,262.06

(continued)

Item	Land use right	Patent and Others	Total
I. Cost			
1. Balance at December 31, 2017	141,149,739.82	12,380,908.11	153,530,647.93
2. Additions during the year	7,928,648.33	237,331.22	8,165,979.55
(1) Purchases	7,928,648.33	237,331.22	8,165,979.55
(2) Internal development			
(3) Additions due to business combinations			
(4) Others			
3. Reductions during the year			
(1) Disposals			
(2) Others			
4. Balance at December 31, 2018	149,041,413.44	12,618,239.33	161,659,652.77
II. Accumulated amortization			

Item	Land use right	Patent and Others	Total
1. Balance at December 31, 2017	16,175,786.95	6,449,526.19	22,625,313.14
2. Additions during the year	3,378,848.09	2,088,229.48	5,467,077.57
(1) Charge for the year	3,378,848.09	2,088,229.48	5,467,077.57
(2) Additions due to business combinations			
(3) Others			
3. Reductions during the year			
(1) Disposals			
(2) Other transfers out			
4. Balance at December 31, 2018	19,554,635.04	8,537,755.67	28,092,390.71
III. Impairment provision			
1. Balance at December 31, 2017			
2. Additions during the year			
(1) Provision			
(2) Others			
3. Reductions during the year			
(1) Disposals			
(2) Others			
4. Balance at December 31, 2018			
IV. Carrying amount			
1. Balance at December 31, 2018	129,486,778.40	4,080,483.66	133,567,262.06
2. Balance at December 31, 2017	124,973,952.87	5,931,381.92	130,905,334.79

15. Long-term deferred expenses

Item	December 31, 2018	Additions	Amortization	December 31, 2019
Renovation of heat-supply related assets	6,724,398.61	15,394,045.70	3,471,120.29	18,647,324.02
Others	711,897.48	5,335,948.29	290,675.17	5,757,170.60
Decoration cost	1,409,977.90	379,230.42	289,511.36	1,499,696.96
Lease payment	21,856,561.65	12,989,600.00	7,860,200.86	26,985,960.79
Total	30,702,835.64	34,098,824.41	11,911,507.68	52,890,152.37

(continued)

Item	December 31, 2017	Additions	Amortization	Other reductions	December 31, 2018
Renovation of heat-supply related assets	7,473,731.32	3,108,591.54	3,857,924.24	6,724,398.61	7,473,731.32
Others	791,227.71	243,736.30	323,066.53	711,897.48	791,227.71
Decoration cost	1,567,098.65	164,652.28	321,773.03	1,409,977.90	1,567,098.65
Lease payment	24,292,145.48	6,300,517.75	8,736,101.58	21,856,561.65	24,292,145.48

Item	December 31, 2017	Additions	Amortization	Other reductions	December 31, 2018
Total	34,124,203.15	9,817,497.87	13,238,865.38	30,702,835.64	34,124,203.15

16. Deferred tax assets and deferred tax liabilities

Item	December 31, 2019		December 31, 2018		December 31, 2017	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Impairment provision for assets	22,944,670.32	5,736,167.58	31,293.72	7,823.43	32,443.28	8,110.82
Total	22,944,670.32	5,736,167.58	31,293.72	7,823.43	32,443.28	8,110.82

17. Short-term loans

Item	December 31, 2019	December 31, 2018	December 31, 2017
Guaranteed loans	28,270,000.00	29,650,000.00	29,810,000.00
Credit loans	745,000,000.00	300,000,000.00	50,000,000.00
Pledged loans	405,000,000.00	655,200,000.00	420,340,000.00
Total	1,178,270,000.00	984,850,000.00	500,150,000.00

18. Bills payable

Item	December 31, 2019	December 31, 2018	December 31, 2017
Commercial acceptance bills			414,940.00
Bank acceptance bills	32,000,000.00		250,000,000.00
Total	32,000,000.00	/	250,414,940.00

19. Accounts payable

(1) Details of accounts payable

Item	December 31, 2019	December 31, 2018	December 31, 2017
Material payable	81,802,030.67	56,804,597.56	63,479,610.23
Gas payable	256,895,739.56	299,723,383.37	362,814,621.25
Others	182,011,727.54	146,065,237.97	122,142,062.50
Total	520,709,497.77	502,593,218.90	548,436,293.98

(2) Significant accounts payable with aging of more than 1 year

Item	December 31, 2019	Reason for unsettlement
Taian Agis Pipeline Engineering Co., Ltd.	18,291,177.20	Not yet settled
Shandong Agricultural University	14,541,857.46	Not yet settled
Shandong Guangsha Construction Group Co., Ltd.	12,695,063.15	Not yet settled
Chengdu Qianjia Technology Co., Ltd.	9,937,757.00	Not yet settled
Taian City congee shop construction and installation engineering Company	7,754,457.99	Not yet settled

Item	December 31, 2019	Reason for unsettlement
Total	63,220,312.80	/

(continued)

Item	December 31, 2018	Reason for unsettlement
Taian Agis Pipeline Engineering Co.,Ltd.	24,142,219.30	Not yet settled
Shandong Agricultural University	10,107,865.03	Not yet settled
Shandong Taishan Sanatorium	3,138,968.38	Not yet settled
Chongqing Shancheng Gas Equipment Co.,Ltd.	2,725,640.00	Not yet settled
Taian Junhao Real Estate Co.,Ltd.	2,430,000.00	Not yet settled
Total	42,544,692.71	/

(3) The ageing analysis of advances payment receivable is as follows:

Aging	December 31, 2019	December 31, 2018	December 31, 2017
Within 1 year (inclusive)	243,688,880.41	212,663,656.00	292,312,155.05
1-2 years	132,641,352.30	144,409,509.73	123,486,174.60
2-3 years	32,259,473.15	55,176,447.00	42,946,288.25
Over 3 years	112,119,791.91	90,343,606.17	89,691,676.08
Total	520,709,497.77	502,593,218.90	548,436,293.98

20. Advances payment received

(1) Details of advances

Item	December 31, 2019	December 31, 2018	December 31, 2017
Advances for Real Estate Projects	5,052,714,689.00	4,660,679,182.00	2,524,497,543.00
Advances for Construction	58,834,619.04	65,447,135.43	77,849,396.71
Advances for Gas	134,386,959.02	124,231,862.83	92,938,506.69
Advances for Heating	254,887,211.93	183,380,588.51	178,946,944.93
Advances for Water	928,118.73	364,496.26	864,496.26
Others	14,837,858.64	46,702,379.77	20,696,732.80
Total	5,516,589,456.36	5,080,805,644.80	2,895,793,620.39

(2) Significant advances from customers with aging of more than 1 year

Item	December 31, 2019	Reason for unsettlement
Advances for Real Estate Projects(over 1 years)	2,355,898,809.00	Not yet settled
Taicheng Public Fire Protection Project	1,904,179.20	Not yet settled
Shandong Yijian Construction Co., Ltd. Hainan Branch	1,060,147.20	Not yet settled
Hainan Jichuang Industrial Co., Ltd	1,040,054.40	Not yet settled
Total	2,359,903,189.80	/

(continued)

Item	December 31, 2018	Reason for unsettlement
Advances for Real Estate Projects	4,660,679,182.00	Not yet settled
Advances for Heating	183,380,588.51	Not yet settled
Total	4,844,059,770.51	

(3) The ageing analysis of advances payment receivable is as follows:

Aging	December 31, 2019	December 31, 2018	December 31, 2017
Within 1 year (inclusive)	2,339,865,589.19	2,805,562,104.23	2,641,131,072.91
1-2 years	2,540,764,073.42	2,083,485,061.44	252,769,718.96
2-3 years	628,599,797.97	190,044,903.61	273,932.51
Over 3 years	7,359,995.78	1,713,575.52	1,618,896.01
Total	5,516,589,456.36	5,080,805,644.80	2,895,793,620.39

21. Employee benefits payable

(1) Overview

Item	December 31, 2018	Accruals	Payments	December 31, 2019
Short-term employee benefits	8,767,488.58	228,425,249.32	228,251,460.03	8,941,277.87
Post-employment benefits - defined contribution plans	1,061,479.19	35,224,407.64	35,217,606.44	1,068,280.39
Termination benefits				
Other benefits due within one year				
Total	9,828,967.77	263,649,656.96	263,469,066.47	10,009,558.26

(continued)

Item	December 31, 2017	Accruals	Payments	December 31, 2018
Short-term employee benefits	6,465,289.17	224,315,933.43	222,043,651.44	8,767,488.58
Post-employment benefits - defined contribution plans	753,967.53	24,110,080.79	23,802,569.13	1,061,479.19
Termination benefits				
Other benefits due within one year				
Total	7,219,256.70	248,426,014.22	245,846,220.57	9,828,967.77

(2) Short-term employee benefits

Item	December 31, 2018	Accruals	Payments	December 31, 2019
1. Salaries, bonus, allowances	5,095,984.96	173,703,626.05	173,663,624.53	5,135,986.48
2. Staff welfare	273,499.25	10,676,360.11	10,601,813.20	348,046.16
3. Social insurances	39,556.97	17,416,128.32	17,422,589.41	33,095.88
Including: Medical insurance	30,084.50	14,519,165.19	14,523,871.93	25,377.76
Work-related injury insurance	11,481.86	1,242,893.13	1,248,210.79	6,164.20
Maternity insurance	2,009.39	1,591,341.99	1,587,778.68	5,572.70

Item	December 31, 2018	Accruals	Payments	December 31, 2019
Others		62,728.00	62,728.00	
4. Housing fund	57,898.00	23,098,374.39	23,125,926.39	30,346.00
5. Labor union fees, staff and workers' education fee	3,300,549.40	3,530,760.45	3,437,506.50	3,393,803.35
6. Short-term paid absences				
7. Economic compensation for termination of labor contract				
8. Other short-term employee benefits				
Total	8,767,488.58	228,425,249.32	228,251,460.03	8,941,277.87

(continued)

Item	December 31, 2017	Accruals	Payments	December 31, 2018
1. Salaries, bonus, allowances	3,600,614.72	168,448,694.07	166,983,241.25	5,095,984.96
2. Staff welfare	152,826.25	12,585,007.79	12,464,334.79	273,499.25
3. Social insurances	20,824.41	14,008,986.23	13,990,253.67	39,556.97
Including: Medical insurance	23,794.82	11,753,026.43	11,746,736.75	30,084.50
Work-related injury insurance	1,526.31	1,046,215.64	1,036,260.09	11,481.86
Maternity insurance	1,444.10	1,209,744.16	1,209,178.87	2,009.39
Others				
4. Housing fund	100,186.00	20,350,309.16	20,392,597.16	57,898.00
5. Labor union fees, staff and workers' education fee	2,590,837.79	8,922,936.18	8,213,224.57	3,300,549.40
6. Short-term paid absences				
7. Economic compensation for termination of labor contract				
8. Other short-term employee benefits				
Total	6,465,289.17	224,315,933.43	222,043,651.44	8,767,488.58

(3) Defined contribution plans

Item	December 31, 2018	Accruals	Payments	December 31, 2019
1. Basic pension insurance	1,002,524.13	33,407,802.36	33,407,265.54	1,003,060.95
2. Unemployment insurance	58,955.06	1,411,697.93	1,405,433.546	65,219.44
Total	1,061,479.19	404,907.36	404,907.36	1,068,280.39

(continued)

Item	December 31, 2017	Accruals	Payments	December 31, 2018
1. Basic pension insurance	708,988.77	23,175,468.31	22,881,932.95	1,002,524.13
2. Unemployment insurance	44,978.76	934,612.48	920,636.18	58,955.06
Total	753,967.53	24,110,080.79	23,802,569.13	1,061,479.19

22. Taxes payable

Item	December 31, 2019	December 31, 2018	December 31, 2017
Corporate income tax	55,632,721.77	24,945,067.33	18,899,978.52
Urban maintenance and construction tax	313,076.12	136,556.04	-3,665,726.95
Property tax	1,108,141.06	766,814.00	866,437.03
Tax on the use of urban land	2,430,496.72	1,324,641.27	2,263,781.22
Individual income tax	399,675.84	144,158.97	199,229.05
Education surcharge	155,851.15	69,299.98	-1,558,696.82
Local education surcharge	75,662.43	37,081.38	-1,068,471.60
Resource tax	4,632,947.12	3,903,901.26	
Value-added tax	2,536,932.32	-1,488,993.90	6,490,574.47
Stamp duty	400,082.61	491,769.68	1,946,710.00
Others	328,185.28	-903,472.31	-19,232,261.37
Total	68,013,772.42	29,426,823.70	5,141,553.55

23. Other payable

(1) Overview

Item	December 31, 2019	December 31, 2018	December 31, 2017
Interests payable			
Dividends payable	38,610,396.41	38,610,396.41	30,369,000.00
Other payables	4,119,106,847.64	4,828,116,239.51	6,874,990,835.06
Total	4,157,717,244.05	4,866,726,635.92	6,905,359,835.06

(2) Dividends payable

Item	December 31, 2019	December 31, 2018	December 31, 2017
Dividends for ordinary shares	38,610,396.41	38,610,396.41	30,369,000.00
Total	38,610,396.41	38,610,396.41	30,369,000.00

(3) Other payables

a. Other payables categorized by nature

Item	December 31, 2019	December 31, 2018	December 31, 2017
Transfers	2,897,129,045.85	2,595,557,195.08	4,360,061,924.97
Financial fund	747,719,026.35	1,292,604,811.86	1,385,318,612.48
Amounts for real estate projects	7,996,644.00	674,376,533.33	901,380,982.02
Deposits	30,568,342.69	157,225,582.60	150,692,899.80
Payables for collections on other behalf	64,006,265.02	89,212,643.00	59,285,993.33
Others	371,687,523.73	19,139,473.64	18,250,422.46
Total	4,119,106,847.64	4,828,116,239.51	6,874,990,835.06

b. Significant other payable with aging of more than 1 year

Item	December 31, 2019	Reason for unsettlement
Taian Hengsheng Construction and Installation Engineering Company	740,000,300.00	Note yet settled
Taian Taishan Finance & Investment group Co., Ltd.	700,000,000.00	Note yet settled
Taian Taishan Urban and Rural Construction development Co., Ltd.	418,860,345.89	Note yet settled
Taian City Dayue District Congee Shop Street Office	322,761,878.83	Note yet settled
Taian City Dayue District House Demolition Service Center	175,000,000.00	Note yet settled
Total	2,356,622,524.72	/

(continued)

Item	December 31, 2018	Reason for unsettlement
Taian Hengsheng Construction and Installation Engineering Company	560,000,300.00	Note yet settled
Taian Taishan Urban and Rural Construction development Co., Ltd.	300,000,000.00	Note yet settled
Taian City Tongyu Private Capital Co., Ltd.	202,378,943.58	Note yet settled
Taian City Taishan City Construction Investment Co., Ltd.	135,228,913.88	Note yet settled
Taian City Construction Steel Co., Ltd.	83,000,000.00	Note yet settled
Total	1,280,608,157.46	/

24. Non-current liabilities due within one year

Item	December 31, 2019	December 31, 2018	December 31, 2017
Long-term loans due within one year	1,067,990,000.00		
Bonds payable due within one year			
Long-term payables due within one year	176,750,000.00		
Total	1,244,740,000.00	/	/

25. Long-term loans

(1) Overview

Item	December 31, 2019	December 31, 2018	December 31, 2017
Guaranteed loans	405,395,000.00	1,489,100,000.00	784,800,000.00
Credit loans	40,000,000.00		
Total	445,395,000.00	1,489,100,000.00	784,800,000.00

(2) Five largest long-term loans at the end of the year

Item	Date of start	Date of termination	Rate (%)	December 31, 2019	December 31, 2018
Taian City Commercial Bank Municipal Branch	2018/3/17	2021/3/16	5.5	300,000,000.00	300,000,000.00
Taiqian Branch of Taian Bank	2019/08/07	2021/12/08	5.225	59,995,000.00	
Bank of Kunlun	2019/09/30	2022/09/29	4.75	38,000,000.00	

Manzhuang Steel Market Branch of Taian Dai Rural Commercial Bank	2016/09/02	2021/08/30	5.225	28,400,000.00	28,600,000.00
Taian Dai Rural Commercial Bank	2019/09/19	2022/09/09	5.225	19,000,000.00	
Total	/	/	/	445,395,000.00	328,600,000.00

(continued)

Item	Date of start	Date of termination	Rate (%)	December 31, 2019	December 31, 2018
Municipal Branch of Taian City Commercial Bank	2017.11.17	2020.11.16	5.50	600,000,000.00	300,000,000.00
Taian Branch of Tianjin Bank	2017.07.26	2020.07.24	5.95	250,000,000.00	270,000,000.00
Jinan Branch of Bohai Bank	2018.04.28	2020/12/12	6.50	180,000,000.00	
Jinan Branch of Bohai Bank	2018.01.05	2020/12/12	6.18	135,000,000.00	
Jinan Branch of Bohai Bank	2018.01.29	2020/12/12	6.18	90,000,000.00	
Total	/	/	/	1,255,000,000.00	570,000,000.00

26. Long-term payables

(1) Overview

Item	December 31, 2019	December 31, 2018	December 31, 2017
Long-term payables	1,724,919,435.10	1,732,628,464.80	2,263,235,172.72
Special accounts payable	393,525,952.66	407,489,864.16	277,067,953.75
Total	2,118,445,387.76	2,140,118,328.96	2,540,303,126.47

(2) Long-term payables

Item	December 31, 2019	December 31, 2018	December 31, 2017
Found of Penggai	541,150,000.00	572,250,000.00	572,250,000.00
Guosen Securities	400,000,000.00	500,000,000.00	800,000,000.00
Finance Lease Payment	211,569,435.10	548,992,379.80	551,402,147.32
Loan From Shareholders	250,000,000.00	35,000,000.00	35,000,000.00
Treasury Bonds	11,000,000.00	11,000,000.00	11,000,000.00
Land Reserve Bond Funds of the Management Committee	311,200,000.00		
Others		65,386,085.00	293,583,025.40
Total	1,724,919,435.10	1,732,628,464.80	2,263,235,172.72

(3) Special accounts payable

Item	December 31, 2018	Current year additions	Current year reductions	December 31, 2019	Reasons
Special Government Fund for Street of Banhe	10,663,915.00		1,563,915.00	9,100,000.00	Special Government Fund

Special Government Fund for Removal	12,051,455.61			12,051,455.61	Special Government Fund
Special Government Fund for Water and Heating	170,045,339.25	66,725,534.82	38,075,531.32	198,695,342.75	Special Government Fund
Special Government Fund for Construction	127,846,128.90		33,050,000.00	94,796,128.90	Special Government Fund
Special Government Fund the Construction Project of the Water Plant Around the Lake and the Water Diversion Project of the Colorful Landscape Reservoir	86,883,025.40		8,000,000.00	78,883,025.40	Special Government Fund
Total	407,489,864.16	66,725,534.82	80,689,446.32	393,525,952.66	

(continued)

Item	December 31, 2017	Current year additions	Current year reductions	December 31, 2018	Reasons
Special Government Fund for Street of Banhe	10,663,915.00			10,663,915.00	Special Government Fund
Special Government Fund for Removal	9,134,126.16	2,917,329.45		12,051,455.61	Special Government Fund
Special government Fund for Water and Heating	129,423,783.69	55,586,965.86	14,965,410.30	170,045,339.25	Special Government Fund
Special Government Fund for Construction	127,846,128.90			127,846,128.90	Special Government Fund
Special Government Fund the Construction Project of the Water Plant Around the Lake and the Water Diversion Project of the Colorful Landscape Reservoir		86,883,025.40		86,883,025.40	Special Government Fund
Total	277,067,953.75	145,387,320.71	14,965,410.30	407,489,864.16	

27. Deferred income**(1) Overview**

Item	December 31, 2018	Current year additions	Current year reductions	December 31, 2019
Government Grants	1,970,877,707.67		93,542,557.60	1,877,335,150.08
Matching Fund for Tap Water	239,486,470.18		92,732,138.50	146,754,331.68
Total	338,468,333.51	280,712,701.29	157,020,262.65	2,024,089,481.76

(continued)

Item	December 31, 2017	Current year additions	Current year reductions	December 31, 2018
Government Grants		1,864,946,943.41	127,279,970.28	1,737,666,973.13
Matching Fund for Tap Water		211,553,985.75	13,417,506.25	198,136,479.50
Total		2,076,500,929.16	141,203,753.23	1,935,803,452.63

(2) Details of government grants

Item	December 31, 2018	Current year additions	Addition by combination during the year	Recognition as non-operating income
130 Tons Boiler Government Subsidy	17,265,625.00			
Special Supporting Funds for Urban Infrastructure Construction	738,239,522.75	201,031,008.38		
Heating Facilities Construction Subsidies	15,406,906.33			
State Subsidy for Energy Conservation and Environmental Protection of Hot Water Boilers	394,333.43			
Incentive Funds for Energy-saving Renovation of Existing Buildings	51,344,558.34	1,650,000.00		
Heat Project Discount Interest Subsidy Funds	3,978,047.01			
Construction Fund of Guodian Network Pipe Network	72,916,666.61			
Special Fund for Ultra-low Emission of Flue Gas From Hot Water Boiler	2,800,000.00			
Funds for Air Pollution Prevention and Control	470,833.31			
The Government Allocates Water Supply Matching Fees	695,148,285.72	153,602,146.42		
Financial Return Water Surcharge	24,106,682.43			
Caishan Diversion Project	8,333,333.34			
Fire Protection Construction Fund	66,185,178.87	18,999,765.27		
Xiaoanmen Diversion Project	13,332,000.00			
Water Supply Facility Construction	15,400,000.00			
Daiyue District Ater Supply Network Improvement Project	3,199,999.99			
Shantytown Area Under the Security of Water Supply Projects	9,145,000.00			
Provincial Clean Heating Award Subsidy Funds		4,474,600.00		
Total	1,737,666,973.13	379,757,520.07		

(continued)

Item	Recognition as other income	Others	December 31, 2019	Asset-related or income-related government subsidies
130 Tons Boiler Government Subsidy	1,875,000.00		15,390,625.00	Asset-related

Item	Recognition as other income	Others	December 31, 2019	Asset-related or income-related government subsidies
Special Supporting Funds for Urban Infrastructure Construction	58,761,376.92		880,509,154.21	Asset-related
Heating Facilities Construction Subsidies	1,161,999.96		14,244,906.37	Asset-related
State Subsidy for Energy Conservation and Environmental Protection of Hot Water Boilers	51,999.97		342,333.46	Asset-related
Incentive Funds for Energy-saving Renovation of Existing Buildings	6,229,700.04		46,764,858.30	Asset-related
Heat Project Discount Interest Subsidy Funds	289,312.44		3,688,734.57	Asset-related
Construction Fund of Guodian Network Pipe Network	5,000,000.04		67,916,666.57	Asset-related
Special Fund for Ultra-low Emission of Flue Gas From Hot Water Boiler	300,000.00		2,500,000.00	Asset-related
Funds for Air Pollution Prevention and Control	50,000.04		420,833.27	Asset-related
The Government Allocates Water Supply Matching Fees	60,438,195.76		788,312,236.38	Asset-related
Financial Return Water Surcharge	2,013,296.88		22,093,385.55	income-related
Caishan Diversion Project	666,666.66		7,666,666.68	Asset-related
Fire Protection Construction Fund	6,161,631.09		79,023,313.05	income-related
Xiaoanmen Diversion Project	1,212,000.00		12,120,000.00	Asset-related
Water Supply Facility Construction	1,400,000.00		14,000,000.00	Asset-related
Daiyue District Ater Supply Network Improvement Project	266,666.67		2,933,333.32	Asset-related
Shantytown Area Under the Security of Water Supply Projects	620,000.00		8,525,000.00	Asset-related
Provincial Clean Heating Award Subsidy Funds	48,939.06		4,425,660.94	income-related
Total	146,546,785.53		1,970,877,707.67	

(continued)

Item	December 31, 2017	Current year additions	Addition by combination during the year	Recognition as non-operating income
130 Tons Boiler Government Subsidy		19,140,625.00		
Special Supporting Funds for Urban Infrastructure Construction		787,475,611.79		
Heating Facilities Construction Subsidies		16,568,906.29		
State Subsidy for Energy Conservation and Environmental Protection of Hot Water Boilers		446,333.39		
Incentive Funds for Energy-saving Renovation of Existing Buildings		57,149,258.34		
Heat Project Discount Interest Subsidy Funds		4,267,359.45		

Item	December 31, 2017	Current year additions	Addition by combination during the year	Recognition as non-operating income
Construction Fund of Guodian Network Pipe Network		77,916,666.65		
Special Fund for Ultra-low Emission of Flue Gas From Hot Water Boiler		3,000,000.00		
Funds for Air Pollution Prevention and Control		500,000.00		
The Government Allocates Water Supply Matching Fees		748,065,810.10		
Financial Return Water Surcharge		26,119,979.31		
Caishan Diversion Project		9,000,000.01		
Fire Protection Construction Fund		71,185,726.42		
Xiaoanmen Diversion Project		14,544,000.00		
Water Supply Facility Construction		16,800,000.00		
Daiyue District water supply network improvement project		3,466,666.66		
Shantytown area under the security of water supply projects		9,300,000.00		
Total		1,864,946,943.41		

(continued)

Item	Recognition as other income	Others	December 31, 2018	Asset-related or income-related government subsidies
130 Tons Boiler Government Subsidy	1,875,000.00		17,265,625.00	Asset-related
Special Supporting Funds for Urban Infrastructure Construction	49,236,089.04		738,239,522.75	Asset-related
Heating Facilities Construction Subsidies	1,161,999.96		15,406,906.33	Asset-related
State Subsidy for Energy Conservation and Environmental Protection of Hot Water Boilers	51,999.96		394,333.43	Asset-related
Incentive Funds for Energy-saving Renovation of Existing Buildings	5,804,700.00		51,344,558.34	Asset-related
Heat Project Discount Interest Subsidy Funds	289,312.44		3,978,047.01	Asset-related
Construction Fund of Guodian Network Pipe Network	5,000,000.04		72,916,666.61	Asset-related
Special Fund for Ultra-low Emission of Flue Gas From Hot Water Boiler	200,000.00		2,800,000.00	Asset-related
Funds for Air Pollution Prevention and Control	29,166.69		470,833.31	Asset-related
The Government Allocates Water Supply Matching Fees	52,917,524.38		695,148,285.72	Asset-related
Financial Return Water Surcharge	2,013,296.88		24,106,682.43	Income-related

Item	Recognition as other income	Others	December 31, 2018	Asset-related or income-related government subsidies
Caishan Diversion Project	666,666.67		8,333,333.34	Asset-related
Fire Protection Construction Fund	5,000,547.55		66,185,178.87	Income-related
Xiaoanmen Diversion Project	1,212,000.00		13,332,000.00	Asset-related
Water Supply Facility Construction	1,400,000.00		15,400,000.00	Asset-related
Daiyue District water supply network improvement project	266,666.67		3,199,999.99	Asset-related
Shantytown area under the security of water supply projects	155,000.00		9,145,000.00	Asset-related
Total	127,279,970.28		1,737,666,973.13	

28. Paid-in capital

Investor	December 31, 2018	Current year additions	Current year reductions	December 31, 2019
Tai'an Taishan Investment Co., Ltd.	300,000,000.00			300,000,000.00
Total	300,000,000.00			300,000,000.00

(continued)

Investor	December 31, 2017	Current year additions	Current year reductions	December 31, 2018
Tai'an Taishan Investment Co., Ltd.	300,000,000.00			300,000,000.00
Total	300,000,000.00			300,000,000.00

29. Capital reserve

Item	December 31, 2018	additions	reductions	December 31, 2019
Capital premium	4,762,111,653.21	48,000,000.00		4,810,111,653.21
Other capital reserves	2,032,718,320.28	988,040,000.00		3,020,758,320.28
Total	6,794,829,973.49	1,036,040,000.00		7,830,869,973.49

(continued)

Item	December 31, 2017	additions	reductions	December 31, 2018
Capital premium	43,270,567.09	4,718,841,086.12		4,762,111,653.21
Other capital reserves	789,734,138.75	1,242,984,181.53		2,032,718,320.28
Total	833,004,705.84	5,961,825,267.65		6,794,829,973.49

30. Surplus reserve

Item	December 31, 2018	additions	reductions	December 31, 2019
Statutory surplus reserve	32,308,250.31	16,422,930.47		48,731,180.78

Item	December 31, 2018	additions	reductions	December 31, 2019
Total	32,308,250.31	16,422,930.47		48,731,180.78

(continued)

Item	December 31, 2017	additions	reductions	December 31, 2018
Statutory surplus reserve	32,047,773.05	260,477.26		32,308,250.31
Total	32,047,773.05	260,477.26		32,308,250.31

31. Retained earnings

Item	December 31, 2019	December 31, 2018	December 31, 2017
Retained earnings at the beginning of the year (before adjustment)	409,019,507.71	332,611,889.40	459,391,408.16
Total adjustments for opening balance of retained earnings (“+” for increase; “-” for decrease)			
Retained earnings at beginning of the year (after adjustment)	409,019,507.71	332,611,889.40	459,391,408.16
Add: Net profits for the year attributable to shareholders of the Company	129,104,994.14	66,223,627.65	-130,267,667.89
Less: Appropriation for statutory surplus reserve	16,422,930.47	260,477.26	
Appropriation for discretionary surplus reserve			
Appropriation for general reserve fund			
Common stock dividends			
Retained earnings at the beginning of the year (before adjustment)			
Add: Others	-530,312.24	10,444,467.92	3,488,149.13
Retained earnings at the end of the year	521,171,259.14	409,019,507.71	332,611,889.40

32. Operating income and operating costs

Item	2019	
	Income	Cost
Principal activities	4,656,884,004.36	4,239,165,356.24
Other operating activities	269,288,751.02	146,093,593.62
Total	4,926,172,755.38	4,385,258,949.86

(continued)

Item	2018	
	Income	Cost
Principal activities	1,975,053,468.76	1,808,946,947.49
Other operating activities	253,409,233.80	160,945,916.45
Total	2,228,462,702.56	1,969,892,863.94

(continued)

Item	2017	
	Income	Cost
Principal activities	2,033,076,344.35	1,863,303,808.51
Other operating activities	243,324,817.84	118,948,060.44
Total	2,276,401,162.19	1,982,251,868.95

33. Taxes and surcharge

Item	2019	2018	2017
Urban maintenance and construction tax	11,646,270.97	1,765,060.63	2,396,480.90
Educational surcharge	5,056,756.85	845,304.38	1,040,021.80
Local educational surcharge	3,293,615.08	443,948.98	691,622.56
Local water conservancy construction fund	6,623,415.45	4,102,236.30	88,410.66
Property tax	4,392,669.11	3,612,346.54	2,435,194.44
Land use tax	9,100,306.77	5,463,552.44	4,418,920.10
Land value-added tax	10,620,098.23	624,949.23	-8,961,575.69
Water resources tax	17,037,089.00	10,815,286.04	1,600,000.00
Stamp duty	4,411,948.00	1,301,279.98	882,306.49
Others	6,487,182.81	2,699,159.24	2,687,010.24
Total	78,669,352.27	31,673,123.76	7,278,391.50

34. Selling expenses

Item	2019	2018	2017
Employee benefits expenses	23,947,148.09	23,353,738.59	26,078,825.73
Sales agency fee	7,051,455.40	7,547,169.60	4,048,791.98
Advertising expenses	6,415,067.03	1,549,581.65	8,391,221.80
Depreciation and amortization	1,678,387.73	1,555,950.65	1,783,217.04
Office expenses	1,582,119.74	890,702.94	1,363,363.70
Transportation fee	1,560,846.82	2,326,857.62	2,143,443.26
Propaganda fee	976,573.76	2,657,722.59	2,003,729.48
Sales commission	501,259.70	450,588.45	524,791.05
Amortization of low-value consumables	134,125.43	87,889.59	122,405.55
Others	2,292,597.82	2,597,959.73	2,696,355.33
Total	46,139,581.52	43,018,161.41	49,156,144.91

35. General and administrative expenses

Item	2019	2018	2017
Employee benefits expenses	146,810,804.81	133,518,249.27	127,602,497.51
Social insurance premiums	31,266,145.34	37,535,596.69	31,317,746.02

Item	2019	2018	2017
Office expenses	15,872,186.50	14,458,062.48	13,805,973.60
Depreciation and amortization	15,567,870.15	13,643,605.21	13,296,720.97
Welfare funds	10,702,166.69	8,338,376.98	8,667,032.16
Housing accumulation fund	6,548,870.00	5,392,300.12	5,435,480.58
Transportation expenses	4,157,734.16	6,253,005.26	4,738,846.48
Labor union due	3,820,126.87	3,124,804.25	3,161,251.19
Lease fee	3,599,497.71	3,366,210.07	3,170,708.48
amortization	3,578,338.22	3,811,652.17	3,363,836.95
Labor fee	3,477,242.77	3,531,363.17	3,190,235.22
Entertainment expenses	3,224,830.63	3,711,686.29	3,157,421.15
Agency expenses	3,111,799.20	2,721,761.22	2,655,368.28
Technical service fee	2,920,332.57	4,139,844.22	3,213,709.67
Utilities fee	2,570,743.59	2,680,837.70	2,390,458.21
Communications	2,443,217.66	2,505,263.31	2,252,490.50
Flame repairing fee	2,415,144.17	1,124,502.58	1,611,205.69
Audit fee	1,493,266.99	676,455.03	987,632.02
Security service charge	1,451,826.43	1,265,033.00	1,236,682.55
Travel and transportation expenses	1,405,078.55	656,058.42	938,205.37
Repairing expenses	956,013.59	1,922,902.73	1,310,448.94
Amortization of low-value consumables	782,834.23	713,934.85	681,311.73
Conference expenses	687,221.04	715,012.47	638,280.25
Others	18,902,167.29	25,282,101.72	20,112,161.03
Total	287,765,459.16	281,088,619.21	258,935,704.54

36. Finance expenses

Item	2019	2018	2017
Interest expenses	149,101,602.19	73,324,925.65	161,565,198.25
Less: Interest income	21,528,651.73	86,341,836.79	7,484,478.11
Add: Bank charges	1,488,668.18	259,588.26	682,514.27
Net exchange losses/gains	-5,040,094.55	623,316.51	2,343,719.78
Total	124,021,524.09	-12,134,006.37	157,106,954.19

37. Other income

Item	2019	2018	2017
The financial subsidy for heating is amortized this year	125,619,252.47	116,331,500.30	48,572,909.72
Financial subsidies for water supply related projects are amortized this year	72,778,457.06	63,631,688.92	

Item	2019	2018	2017
Collect financial allocation of water resources subsidies	3,000,000.00		9,000,000.00
Collect tax incentive funds	356,025.18		
Received funds for energy saving renovation of the Huanshui Lake Water Plant	270,000.00		
Subsidies for urban infrastructure construction			25,076,282.75
Steady post subsidies			869,100.00
Others		150,000.00	20,807,871.75
Total	202,023,734.71	180,113,189.22	104,326,164.22

38. Investment income

Item	2019	2018	2017
Investment income from long-term equity investments under the equity method	19,595,848.93	10,127,424.42	23,156,861.27
Investment income from available for sale financial assets	7,241,190.64		
Total	26,837,039.57	10,127,424.42	23,156,861.27

39. Asset impairment losses

Item	2019	2018	2017
1.Bad debt of receivables	-22,944,670.33	419,415.22	-28,869,540.80
Total	-22,944,670.33	419,415.22	-28,869,540.80

40. Gains (losses) from disposal of assets

Item	2019	2018	2017
Subtotal of gains for losses from disposal of assets that is not classified as held for sale, construction in process, productive biological assets and intangible assets	572,498.05	14,116,047.18	
Including: Disposal of fixed asset	572,498.05	14,116,047.18	
Disposal of construction in process			
Disposal of intangible assets			
Total	572,498.05	14,116,047.18	/

41. Non-operating income

Item	2019	2018	2017
Gains or losses from disposal of non-current assets	43,194.42	3,666,452.39	24,052,536.53
Government grant	831,500.00	48,900.00	40,900.00
Physical count surplus	22,382,922.83	4,437,403.41	6,622,944.23
Others	136,817.41	3,518,452.90	3,161,799.90
Total	23,394,434.66	11,671,208.70	33,878,180.66

Notes to Government grant:

Item	2019	2018	2017
Steady post subsidies	491,500.00	18,900.00	40,900.00
Government Assessment Award		30,000.00	
Incentive for introducing foreign capital	300,000.00		
Support funds for enterprises	40,000.00		
Total	831,500.00	48,900.00	40,900.00

42. Non-operating expenses

Item	2019	2018	2017
Losses from damage and scrap of non-current assets	13,799,464.29	378,449.78	121,355.80
Physical count deficit	640,878.90	5,240,955.97	2,686,100.00
Commonweal donation	882,498.02	5,334,497.66	539,160.30
Penalties and late fees	938,973.52	2,119.46	4,228,236.75
Project losses	1,873,195.75		
Others	2,592,022.28	1,174,607.58	3,171,673.34
Total	20,727,032.76	12,130,630.45	10,746,526.19

43. Income tax expenses

Item	2019	2018	2017
Current tax expenses for the year based on tax law and regulations	72,603,572.60	38,548,676.40	34,089,319.14
Changes in deferred tax assets/liabilities	-5,728,344.15	287.39	55,054.27
Total	66,875,228.45	38,548,963.79	34,144,373.41

44. Supplementary information on cash flow statement

(1) Supplement to cash flow statement

Item	2019	2018	2017
1. Reconciliation of net profit/loss to cash flows from operating activities:			
Net profit/loss	146,598,663.93	80,691,631.11	-90,727,136.15
Add: Provisions for impairment of assets/(reversal)	22,944,670.33	-419,415.22	28,869,540.80
Depreciation of fixed assets and investment property	209,041,082.23	191,910,456.29	122,207,562.73
Amortization of intangible assets	6,773,022.07	5,467,077.57	4,654,536.85
Amortization of long-term deferred expenses	11,911,507.68	9,616,502.39	6,051,795.45
Losses from disposal of fixed assets, intangible assets, and other long-term assets ("-" for gains)	-615,692.47	-2,954,248.94	2,843,170.51
Losses from scrapping of fixed assets ("-" for gains)	13,799,464.29	-20,891.84	-577,544.72
Losses from changes in fair value ("-" for			

gains)			
Financial expenses ("- for income)	149,111,602.19	-12,134,006.37	157,106,954.19
Losses arising from investment ("- for gains)	-26,837,039.57	-13,111,994.32	-23,156,861.27
Decrease in deferred tax assets ("- for increase)	-5,728,344.15	287.39	55,054.27
Increase in deferred tax liabilities ("- for decrease)			
Decrease in gross inventories ("- for increase)	-711,418,250.61	-1,577,526,218.67	-934,326,160.60
Decrease in operating receivables ("- for increase)	1,731,049,706.22	-4,086,299,910.15	-3,524,257,779.85
Increase in operating payables ("- for decrease)	-330,624,389.69	4,234,131,908.17	5,052,072,712.20
Others			
Net cash flows from operating activities	1,216,006,002.45	-1,170,648,822.59	800,815,844.41
2. Investing and financing activities not requiring the use of cash:			
Amount of endorsement transfer of bank acceptance bills received from sales of goods / rendering of services			
Conversion of debt into capital			
Convertible corporate bonds due within one year			
Acquisition of fixed assets under finance leases			
3. Change in cash and cash equivalents:			
Cash at end of the year	2,922,953,044.32	1,137,528,198.06	1,485,196,852.23
Less: Cash at beginning of the year	1,137,528,198.06	1,485,196,852.23	1,565,765,837.84
Add: Cash equivalents at end of the year			
Less: Cash equivalents at beginning of the year			
Net increase/decrease in cash and cash equivalents	1,785,424,846.26	-347,668,654.17	-80,568,985.61

(2) Details of cash and cash equivalents

Item	2019	2018	2017
1. Cash	2,922,953,044.32	1,137,528,198.06	1,485,196,852.23
Including: Cash on hand	287,085.88	234,134.38	332,455.84
Bank deposits available on demand	2,922,665,958.44	1,137,294,063.68	1,484,864,396.39
Other monetary funds available on demand			
2. Cash equivalents			
3. Cash and cash equivalents as at end of the year	2,922,953,044.32	1,137,528,198.06	1,485,196,852.23
Including: Restricted cash and cash equivalents held by the Company or subsidiaries of the Group			

45. Assets with restricted ownership title or right of use

Item	December 31, 2019	December 31, 2018	Reason for restriction
Subtotal of assets used for guarantee:			
Cash at bank and on hand	17,387,804.35	512,500.00	Security deposits
Fixed assests	19,710,835.62		Pledged of loan
Intangible assests	19,635,741.27		Pledged of loan
Total	56,734,381.24	512,500.00	

IX. Changes of consolidation scope

1. Business combinations involving enterprises not under common control

None

2. Business combinations involving enterprises under common control

None

3. Changes of consolidation scope for other reasons

None

X. Interest in other entities

1. Interests in subsidiaries

(1) Composition of the Group in 2019

Name of subsidiary	Principal place of business	Registration place	Business nature	Shareholding (%)		Voting proportion (%)
				Direct	Indirect	
Taian City Construction State-owned assets Management Co., Ltd.	Shandong Taian	Shandong Taian	Real Estate	100.00		100.00%
Taian City Water Company	Shandong Taian	Shandong Taian	Living Water Supply	100.00		100.00%
Tai'an City Taishan Gas Group Co., Ltd.	Shandong Taian	Shandong Taian	Gas Sale	57.48		57.48%
Tai'an City Taishan City Thermal Power Co., Ltd.	Shandong Taian	Shandong Taian	Heating	100.00		100.00%
Tai'an City Hongze Property Management Co., Ltd.	Shandong Taian	Shandong Taian	Property Management	60.00		60.00%
Tai'an City hongze zhengda trading Co., Ltd.	Shandong Taian	Shandong Taian	Sales	90.00		90.00%
Taian Hongze United Textile and Garment Co., Ltd.	Shandong Taian	Shandong Taian	Rag trade	60.00		60.00%
Taian Hongze Sanjie Building Materials Co., Ltd.	Shandong Taian	Shandong Taian	Building materials industry	55.79		55.79%

Tai'an City Hongze Real Estate Co., Ltd.	Shandong Taian	Shandong Taian	Real estate development	100.00		100.00%
Taian City Taishan City construction Thermal Power Co., Ltd.	Shandong Taian	Shandong Taian	Heating Operation	100.00		100.00%
Shandong Guanglian Engineering Project Management Co., Ltd.	Shandong Taian	Shandong Taian	Project Cost Consultation and Evaluation	100.00		100.00%
Taian City Antong Water Supply Engineering Co., Ltd.	Shandong Taian	Shandong Taian	Construction and Installation	100.00		100.00%
Taian City Taishan Mountain Xiquan Drinks Co., Ltd.	Shandong Taian	Shandong Taian	Drinking Water Sales	100.00		100.00%
Taian City Dongyue Water Supply Engineering Design Institute	Shandong Taian	Shandong Taian	Engineering Design	100.00		100.00%
Taian Dai Dongtai Gas Co., Ltd.	Shandong Taian	Shandong Taian	Gas Sale	66.67		66.67%
Taian Pacific Gas Equipment Installation Co., Ltd.	Shandong Taian	Shandong Taian	Gas Engineering Design and Installation	70.70		70.70%
Feicheng Tairan Natural Gas Co., Ltd.	Shandong Taian	Shandong Taian	Gas Supply	100.00		100.00%
Dongping Tairan Natural Gas Co., Ltd.	Shandong Dngping	Shandong Dngping	Natural Gas Supply and Sale	100.00		100.00%
Taian Lvneng Fuel Gas Complete Set Equipment Co., Ltd.	Shandong Taian	Shandong Taian	Instrument	100.00		100.00%
Taian Kaiyuan Heat Supply Co., Ltd.	Shandong Taian	Shandong Taian	Steam and Hot Water Supply	100.00		100.00%
Taian Taishan City Development Property Management Co., Ltd.	Shandong Taian	Shandong Taian	Property Management	100.00		100.00%
Taian Taishan City Development Real Estate Co., Ltd.	Shandong Taian	Shandong Taian	Real Estate	100.00		100.00%
Tai'an Taishan City Development Landscaping Co., Ltd.	Shandong Taian	Shandong Taian	Landscaping	100.00		100.00%
Tai'an Taishan City Development Industry and Trade Co., Ltd.	Shandong Taian	Shandong Taian	Processing and Sales Trade	100.00		100.00%
Tai'an City city gas equipment installation Co., Ltd.	Shandong Taian	Shandong Taian	Equipment Installation	100.00		100.00%
Taian Taishan Hong Kong and China Gas Company Limited.	Shandong Taian	Shandong Taian	Natural Gas Supply and Sale	51.00		51.00%
Feicheng Hengyun Energy Utilization Co., Ltd.	Shandong Taian	Shandong Taian	Investment and Construction of CNG Project	55.00		55.00%

Ningyang Ganghua Gas Co., Ltd.	Shandong Taian	Shandong Taian	Piped Gas	70.00		70.00%
Taian Ganghua Gas Appliance Marketing Co., Ltd.	Shandong Taian	Shandong Taian	Sales and Installation of Gas Appliances	100.00		100.00%
Tai'an City taigang gas Co., Ltd.	Shandong Taian	Shandong Taian	Gas Business	51.00		51.00%
Feicheng Tai-Ran Changsheng New Energy Co., Ltd.	Shandong Taian	Shandong Taian	Natural Gas, Liquefied Natural Gas	60.00		60.00%
Tai'an City kaiyuan shengshizhi garden department store co., Ltd.	Shandong Taian	Shandong Taian	Wine&Food	100.00		100.00%
Tai'an City municipal public utilities industry development group Co.,Ltd.	Shandong Taian	Shandong Taian	Municipal Public Infrastructure Construction	100.00		100.00%
Taian Zhuojia Public Works Co., Ltd.	Shandong Taian	Shandong Taian	Gas Utility Piping Installation	50.33		50.33%
Tai'an City shui yun property management Co., Ltd.	Shandong Taian	Shandong Taian	Property Management	100.00		100.00%
Tai'an City yuding energy Co., Ltd	Shandong Taian	Shandong Taian	Gas Sales, Gas Installation	45.00		45.00%
Tai'an City ruicheng thermal engineering Co., Ltd.	Shandong Taian	Shandong Taian	Heating	100.00		100.00%
Tai'an Taishan Pick mountain culture development Co. Ltd.	Shandong Taian	Shandong Taian	Cultural Transmission	60.00		60.00%

2. Transactions that cause changes of the Group's interests in subsidiaries that do not result in loss of control

None

3. Interests in joint ventures or associates

(1) Significant joint ventures or associates

Name	Principal place of business	Registration place	Business nature	Shareholding (%)		Voting proportion (%))
				Direct	Indirect	
Shandong Taishan Shengshi Cultural Real Estate Co. LTD	Shandong Taian	Shandong Taian	Real Estate	45.67		45.67
Tai'an Zhongyou Huaqi Natural Gas Utilization Co., Ltd.	Shandong Taian	Shandong Taian	Natural Gas Sale	49.00		49.00

(2) Key financial information of material joint ventures:

Item	December 31, 2019/2019	December 31, 2018/2018

	Tai'an City taishan gas group Co., Ltd.	Taian Taishan Hong Kong and China Gas Company Limited	Tai'an City taishan gas group Co., Ltd	Taian Taishan Hong Kong and China Gas Company Limited
Current assets	355,181,125.73	210,145,567.20	358,760,384.78	208,479,575.44
Non-current assets	413,570,494.90	688,601,365.48	432,802,750.74	617,825,336.78
Total assets	768,751,620.63	898,746,932.68	791,563,135.52	826,304,912.22
Current liabilities	386,779,786.20	434,447,989.15	412,825,725.32	435,018,761.24
Non-current liabilities		238,695,342.75		240,045,339.25
Total liabilities	386,779,786.20	673,143,331.90	412,825,725.32	675,064,100.49
Revenues	912,451,721.76	487,067,239.29	861,995,234.88	490,860,771.28
Net profit	15,449,166.38	10,496,002.56	11,770,737.17	13,573,621.66
Total comprehensive income	15,449,166.38	10,496,002.56	11,770,737.17	13,573,621.66
Operating cash flow	38,948,386.84	73,441,035.22	-34,363,066.99	81,594,074.63

4. Structured entities' interests that not included in consolidated financial statements

None

XI. Related parties and related party transactions

1. Information about the parent of the Company

Name	Registration address	Business nature	Registered capital (RMB Million)	Shareholding %	Voting rights %
Tai'an Taishan Investment Co., Ltd.	Taian City, Shandong Province	Commercial Services	500.00	100.00	100.00

2. Information about the subsidiaries of the Company

For information about the subsidiaries of the Company, please refer to Note X. 1

3. Information about joint ventures and associates of the Company

For information about the significant joint ventures and associates of the Company, please refer to Note X.3.

4. Receivables from and payables to related parties

(1) Receivables from related parties

Item	December 31, 2019	December 31, 2018	December 31, 2017
Accounts receivable			
Tai'an Taishan Urban and Rural Construction Development Co., Ltd.	24,396,986.95	36,220,291.41	
Ping Yin Gang Long Gas Co., Ltd.	8,514,200.49	10,514,200.49	
Interests receivable			
Tai'an Taishan Urban and Rural Construction Development Co., Ltd.	73,313,107.96	73,313,107.96	
Total	106,224,295.40	120,047,599.86	
Dividend receivable			
Tai'an Ajisi Pipe & Wire Engineering Co., Ltd.	4,069,776.67	4,069,776.67	
Total	4,069,776.67	4,069,776.67	
Other receivables			
Tai'an Taishan Investment Co., Ltd.		3,320,000,000.00	920,000,000.00
Shandong Taishan Shengshi Cultural Real Estate Co., Ltd.	1,364,130,000.00	1,368,950,000.00	
Shandong Taishan Finance and Gold Industry Co., Ltd.	547,000,000.00	5,000,000.00	
Total	1,911,130,000.00	4,693,950,000.00	920,000,000.00

(2) Payables to related parties

Item	31 December, 2019	31 December, 2018	31 December, 2017
Accounts payable			
Tai'an Ajisi Pipe & Wire Engineering Co., Ltd.	18,291,177.20	24,142,219.30	
Total	18,291,177.20	24,142,219.30	
Other payables			
Tai'an Taishan Urban and Rural Construction development Co., Ltd.	418,860,345.89	615,313,669.98	
Shandong Taishan Finance and Gold Industry Co., Ltd.	700,000,000.00	200,000,000.00	
Total	1,118,860,345.89	815,313,669.98	

XII. Events after the reporting period with non-adjusting events

1、Legal representative: March 23, 2020. The company changed the company's legal representative from Ren Zhong to Huang Dongxin.

XIII. Other important events

Mortgage, Pledged events:

- (1) The land use rights of the Company's subsidiary Tai (2006) No. 0453 have been mortgaged,
- (2) List of the property has been mortgaged: Tai (zi) No. 245758, Tai (zi) No. 245759, Tai (zi) No.245760, Tai (zi) No. 245761 whic is a total construction area of 16702 Square meters.

Except for the above events by December 31, 2019, the Company has no other important events to be disclosed.

XIV. Notes to the Company's financial statements

1. Other receivables

(1) Overview

Item	December 31, 2019	December 31, 2018	December 31, 2017
Interests receivable	73,313,107.96	73,313,107.96	
Other receivables	1,835,870,867.86	5,198,485,294.85	2,765,196,229.05
Total	1,909,183,975.82	5,271,798,402.81	2,765,196,229.05

(2) Interests receivable

Item	December 31, 2019	December 31, 2018	December 31, 2017
Tai'an Taishan Urban and Rural Construction development Co., Ltd.	73,313,107.96	73,313,107.96	
合 计	73,313,107.96	73,313,107.96	/

(3) Other receivables

a. Categories of other receivables

Item	December 31, 2019			
	Book value		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant and assessed for bad debt provision individually				
Group 1, collectively assessed for bad debt provision based on credit risk characteristics	1,785,022.83	0.03	1,661,822.83	93.10
Group 2, collectively assessed for bad debt provision based on related parties and government and institutions	1,835,747,667.86	99.97		
Individually insignificant but assessed for bad debt provision individually				
Total	1,837,532,690.69	100.00	1,661,822.83	93.10

(continued)

Item	December 31, 2018			
	Book value		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant and assessed for bad debt provision individually				
Group 1, collectively assessed for bad debt provision based	2,349,022.83	0.05	2,058,890.27	87.65

Item	December 31, 2018			
	Book value		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
on credit risk characteristics				
Group 2, collectively assessed for bad debt provision based on related parties and government and institutions	5,198,195,162.29	99.95		
Individually insignificant but assessed for bad debt provision individually				
Total	5,200,544,185.12	100.00	2,058,890.27	87.65

(continued)

Item	December 31, 2017			
	Book value		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant and assessed for bad debt provision individually				
Group 1, collectively assessed for bad debt provision based on credit risk characteristics	2,842,822.83	0.10	2,149,817.68	75.62
Group 2, collectively assessed for bad debt provision based on related parties and government and institutions	2,764,503,223.90	99.90		
Individually insignificant but assessed for bad debt provision individually				
Total	2,767,346,046.73	100.00	2,149,817.68	75.62

b. Other receivables categorized by nature

Item	December 31, 2019	December 31, 2018	December 31, 2017
transfers	1,837,532,690.69	5,198,485,294.85	2,767,346,046.73
Total	1,837,532,690.69	5,198,485,294.85	2,767,346,046.73

c. Five largest other receivable by debtor at the end of the year

Name of entity	Nature	December 31, 2019	Proportion of total (%)	Closing balance of provision for bad and doubtful debts
Tai an Taishan City Development Real Estate Co., Ltd.	transfers	843,000,000.00	44.12	
Taian Taishan Urban and Rural Construction Development Co., Ltd.	transfers	491,054,686.09	25.70	
Tai an Taishan City Development Landscaping Co., Ltd.	transfers	148,407,005.56	7.77	
Taicheng Key Project Construction Headquarters	transfers	91,550,000.00	4.79	
Taian City Dongyue Jincai	transfers	67,500,000.00	3.53	

Name of entity	Nature	December 31, 2019	Proportion of total (%)	Closing balance of provision for bad and doubtful debts
Investment Co., Ltd.				
Total	/	1,641,511,691.65	85.91	

(continued)

Name of entity	Nature	December 31, 2019	Proportion of total (%)	Closing balance of provision for bad and doubtful debts
Taian City taishan investment Co., Ltd.	transfers	3,320,000,000.00	62.98	
Taian Taishan Urban and Rural Construction Development Co., Ltd.	transfers	1,090,054,686.09	20.68	
Tai an Taishan City Development Real Estate Co., Ltd.	transfers	360,000,000.00	6.83	
Tai an Taishan City Development Landscaping Co., Ltd.	transfers	122,407,005.56	2.32	
Taicheng Key Project Construction Headquarters	transfers	91,550,000.00	1.74	
Total	/	4,984,011,691.65	94.54	

2. Long-term equity investments

Item	December 31, 2019		
	Book value	Provision for impairment	Carrying amount
Investment in subsidiaries	170,965,199.57		170,965,199.57
Investment in joint ventures and associates	264,290,156.46		264,290,156.46
Total	435,255,356.03		435,255,356.03

(continued)

Item	December 31, 2018		
	Book value	Provision for impairment	Carrying amount
Investment in subsidiaries	122,965,199.57		122,965,199.57
Investment in joint ventures and associates	247,389,337.03		247,389,337.03
Total	370,354,536.60		370,354,536.60

(continued)

Item	December 31, 2017		
	Book value	Provision for impairment	Carrying amount
Investment in subsidiaries	122,965,199.57		122,965,199.57
Investment in joint ventures and associates	243,353,047.63		243,353,047.63
Total	366,318,247.20		366,318,247.20

(1) Investment in subsidiaries

Investee	December 31, 2018	Additional investments	Reduced investments	December 31, 2019
Tai'an City urban construction state-owned assets management Co., Ltd.	72,965,199.57			72,965,199.57
Tai'an Taishan City Development Real Estate Co., Ltd.	50,000,000.00			50,000,000.00
Tai'an Taishan Pick mountain culture development Co., Ltd.		48,000,000.00		48,000,000.00
Total	122,965,199.57	48,000,000.00		170,965,199.57

(continued)

Investee	December 31, 2017	Additional investments	Reduced investments	December 31, 2018
Tai'an City urban construction state-owned assets management Co., Ltd.	72,965,199.57			72,965,199.57
Tai'an Taishan City Development Real Estate Co., Ltd.	50,000,000.00			50,000,000.00
Total	122,965,199.57			122,965,199.57

(2) Investment in joint ventures and associates

Investee	December 31, 2018	Changes during the year			
		Additional investments	Reduced investments	Investment income/loss recognized under equity method	Adjusted other comprehensive income
Tai'an Taishan Urban and Rural Construction development Co., Ltd.	91,240,000.00				
Tai'an City tong yu private capital management Co., Ltd.	156,149,337.03			16,900,819.43	
Total	247,389,337.03			16,900,819.43	

(continued)

Investee	Changes during the year				December 31, 2019	Balance of impairment provision at December 31, 2019
	Changes of other equity	Declared distribution of cash dividends or profits	Impairment provision	Others		
Tai'an Taishan Urban and Rural Construction development Co., Ltd.					91,240,000.00	

Investee	Changes during the year				December 31, 2019	Balance of impairment provision at December 31, 2019
	Changes of other equity	Declared distribution of cash dividends or profits	Impairment provision	Others		
Tai'an City tong yu private capital management Co., Ltd.					173,050,156.46	
Total					264,290,156.46	

(continued)

Investee	December 31, 2017	Changes during the year				Adjusted other comprehensive income
		Additional investments	Reduced investments	Investment income/loss recognized under equity method		
Tai'an Taishan Urban and Rural Construction development Co., Ltd.	91,240,000.00					
Tai'an City tong yu private capital management Co., Ltd.	152,113,047.63			4,036,289.40		
Total	243,353,047.63			4,036,289.40		

(continued)

Investee	Changes during the year				December 31, 2018	Balance of impairment provision at December 31, 2018
	Changes of other equity	Declared distribution of cash dividends or profits	Impairment provision	Others		
Tai'an Taishan Urban and Rural Construction development Co., Ltd.					91,240,000.00	
Tai'an City tong yu private capital management Co., Ltd.					156,149,337.03	
Total					247,389,337.03	

Taian City Development and Investment Co., Ltd.

November 18, 2020

ISSUER

Taishan City Investment Co., Limited
泰山城市投資有限公司
Intershore Chambers, Road Town
Tortola, British Virgin Islands

GUARANTOR

Taian City Development and Investment Co., Ltd.
(泰安市城市發展投資有限公司)
No. 424 Lingshan Road
Daiyue District, Tai'an
Shandong Province, PRC

AUDITOR OF THE GUARANTOR

Asia Pacific (Group) CPAs (special general partnership)
(亞太(集團)會計師事務所(特殊普通合夥))
20 F/L, Glory Star Financial Towers Building 3
Courtyard NO.16, Lize Road, Fengtai District
Beijing, PRC

TRUSTEE

Citicorp International Limited
20th Floor, Citi Tower, One Bay East
83 Hoi Bun Road, Kwun Tong
Kowloon
Hong Kong

**PRINCIPAL PAYING AGENT
AND TRANSFER AGENT**

Citibank, N.A., London Branch
c/o Citibank, N.A., Dublin Branch
1 North Wall Quay
Dublin 1
Ireland

REGISTRAR

Citibank, N.A., London Branch
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

LEGAL ADVISERS

*To the Issuer and the Guarantor
as to English and Hong Kong law*
Fangda
26/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

*To the Issuer and the Guarantor
as to PRC law*
Jingtian & Gongcheng
34th Floor, Tower 3
China Central Place
77 Jianguo Road,
Chaoyang District
Beijing, PRC

*To the Issuer and the Guarantor
as to British Virgin Islands law*
Ogier
11th Floor
Central Tower
28 Queen's Road, Central
Hong Kong

To the Joint Lead Managers as to English law
Allen & Overy
9th Floor
Exchange Square
Central
Hong Kong

To the Joint Lead Managers as to PRC law
JunHe LLP
20/F, China Resources Building
8 Jianguomenbei Avenue
Beijing, PRC

To the Trustee as to English law
Allen & Overy LLP
50 Collyer Quay
#09-01 OUE Bayfront
Singapore
049321