

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited (“SEHK”) take no responsibility for the contents of this announcement and the listing document attached hereto, make no representation as to their 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 and the listing document attached hereto.

This announcement and the listing document attached hereto are for information purposes only and do not constitute an invitation or offer to acquire, purchase or subscribe for securities.

The securities and the guarantee referred to herein have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or the securities laws of any state of the United States or other jurisdiction and the securities may not be offered, sold or delivered into or 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 announcement and the listing document attached hereto have been published for information purposes only as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and do not constitute an offer to sell nor a solicitation of an offer to buy any securities. Neither this announcement nor anything referred to herein (including the listing document attached hereto) forms the basis for any contract or commitment whatsoever. For the avoidance of doubt, the publication of this announcement and the listing document attached hereto shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the Issuer (as defined below) for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

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

PUBLICATION OF THE OFFERING CIRCULAR

TAISHAN FINANCE INTERNATIONAL BUSINESS CO., LIMITED
(incorporated in the British Virgin Islands with limited liability)
(the “Issuer”)

U.S.\$300,000,000 3.50 per cent. Guaranteed Bonds due 2024 (the “Bonds”)
(Stock Code: 40924)

unconditionally and irrevocably guaranteed by

**TAI'AN MUNICIPALITY TAISHAN FINANCE AND INVESTMENT GROUP
CO., LTD.**
(**泰安市泰山财金投资集团有限公司**)
(incorporated in the People's Republic of China with limited liability)
(the “Guarantor”)

Lead Global Coordinator

China Industrial Securities International

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

**China Industrial
Securities
International**

Bank of China

**China International
Capital Corporation**

Haitong Bank

Joint Bookrunners and Joint Lead Managers

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

**Shenwan
Hongyuan
(H.K.)**

**Central
Wealth
Securities
Investment
Limited**

**Haitong
International**

**TF
International**

**Zhongtai
International**

This announcement is issued pursuant to Rule 37.39A of the Listing Rules.

Reference is made to the notice of listing of the Bonds on The Stock Exchange of Hong Kong Limited dated 18 November 2021 published by the Issuer.

The offering circular dated 11 November 2021 in relation to the Bonds is appended to this announcement.

Hong Kong, 19 November 2021

As at the date of this announcement, the sole director of the Issuer is LIU Qingang.

As at the date of this announcement, the board of directors of the Guarantor comprises three Directors, namely QIN Yuchang, FAN Xiaoyan and JING Liwei.

Appendix 1 – Offering Circular

IMPORTANT NOTICE

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 the Issuer or the Guarantor (each as defined in the attached Offering Circular) as a result of such access. In order to be eligible to view the attached Offering Circular or make an investment decision with respect to the securities, investors must be outside the United States (as defined under Regulation S under the United States Securities Act of 1933, as amended (the “Securities Act”)).

Confirmation of your representation: The attached Offering Circular is being sent to you at your request and by accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to represent to the Issuer, the Guarantor and the Managers (as defined in the attached Offering Circular) that (1) you and any customers you represent are outside the United States and that the e-mail address that you gave the Issuer, the Guarantor and/or the Managers and to which this e-mail has been delivered is not located in the United States, its territories or possessions, (2) you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission, and (3) to the extent you purchase the securities described in the attached Offering Circular, you will be doing so in an offshore transaction as defined in regulations under the Securities Act in compliance with Regulation S thereunder.

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

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

THE SECURITIES 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 SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THE OFFERING IS MADE SOLELY OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT.

Nothing in this electronic transmission constitutes, and may be used in connection with, an offer or an invitation by or on behalf of the Issuer, the Guarantor or any Manager to subscribe for or purchase any of the securities described therein, in any place where offers or solicitations are not permitted by law and access has been limited so that it shall not constitute in the United States or elsewhere 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 licensed broker or dealer and any of the Managers or any affiliate of the Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Manager or such affiliate on behalf of the Issuer and the Guarantor in such jurisdiction. The attached Offering Circular and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person. You are reminded that you have accessed the attached Offering Circular on the basis that you are a person into whose possession the attached Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the attached Offering Circular, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed and will not be able to purchase any of the securities described in the attached Offering Circular.

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

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

You are responsible for protecting against viruses and other destructive items. If you receive the attached Offering Circular 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.

STRICTLY CONFIDENTIAL

TAISHAN FINANCE INTERNATIONAL BUSINESS CO., LIMITED

(incorporated in the British Virgin Islands with limited liability)

U.S.\$300,000,000 3.50 PER CENT. GUARANTEED BONDS DUE 2024
unconditionally and irrevocably guaranteed by

TAI'AN MUNICIPALITY TAISHAN FINANCE AND INVESTMENT GROUP CO., LTD.

(泰安市泰山財金投資集團有限公司)

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

ISSUE PRICE FOR THE BONDS: 100.00 PER CENT.

The U.S.\$300,000,000 3.50 per cent. guaranteed bonds due 2024 (the “**Bonds**”) will be issued by Taishan Finance International Business Co., Limited (the “**Issuer**”). The Bonds will be unconditionally and irrevocably guaranteed (the “**Guarantee**”) by Tai'an Municipality Taishan Finance and Investment Group Co., Ltd. (泰安市泰山財金投資集團有限公司) (the “**Guarantor**”).

The Bonds will bear interest on their outstanding principal amount from and including 18 November 2021 (the “**Issue Date**”) at the rate of 3.50 per cent. per annum. Interest on the Bonds is payable semi-annually in arrear on 18 May and 18 November in each year, commencing on 18 May 2022. Unless previously redeemed, or purchased and cancelled, the Bonds will mature on 18 November 2024 at their principal amount.

The Bonds will constitute direct, unconditional, unsubordinated and subject to Condition 4(a) of the terms and conditions of the Bonds (the “**Terms and Conditions of the Bonds**”), unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable laws and regulations and subject to Condition 4(a) of the Terms and Conditions of the Bonds, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations. Payments on the Bonds will be made without deduction for or on account of taxes of the British Virgin Islands and the PRC or, in each case, any political subdivision or any authority therein or thereof having power to tax to the extent described in “*Terms and Conditions of the Bonds – Taxation*”.

The Guarantor has made an application for the pre-issuance registration (the “**Pre-Issuance Registration**”) in relation to the Bonds with the National Development and Reform Commission of the People's Republic of China or its competent local counterparts (the “**NDRC**”) in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) issued by the NDRC and which came into effect on 14 September 2015 (the “**NDRC Notice**”). The Guarantor has obtained the Pre-Issuance Registration on 13 September 2021. The Guarantor will be required to file or cause to be filed with the NDRC the requisite information and documents within 10 PRC Business Days (as defined in the Terms and Conditions of the Bonds) after the Issue Date in accordance with the NDRC Notice and any implementation rules issued by the NDRC from time to time (the “**NDRC Post-issue Filing**”).

The Guarantor will enter into a deed of guarantee (the “**Deed of Guarantee**”) with China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as trustee (the “**Trustee**”) on the Issue Date. The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable laws and regulations and subject to Condition 4(a) of the Terms and Conditions of the Bonds, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations. The Guarantor undertakes that it will file or cause to be filed with the Tai'an City Center Sub-Bureau (泰安市中心支局) (or other relevant branch) of the State Administration of Foreign Exchange of the People's Republic of China or its competent local counterparts (“**SAFE**”) within 15 PRC Business Days after the execution of the Deed of Guarantee in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 (the “**Cross-Border Security Registration**”). The Guarantor shall use its best endeavours to complete the Cross-Border Security Registration and obtain a registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline (as defined in the Terms and Conditions of the Bonds) and shall comply with all applicable PRC laws and regulations in relation to the Guarantee.

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (as defined in the Terms and Conditions of the Bonds) and in writing to the Trustee and the Principal Paying Agent (as defined in the Terms and Conditions of the Bonds) (which notice shall be irrevocable), at their principal amount together with any interest accrued to, but excluding, the date fixed for redemption, if the Issuer and/or the Guarantor (as the case may be) satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions of the Bonds) as provided or referred to in Condition 8 of the Terms and Conditions of the Bonds as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or the PRC, or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of, such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change and/or amendment becomes effective on or after 11 November 2021, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds (or the Guarantee, as the case may be) then due. At any time following the occurrence of a Change of Control or a No Registration Event (each as defined in the Terms and Conditions of the Bonds), the holder of any Bonds will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Bonds on the Put Settlement Date (as defined in the Terms and Conditions of the Bonds) at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together with, in each case, accrued interest up to but excluding such Put Settlement Date. See “*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Relevant Event*”.

For a more detailed description of the Bonds, see “*Terms and Conditions of the Bonds*” beginning on page 57.

Investing in the Bonds involves risks. See “*Risk Factors*” beginning on page 13 for a discussion of certain risk factors to be considered in connection with an investment in the Bonds.

The Bonds and the Guarantee have not been and will not be registered under the U.S. 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. For a description of these and certain restrictions on offers and sales of the Bonds and the Guarantee and the distribution of this Offering Circular, see “*Subscription and Sale*”.

Application will be made to The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) for the listing of the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) (“**Professional Investors**”) only. This Offering Circular is for distribution to Professional Investors only.

Notice to Hong Kong investors: The Issuer and the Guarantor confirm that the Bonds are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer and the Guarantor confirm that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

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

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

The Bonds will be represented initially by beneficial 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 18 November 2021 with, a common depositary for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream**”). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in the Global Certificate, certificates for the Bonds will not be issued in exchange for interests in the Global Certificate.

Lead Global Coordinator

China Industrial Securities International

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

**China Industrial Securities
International**

Bank of China

**China International Capital
Corporation**

Haitong Bank

Joint Bookrunners and Joint Lead Managers

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

**Shenwan Hongyuan
(H.K.)**

**Central Wealth
Securities
Investment Limited**

**Haitong
International**

TF International

**Zhongtai
International**

This Offering Circular dated 11 November 2021

NOTICE TO INVESTORS

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

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 the Group. 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.

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

Each of the Issuer and the Guarantor confirms that (i) this Offering Circular contains all information with respect to the Issuer, the Guarantor and the Guarantor's subsidiaries (collectively, the "**Group**"), the Bonds and the Guarantee which is material in the context of the issue and offering of the Bonds (including all information required by applicable laws and information which, according to the particular nature of the Issuer, the Guarantor, the Guarantee and the Bonds, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Guarantor and the Group and the rights attaching to the Guarantee and the Bonds); (ii) the statements contained in this Offering Circular are in all material respects true and accurate and not misleading and there are no other facts in relation to the Issuer, the Guarantor, the Group, the Guarantee or the Bonds the omission of which would in the context of the issue and offering of the Bonds make any statement in this Offering Circular misleading in any material respect; (iii) the statements of intention and opinion contained in this Offering Circular with regard to the Issuer, the Guarantor and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; and (iv) all reasonable enquiries have been made by the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such information and statements in this Offering Circular.

The PRC government (including the Tai'an Finance Bureau (泰安市财政局) and the Government of Tai'an Municipality of Shandong Province) is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds in lieu of the Issuer and/or the Guarantor. Any reference to government support in this Offering Circular shall not be read as indication that financial support will be given in respect of the Issuer's or the Guarantor's obligations under the Bonds. See "*Risk Factors – Risks Relating to doing business in the PRC – The PRC government (including the Tai'an Finance Bureau and the Government of Tai'an Municipality of Shandong Province) has no obligation to pay any amount under the Bond or the Guarantee*".

This Offering Circular has been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor, China Industrial Securities International Brokerage Limited, Bank of China Limited, China International Capital Corporation Hong Kong Securities Limited, Haitong Bank, S.A., Industrial Bank Co., Ltd. Hong

Kong Branch, Shenwan Hongyuan Securities (H.K.) Limited, Central Wealth Securities Investment Limited, Haitong International Securities Company Limited, TFI Securities and Futures Limited, and Zhongtai International Securities Limited (the “**Managers**”) to inform themselves about and to observe any such restrictions. None of the Issuer, the Guarantor or any of the Managers represents that this Offering Circular may be lawfully distributed, or that the Bonds 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. No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, the PRC, Hong Kong, Singapore, Portugal, Japan and the British Virgin Islands, and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and distribution of this Offering Circular, see “*Subscription and Sale*”. By purchasing the Bonds, investors represent and agree to all of those provisions contained in that section of this Offering Circular. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for, or otherwise acquire, the Bonds. Distribution of this Offering Circular to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised. Each prospective investor, by accepting delivery of this Offering Circular, agrees to the foregoing and to make no photocopies of this Offering Circular or any documents referred to this Offering Circular.

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

This Offering Circular may not be copied or reproduced in whole or in part. It may be distributed only to and its contents may be disclosed only to the prospective investors to whom it is provided. By accepting delivery of this Offering Circular each investor agrees to these restrictions.

No representation or warranty, express or implied, is made or given by the Managers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers or any person who controls any of them) as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Managers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers or any person who controls any of them). None of the Managers, the Trustee and the Agents (and any of their respective affiliates, directors, officers, employees, representatives, agents, advisers and each person who controls any of them) has independently verified any of the information contained in this Offering Circular and can give assurance that such information is accurate, truthful or complete.

To the fullest extent permitted by law, the Managers, the Trustee and the Agents (and any of their respective affiliates, directors, officers, employees, representatives, agents, advisers and each person who controls any of them) do not accept any responsibility for the contents of this Offering Circular and assume no responsibility for the contents, accuracy, completeness or sufficiency of any such information or for any other statement, made or purported to be made by the Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers or any person who controls any of them, or on their behalf in connection with the Issuer or the issue and offering of the Bonds. Each of the Managers, the Trustee and the Agents (and their respective affiliates, directors, officers, employees, representatives, agents, advisers and each person who controls any of them) accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. None of the Managers, the Trustee and the Agents (and any of their respective affiliates, directors, officers, employees, representatives, agents, advisers and each person who controls any of them) undertakes to review the financial condition or affairs of the Issuer, the Guarantor or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investors in the Bonds of any information coming to the attention of the Managers, the Trustee or any Agent or their respective affiliates, directors, officers, employees, representatives, agents, advisers or any person who controls any of them.

This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, the Guarantor, the Managers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers or any person who controls any of them) that any recipient of this Offering Circular should subscribe for or purchase the Bonds. Prospective investors should not construe anything in this Offering Circular as legal, business or tax advice. Each prospective investor should determine for itself the relevance of the information contained in this Offering Circular and consult its own tax, legal and business advisers needed to make its investment decision and determine whether it is legally able to purchase the Bonds under applicable laws or regulations.

IN CONNECTION WITH THIS OFFERING, ANY OF THE MANAGERS APPOINTED OR ACTING AS STABILISATION MANAGER (THE “STABILISATION MANAGER”) OR ANY PERSON(S) ACTING ON BEHALF OF THE STABILISATION MANAGER MAY, SUBJECT TO ALL APPLICABLE LAWS, OVER-ALLOT THE BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE(S) OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO OBLIGATION ON THE STABILISATION MANAGER (OR PERSON(S) ACTING ON BEHALF OF THE STABILISATION MANAGER) TO DO THIS. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF ALLOTMENT OF THE BONDS. SUCH STABILISATION SHALL BE IN COMPLIANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND RULES.

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

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are “prescribed capital markets products” (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

The Bonds and the Guarantee have not been and will not be registered with the United States Securities and Exchange Commission under the Securities Act or with any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering or the accuracy or adequacy of this Offering Circular. Any representation to the contrary is a criminal offense in the United States.

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

In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor and the Group and the terms of the offering of the Bonds, including the merits and risks involved. See “Risk Factors” for a discussion of certain factors to be considered in connection with an investment in the Bonds. Investors are advised to read and understand the contents of this Offering Circular before investing and consult their attorney and adviser if in doubt.

Listing of the Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the merits of the Issuer, the Guarantor, the Group or the Bonds. The Issuer, the Guarantor, the Group, the Managers, the Trustee, the Agents and their respective directors, officers, employees, representatives, advisers, agents, affiliates and each person who controls any of them are not making any representation to any purchaser of Bonds regarding the legality of any investment in the Bonds by such purchaser under any legal investment or similar laws or regulations. The contents of this Offering Circular should not be construed as providing legal, business, accounting or investment advice. Each person receiving this Offering Circular acknowledges that such person has not relied on the Managers, the Trustee, the Agents or any of their respective directors, officers, employees, representatives, agents, advisers, affiliates or any person who controls any of them in connection with its investigation of the accuracy of such information or its investment decision.

INDUSTRY AND MARKET DATA

Market data and certain industry forecasts and statistics in this Offering Circular have been obtained from both public and private sources, including internal surveys and materials, market research, publicly available information, various government sources and industry publications. Although this information is believed by the Issuer and the Guarantor to be reliable, it has not been independently verified by the Issuer, the Guarantor, the Managers, the Trustee, the Agents or their respective directors, officers, employees, representatives, advisers, agents, affiliates and any person who controls any of them, and none of the Issuer, the Guarantor, the Managers, the Trustee, the Agents or their respective directors, officers, employees, representatives, advisers, agents, affiliates or any person who controls any of them makes any representation as to the correctness, 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. Accordingly, such information should not be unduly relied upon. 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.

PRESENTATION OF FINANCIAL INFORMATION

The consolidated financial information of the Guarantor as at and for the years ended 31 December 2018, 2019 and 2020 included in this Offering Circular has been extracted from the Guarantor's audited consolidated financial statements as at and for the years ended 31 December 2019 and 2020 (the **"Guarantor's Audited Consolidated Financial Statements"**), which are included elsewhere in this Offering Circular. The Guarantor's consolidated financial statements as at and for the years ended 31 December 2019 and 2020 have been audited by Grant Thornton (**"Grant Thornton"**), the independent auditors of the Guarantor. The Guarantor's Audited Consolidated 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 *"Description of Certain Differences Between PRC GAAP and IFRS"*. According to 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)(the **"Circular 706"**) promulgated on 11 May 2018 and took effect on the same day, any public assets such as public schools, public hospitals, cultural facilities, parks, public squares, office buildings of government departments and institutions, municipal roads, non-toll roads, non-operating water conservancy facilities, no-charge pipe network facilities and other public assets and the usage rights of reserve land (together, **"Public Assets"**) cannot be counted towards the Group's assets for the purposes of issuing medium and long-term foreign debts. As at 31 December 2020, the Group's Public Assets amounted to approximately RMB552.6 million, representing approximately 0.4 per cent. of the Group's total assets.

In particular, prospective investors should not take into account the Group's Public Assets when assessing the Groups business, financial condition, results of operations and prospects as the Group's Public Assets cannot be utilised to discharge any obligations of the Group, including the repayment of any amount under the Bonds. The Group's Public Assets have not been excluded from the Guarantor's consolidated financial statements included elsewhere in this Offering Circular, potential investors must therefore exercise caution when using such consolidated financial statements to evaluate the Group's business, financial condition, results of operations and prospects.

Please see *"Risk Factors – Risks relating to the Group and its Business – Any public assets of the Group should not be taken into account when the Groups business, financial condition, results of operations and prospects are assessed"* for further information.

ROUNDING

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

CERTAIN DEFINITIONS AND CONVENTIONS

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

- “**China**” or the “**PRC**” are to the People’s Republic of China and, for the purpose of this Offering Circular only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
- “**Hong Kong**” are to the Hong Kong Special Administrative Region of the People’s Republic of China;
- “**MOFCOM**” are to the Ministry of Commerce of the People’s Republic of China or its competent local counterparts;
- “**NDRC**” are to the National Development and Reform Commission of the People’s Republic of China or its competent local counterparts;
- “**PBOC**” are to the People’s Bank of China, the central bank of the PRC;
- the “**PRC government**” are to the central government of the PRC and its political subdivisions (including provincial, municipal and other regional or local governmental entities) and instrumentalities thereof, or where the context requires, any of them;
- “**Renminbi**”, “**RMB**” or “**CNY**” are to the lawful currency of the PRC;
- “**SAFE**” are to the State Administration of Foreign Exchange of the People’s Republic of China or its competent local counterparts;
- “**SASAC**” are to the State-owned Assets Supervision and Administration Commission or its competent local counterparts; and
- “**U.S. dollars**” or “**U.S.\$**” are to the lawful currency of the United States of America.

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

Historical amounts translated into Renminbi have been translated at historical rates of exchange. Such translations should not be construed as representations that the amounts referred to herein could have been or could be converted into Renminbi at those rates or any other rate at all. Unless otherwise specified, where financial information in relation to the Group has been translated into U.S. dollars, it has been so translated, for convenience only, at the rate of CNY6.5250 to U.S.\$1.0 (the noon buying rate in New York City on 31 December 2020 as set forth in the weekly H.10 statistical release of the Federal Reserve Board of the Federal Reserve Bank of New York). For further information relating to exchange rates, see “*Exchange Rate Information*”.

FORWARD-LOOKING STATEMENTS

The Issuer and the Guarantor have made certain forward-looking statements in this Offering Circular. All statements other than statements of historical facts contained in this Offering Circular constitute “forward-looking statements”. The forward-looking statements contain information regarding, among other things, the Group’s future operations, performance, financial condition, expansion plans and business strategies. These forward-looking statements are inherently subject to risks, uncertainties and assumptions, including, among other things:

- the Group’s business plans and operating strategies, and the Group’s ability to successfully implement these business plans and operating strategies;
- the Group’s capital commitment and development plans, and the Group’s ability to carry out those commitment and plans;
- the amount and nature of, and potential for, future development of the Group’s business;
- various business opportunities that the Group may pursue;
- the regulatory environment of the industries in which the Group operates;
- changes in political, economic, legal and social conditions, in particular in the PRC, including the specific laws, rules, regulations and policies of the PRC central and local governments affecting the regions where the Group operates;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which the Group operates;
- the prospective financial condition and performance regarding the Group’s businesses;
- availability and costs of capital and financing;
- changes in competitive conditions and the Group’s ability to compete under these conditions;
- the Group’s ability to obtain additional capital on acceptable terms;
- reduction or discontinuance of the government subsidies and other government grants or the mismatch in terms of timing of the availability of the government fiscal support and that of the Group’s cash flow requirement; and
- other risks identified in “*Risk Factors*” in this Offering Circular.

Words such as “**aim**”, “**believe**”, “**anticipate**”, “**believe**”, “**can**”, “**could**”, “**estimate**”, “**expect**”, “**intend**”, “**may**”, “**plan**”, “**potential**”, “**predict**”, “**project**”, “**seek**”, “**should**”, “**target**”, “**will**”, “**would**” and similar expressions identify forward-looking statements. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding expected financial condition and results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include but are not limited to statements as to the business strategy, operation income, profitability, planned projects and other matters as they relate to the Issuer, the Guarantor or the Group discussed in this Offering Circular regarding matters that are not historical facts. The Issuer, the Guarantor and any member of the Group can give no assurance that the expectations reflected in the forward-looking statements will prove to be correct. The Issuer, the Guarantor and any member of the Group undertakes no obligation to publicly update or revise any forward-looking statements whether as a result of new information, future events, change of conditions or circumstances on which any statement was based or otherwise.

Each of the Issuer and the Guarantor cautions investors not to place undue reliance on these forward-looking statements which reflect the Issuer's and/or the Guarantor's managements' view only as at the date of this Offering Circular. In light of the foregoing and the risks, uncertainties and assumptions in "*Risk Factors*" and elsewhere in this Offering Circular, the forward-looking statements in this Offering Circular are not and should not be construed as assurances of future performance and the actual results, performance or achievements of the Issuer, the Guarantor or the Group could differ materially from those anticipated in or implied by these forward-looking statements.

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 the Group's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statement was based.

TABLE OF CONTENTS

	Page
SUMMARY	1
SUMMARY OF THE OFFERING	5
SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF THE GUARANTOR	9
RISK FACTORS	13
USE OF PROCEEDS	53
EXCHANGE RATE INFORMATION	54
CAPITALISATION AND INDEBTEDNESS OF THE GUARANTOR	56
TERMS AND CONDITIONS OF THE BONDS	57
SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM	77
DESCRIPTION OF THE ISSUER	79
DESCRIPTION OF THE GROUP	80
DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE GUARANTOR	101
PRC REGULATIONS	104
TAXATION	117
DESCRIPTION OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS	122
SUBSCRIPTION AND SALE	123
GENERAL INFORMATION	128
INDEX TO FINANCIAL STATEMENTS	F-1

SUMMARY

The summary below is only intended to provide a very limited overview of information described in more detail elsewhere in this Offering Circular. This summary does not contain all the information that may be important to prospective investors in deciding to invest in the Bonds. Terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should read the entire Offering Circular, including the section entitled “Risk Factors” and the financial statements and related notes thereto, before making an investment decision.

OVERVIEW

Founded in August 2017, the Guarantor is a comprehensive investment and operating company that serves the improvement of urban functions and real economy development in Tai'an City, Shandong Province. The Guarantor is directly and wholly-owned by the Tai'an Finance Bureau, a government organ of the Tai'an Municipal Government. Since its establishment, the Group has been taking a pivot role in the investment, construction and operation of the urban infrastructure in Tai'an City. The Group has diverse business and investments in multiple industries including infrastructure construction, public utilities, real estate sales, cableway business, financial leasing business and land consolidation. 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, public utilities and real estate sales.

The Group's business segments are as follows:

- **Infrastructure Construction.** As the main body of investment, construction and operation of urban infrastructure construction in Tai'an City, the Group focuses on the development of main urban areas in Tai'an City and the construction of the large-scale municipal projects. Tai'an City Development and Investment Co., Ltd. (泰安市城市發展投資有限公司), Tai'an Taishan Chengxiang Construction Development Co., Ltd. (泰安泰山城鄉建設發展有限公司), Taian Dawenhe Comprehensive Development and Construction Co., Ltd. (泰安市大汶河綜合開發建設有限公司) and Shandong Taian Tianping Lake Tourism Investment Co., Ltd. (山東泰安天平湖旅遊投資有限公司) have undertaken most of the urban infrastructure construction and shantytown redevelopment in the new urban area of Tai'an City. For the years ended 31 December 2018, 2019 and 2020, operating income generated from the Group's infrastructure construction business was approximately RMB1,121.0 million, RMB2,600.0 million and RMB3,424.0 million, respectively, representing 21.0 per cent., 31.4 per cent. and 35.0 per cent. of the Group's total operating income for the same years.
- **Public Utilities.** The Group is a major supplier of gas, heating and water in Tai'an City, and conducts the gas, heating and water supply business through its subsidiaries, Tai'an Taishan Gas Group Co., Ltd. (泰安泰山燃氣集團有限公司), Tai'an City Taishan District Heating Power Co.,

Ltd. (泰安市泰山城區熱力有限公司) and Tai'an City Water Supply Co., Ltd. (泰安市自來水有限公司), respectively. For the years ended 31 December 2018, 2019 and 2020, operating income generated from the Group's public utilities services was approximately RMB2,160.0 million, RMB2,021.0 million and RMB2,235.0 million, respectively, representing 40.4 per cent., 24.5 per cent. and 22.8 per cent. of the Group's total operating income for the same years.

- *Real Estate Sales.* The Group conducts its real estate sales business primarily through five wholly-owned subsidiaries, Tai'an Taishan City Construction Investment Co., Ltd. (泰安市泰山城市建設投資有限公司), Tai'an Taishan Municipal Development Real Estate Co., Ltd. (泰安泰山城市發展置業有限公司), Tai'an City Taishan Urban Construction Investment Co., Ltd. (泰安市泰山城建設投資有限公司), Shandong Taishan Shengshi Cultural Real Estate Co., Ltd. (山東泰山盛世文化地產有限公司) and Tai'an Taibao Real Estate Co., Ltd. (泰安泰報置業有限公司). The Group's real estate sales business mainly involves development and sale of real estate properties in Tai'an City. For the years ended 31 December 2018, 2019 and 2020, operating income generated from the Group's real estate sales business was RMB1,117.0 million, RMB2,052.0 million and RMB2,584.0 million, respectively, representing 20.9 per cent., 24.8 per cent. and 26.4 per cent. of the Group's total operating income for the same years.
- *Cableway.* The Group's cableway business is conducted through its wholly-owned subsidiary, Taishan Ropeway Operation Centre (泰安市泰山索道運營中心). It is primarily responsible for the operation, maintenance and management of the passenger cableways in Zhongtianmen (中天門), Taohuayuan (桃花源) and Houshiwu (後石塢) of Mount Tai. For the years ended 31 December 2018, 2019 and 2020, operating income generated from the Group's cableway business was approximately RMB378.0 million, RMB391.0 million and RMB253.0 million, respectively, representing 7.1 per cent., 4.7 per cent. and 2.6 per cent. of the Group's total operating income for the same years.
- *Financial Leasing.* The Group's financial leasing business is mainly conducted through its subsidiary, Taishan Financial Leasing Co., Ltd. (泰山融資租賃有限公司), which was established in September 2013 and commenced business in 2014 with a registered capital of RMB635.0 million. The Group's financial leasing business primarily consists of sale-leaseback financial leasing. For the years ended 31 December 2018, 2019 and 2020, operating income generated from the Group's financial leasing business was approximately RMB128.0 million, RMB193.0 million and RMB250.0 million, respectively, representing 2.4 per cent., 2.3 per cent. and 2.6 per cent. of the Group's total operating income for the same years.
- *Land Consolidation.* The Group's land consolidation business is mainly carried out by its subsidiary, Tai'an City Taishan Urban Construction Investment Co., Ltd. (泰安市泰山城建設投資有限公司), which is entrusted by the Tai'an Municipal Government to organise and develop the land requisitioned and acquired by the Tai'an Municipal Government. For the years ended 31 December 2018, 2019 and 2020, operating income generated from the Group's land development business was approximately RMB139.0 million, RMB97.0 million and RMB201.0 million, respectively, representing 2.6 per cent., 1.2 per cent. and 2.0 per cent. of the Group's total operating income for the same years.
- *Other Businesses.* In addition to its main business segments, the Group also generates operating income from other businesses, mainly including medical education, catering and accommodation, product manufacture and processing, which supplement the Group's operating income from its main businesses. For the years ended 31 December 2018, 2019 and 2020, operating income generated from the Group's other businesses was approximately RMB302.0 million, RMB918.0 million and RMB841.0 million, respectively, representing 5.6 per cent., 11.1 per cent. and 8.6 per cent. of the Group's total operating income for the same years.

For the years ended 31 December 2018, 2019 and 2020, total operating income from the Group's business operations was RMB5,345.0 million, RMB8,272.0 million and RMB9,788.0 million, respectively; total operating costs from the Group's business operations was RMB5,162.5 million, RMB8,242.3 million and RMB9,696.9 million, respectively. As at 31 December 2018, 2019 and 2020, total assets of the Group was RMB109,722.9 million, RMB127,329.9 million and RMB143,918.4 million, respectively.

RECENT DEVELOPMENT

For the avoidance of doubt, the Guarantor's unaudited and unreviewed half year consolidated financial information as at and for the six months ended 30 June 2021 (the "**June 2021 Financial Information**") is not and shall not be deemed to be incorporated by reference or otherwise included in this Offering Circular. Such information has not been subject to an audit or review and should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or review.

According to the June 2021 Financial Information, as compared to 31 December 2020, (i) the Group's prepayments decreased as prepaid land payments were recorded as development costs, (ii) the Group's short-term loans increased, primarily attributable to an increase in the Group's trust loans and bank loans, (iii) the Group's long-term loans increased, primarily attributable to an increase in the Group's bank loans, (iv) the Group's bonds payable increased, primarily attributable to an increase in the Group's corporate bonds and debt financing instruments, (v) the Group's administrative expenses increased, primarily due to an increase in the Group's employee benefits, (vi) the Group's financial expenses increased, primarily due to an increase in the Group's interest expenses, (vii) the Group's profit before tax decreased, primarily attributable to an increase in the Group's financial expenses and (viii) the Group's net profit increased, primarily attributable to reduction in the Group's income taxes.

The selected financial data explained above were extracted from the management accounts of the Guarantor as at and for the six months ended 30 June 2021, and are not to be, and should not be, taken as an indication of the expected financial condition or results of operations of the Guarantor for the full financial year ending 31 December 2021. Such information has not been audited or reviewed and should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or review. Potential investors must exercise extensive caution when using such information to evaluate the Guarantor's financial condition, results of operation and results (financial or otherwise). See "*Risk Factors – The June 2021 Financial Information has not been reviewed or audited by the auditor of the Guarantor*".

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 main body for municipal infrastructure construction, real estate sales and public utilities services within Tai'an City that has extensive experience and strong presence in urban development;
- Access to diversified financing channels to obtain sufficient capital for the Group's business development; and
- Sound corporate governance with experienced senior management team.

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;
- Continue to diversify the Group's business portfolio and expand into industries that provide synergies with the Group's core business; and
- Enhance management and internal control systems and optimise the structure of its talent pool.

SUMMARY OF THE OFFERING

The following is a brief summary of the terms of the offering of the Bonds and is qualified in its entirety by the remainder of this Offering Circular. For a more complete description of the Terms and Conditions of the Bonds, see “Terms and Conditions of the Bonds” and “Summary of Provisions Relating to the Bonds in Global Form”. Some of the terms described below are subject to important limitations and exceptions. Defined terms used in this summary shall have the meanings given to them in “Terms and Conditions of the Bonds”.

Issuer	Taishan Finance International Business Co., Limited
Guarantor	Tai'an Municipality Taishan Finance and Investment Group Co., Ltd. (泰安市泰山財金投資集團有限公司)
Guarantee	The Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds. The Guarantor's obligations in that respect will be contained in the Deed of Guarantee.
Issue	U.S.\$300,000,000 in aggregate principal amount of 3.50 per cent. guaranteed bonds due 2024
Issue Price	100.00 per cent. of the principal amount of the Bonds
Form and Denomination	The Bonds will be issued in the specified denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.
Interest	The Bonds will bear interest from and including 18 November 2021 at the rate of 3.50 per cent. per annum, payable semi-annually in arrear on 18 May and 18 November in each year, commencing on 18 May 2022.
Issue Date	18 November 2021
Maturity Date	18 November 2024
Status of the Bonds	The Bonds will constitute direct, unconditional, unsubordinated and (subject to Condition 4(a) of the Terms and Conditions of the Bonds) unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable laws and regulations and subject to Condition 4(a) of the Terms and Conditions of the Bonds, at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.
Status of the Guarantee	The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable laws and regulations and subject to Condition 4(a) of the Terms and Conditions of the Bonds, at all times rank at least equally with all the Guarantor's other present and future unsecured and unsubordinated obligations.

Negative Pledge	The Bonds contain a negative pledge provision as further described in Condition 4(a) of the Terms and Conditions of the Bonds.
Events of Default	The Bonds contain certain events of default provisions as further described in Condition 9 of the Terms and Conditions of the Bonds.
Taxation	All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands, the PRC or, in each case, any political subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In such event, the Issuer (or the Guarantor, as the case may be) shall, subject to the limited exceptions specified in the Terms and Conditions of the Bonds, pay such additional amounts (“ Additional Tax Amounts ”) as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required. See Condition 8 of the Terms and Conditions of the Bonds.
Final Redemption.	Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Maturity Date.
Redemption for Taxation Reasons	The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Bondholders and in writing to the Trustee and the Principal Paying Agent (which notice shall be irrevocable), at their principal amount together with any interest accrued to, but excluding, the date fixed for redemption, if the Issuer and/or the Guarantor (as the case may be) satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 of the Terms and Conditions of the Bonds as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or the PRC, or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of, such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change and/or amendment becomes effective on or after 11 November 2021, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds (or the Guarantee, as the case may be) then due, as further described in Condition 6(b) of the Terms and Conditions of the Bonds.

Redemption for Relevant Event	At any time following the occurrence of a Change of Control or a No Registration Event (each a “ Relevant Event ”), the holder of any Bond will have the right, at such holder’s option, to require the Issuer to redeem all, but not some only, of that holder’s Bonds on the Put Settlement Date at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together with, in each case, accrued interest up to but excluding such Put Settlement Date. See “ <i>Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Relevant Event</i> ”.
Clearing Systems	The Bonds will be issued in registered form and 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 depository for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in the Global Certificate and this Offering Circular, certificates for the Bonds will not be issued in exchange for beneficial interests in the Global Certificate.
Clearance and Settlement	The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code number 239541739 and the International Securities Identification Number for the Bonds is XS2395417392.
Governing Law	English law.
Trustee	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)
Principal Paying Agent	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)
Transfer Agent and Registrar .	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)
Further Issues	The Issuer may from time to time without the consent of the Bondholders create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the first payment of interest on them, and the timing for complying with the Registration Conditions and the completion of the Cross Border Security Registration and the NDRC Post-issue Filing) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds, as further described in Condition 15 of the Terms and Conditions of the Bonds.
Use of Proceeds	See “ <i>Use of Proceeds</i> ”.
Risk Factors	For a discussion of certain risk factors that should be considered in evaluating an investment in the Bonds, see “ <i>Risk Factors</i> ”.

Listing	Application will be made to the Hong Kong Stock Exchange for the listing of the Bonds by way of debt issues to Professional Investors only and such permission is expected to become effective on or about 19 November 2021.
Selling Restrictions	The Bonds will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See “ <i>Subscription and Sale</i> ”.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF THE GUARANTOR

The summary consolidated financial information of the Guarantor as at and for the years ended 31 December 2018, 2019 and 2020 set forth below is derived from and should be read in conjunction with the Guarantor's Audited Consolidated Financial Statements, including the notes thereto and the auditor's reports in respect of the years ended 31 December 2019 and 2020 included elsewhere in this Offering Circular. The Guarantor's consolidated financial statements as at and for the years ended 31 December 2019 and 2020 have been audited by Grant Thornton, the independent auditors of the Guarantor. The Guarantor's Audited Consolidated Financial Statements were prepared and presented in accordance with PRC GAAP.

PRC GAAP differs in certain respects from IFRS. See "Description of Certain Differences between PRC GAAP and IFRS".

According to the Circular 706, any Public Assets cannot be counted towards the Group's assets for the purposes of issuing medium and long-term foreign debts. As at 31 December 2020, the Group's Public Assets amounted to approximately RMB552.6 million, representing approximately 0.4 per cent. of the Group's total assets.

In particular, prospective investors should not take into account the Group's Public Assets when assessing the Groups business, financial condition, results of operations and prospects as the Group's Public Assets cannot be utilised to discharge any obligations of the Group, including the repayment of any amount under the Bonds. The Group's Public Assets have not been excluded from the Guarantor's consolidated financial statements included elsewhere in this Offering Circular, potential investors must therefore exercise caution when using such consolidated financial statements to evaluate the Group's business, financial condition, results of operations and prospects.

Please see "Risk Factors – Risks relating to the Group and its Business – Any public assets of the Group should not be taken into account when the Groups business, financial condition, results of operations and prospects are assessed" for further information.

SUMMARY CONSOLIDATED INCOME STATEMENT

	For the year ended 31 December		
	2018	2019	2020
	(CNY'000)	(CNY'000)	(CNY'000)
Total operating income	5,345,691.6	8,271,693.0	9,787,869.3
Include: Operating income	5,345,691.6	8,271,693.0	9,787,869.3
Total operating costs	5,162,511.9	8,242,272.4	9,696,885.1
Include: Operating costs	4,566,279.7	7,111,733.3	8,234,936.0
Taxes and surcharges	77,033.8	134,156.6	148,470.2
Selling expenses	130,407.1	144,236.9	219,567.4
Administrative expenses	476,746.5	531,562.1	585,757.7
Research and development expenses	44.8	29.4	—
Financial expenses	(88,000.0)	320,554.1	508,153.8
Include: Interest expenses	803,161.8	1,218,869.9	1,593,564.2
Interest income	894,568.2	959,818.2	1,214,376.9
Add: Other income	205,576.3	220,628.0	291,734.6
Investment income	198,598.8	285,506.5	422,076.2
Include: Gains from investments in associates and joint ventures	138,841.0	115,156.5	104,490.6
Assets impairment loss	(33,277.8)	(109,970.0)	(84,342.0)
Gain from disposal of assets	14,579.9	706.4	4,561.6
Operating profit	568,657.0	426,291.5	725,014.7
Add: Non-operating income	92,936.6	124,386.7	78,734.1
Less: Non-operating expenses	20,475.3	28,620.0	28,973.4
Total profit	641,118.3	522,058.2	774,775.4
Less: Income tax expenses	115,065.1	155,570.8	261,414.0
Net profit	526,053.2	366,487.4	513,361.4
Net profit attributable to owners of the parent	511,718.5	340,175.9	493,768.2
Net profit attributable to minority interests	14,334.7	26,311.5	19,593.2
Other comprehensive income – after tax	(201,736.3)	620,901.7	(15,602.2)
Include: Other comprehensive income that will be reclassified into profit or loss accounted for using equity method	12,285.1	12,088.4	(19,634.9)
Changes in fair value of available-for-sale financial assets	(214,021.4)	608,813.3	(10,023.9)
Translation differences on foreign currency financial statements	—	—	14,056.6
Total comprehensive income	324,316.8	987,389.1	497,759.2
Total comprehensive income attributable to owners of the parent	309,982.1	961,077.6	478,165.9
Total comprehensive income attributable to minority interests	14,334.7	26,311.5	19,593.2

SUMMARY CONSOLIDATED BALANCE SHEET

	As at 31 December		
	2018	2019	2020
	(CNY'000)	(CNY'000)	(CNY'000)
	(audited)	(audited)	(audited)
Current assets:			
Cash and bank balances	10,762,000.3	12,316,830.6	12,138,863.8
Bills receivable	54,455.9	30,216.0	27,009.7
Accounts receivable	865,492.8	452,831.6	597,777.2
Prepayments	4,990,542.9	4,898,107.0	5,306,671.0
Other receivables	18,347,717.5	15,810,808.4	21,676,165.2
Including: Dividends receivable	–	33,000.0	33,000.0
Inventories	41,109,967.3	58,225,105.0	64,184,338.5
Include: Raw materials	12,432.2	72,211.5	52,526.0
Goods on hand (finished goods)	40,243.3	103,625.8	335,785.4
Other current assets	1,310,327.0	1,571,720.9	1,736,106.6
Total current assets	77,440,503.9	93,305,619.5	105,666,931.8
Non-current assets:			
Available-for-sale financial assets	3,842,465.9	6,702,259.8	7,443,175.1
Long-term receivables	2,992,644.3	4,452,311.0	4,380,033.9
Long-term equity investments	2,478,385.4	3,341,176.0	3,920,938.5
Investment properties	76,064.1	70,731.9	615,369.1
Fixed assets	3,441,109.2	4,011,697.6	4,134,199.1
Including Fixed assets – cost	4,783,395.4	5,581,356.1	6,001,441.1
Accumulated depreciation	1,342,296.2	1,569,663.4	1,860,310.8
Fixed assets – provision for impairment	–	–	7,079.2
Construction in progress	17,326,735.5	13,181,282.5	15,575,057.9
Productive biological assets	–	13,091.4	11,843.2
Intangible assets	2,017,430.92	2,012,200.56	1,952,319.78
Long-term deferred expenses	94,804.03	122,541.16	134,730.01
Deferred tax assets	9,266.81	23,387.21	47,761.02
Other non-current assets	3,471.87	93,587.77	36,089.97
Total non-current assets	32,282,377.9	34,024,267.0	38,251,517.6
Total Assets	109,722,881.8	127,329,886.5	143,918,449.4
Current Liabilities :			
Short-term borrowings	1,733,850.0	4,438,653.3	5,076,968.0
Bills payable	695,447.5	1,681,601.7	2,762,280.0
Accounts payable	1,063,452.0	1,241,090.6	1,167,182.9
Advance from customers	7,820,923.7	9,416,553.9	11,049,065.5
Employee benefits payable	32,991.9	47,668.2	53,431.5
Include: Salary payable	433.9	28,128.6	14,260.9
Welfare payable	–	1,551.8	1,566.8
Taxes payable	318,493.4	366,622.3	497,204.2
Include: Tax payable	3,991.6	7,420.0	40,124.7
Other payables	11,653,619.5	14,857,841.6	19,656,400.9
Including: Dividends payable	208.4	34,893.3	43,059.0
Non-current liabilities due within one year	3,374,690.9	8,020,941.8	5,396,694.2
Other current liabilities	51,381.9	42,408.4	50,730.3
Total current liabilities	26,744,850.9	40,113,381.7	45,709,957.5
Non-current liabilities:			
Long-term loans	11,834,664.7	9,195,104.8	9,351,919.0
Bonds payable	1,860,000.0	2,500,000.0	10,671,378.2
Long-term payables	30,956,213.1	32,778,904.3	29,616,765.1
Deferred income	2,535,733.1	2,807,399.2	3,171,629.9
Deferred tax liabilities	17,044.5	219,982.3	216,641.0
Total non-current liabilities	47,203,655.4	47,501,390.6	53,028,333.3
Total liabilities	73,948,506.3	87,614,772.2	98,738,290.8

	As at 31 December		
	2018	2019	2020
	(CNY'000)	(CNY'000)	(CNY'000)
	(audited)	(audited)	(audited)
Owners' equity:			
Paid-in capital	10,000,000.0	10,000,000.0	10,000,000.0
State-owned capital	10,000,000.0	10,000,000.0	10,000,000.0
Paid-in capital - Net	10,000,000.0	10,000,000.0	10,000,000.0
Capital reserves	20,393,066.6	23,472,289.3	28,726,559.5
Other comprehensive income	11,637.3	632,538.9	616,936.7
Include: Foreign exchange translation difference	—	—	14,056.6
Special reserves	7,198.3	4,567.6	20,063.2
Surplus reserves	902.8	902.8	902.8
General risk reserve	6,109.8	7,094.0	7,610.0
Undistributed profits	3,125,394.9	3,307,107.3	3,477,157.3
Total owners' equity attributable to the parent	33,544,309.6	37,424,500.0	42,849,229.5
Minority interests	2,230,065.8	2,290,614.2	2,330,929.1
Total owner's equity	35,774,375.5	39,715,114.2	45,180,158.6
Total liabilities and owners' equity	109,722,881.8	127,329,886.5	143,918,449.4

SUMMARY CONSOLIDATED CASH FLOWS STATEMENT

	For the year ended 31 December		
	2018	2019	2020
	(CNY'000)	(CNY'000)	(CNY'000)
	(audited)	(audited)	(audited)
Net cash flows from operating activities	(8,732,329.6)	(2,901,574.6)	(3,280,870.1)
Net cash flows from investing activities	(5,284,271.1)	(4,732,174.4)	(2,158,612.6)
Net cash flows from financing activities	12,250,707.4	8,901,692.0	5,730,266.8
Effect of foreign exchange rate changes on cash and cash equivalents	12,313.5	—	—
Net increase in cash and cash equivalents	(1,753,579.9)	1,267,943.0	290,784.2
Add: Cash and cash equivalents as at beginning of year	11,147,695.2	9,879,752.2	9,588,968.0
Cash and cash equivalent as at end of year	9,394,115.2	11,147,695.2	9,879,752.2

RISK FACTORS

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

None of the Issuer, the Guarantor and the Group represents that the statements below regarding the risk factors 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 infrastructure construction, public utilities, real estate sales, cableway, financial leasing and land consolidation. 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 2.3 per cent. in 2020. During the same period, the annual growth rate of GDP in Tai'an City slowed down from 10.6 per cent. to 3.5 per cent., according to the Statistics Bureau of Tai'an City. In particular, the 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 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 directly and 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 infrastructure construction and public utilities 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 infrastructure construction and public utilities, 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 infrastructure construction and public utilities. 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 Notice on Strengthening the Administration of Local Government Financing Vehicles (Guo Fa [2010] No. 19)(關於加強地方政府融資平台公司管理有關問題的通知(國發[2010]19號))("Circular 19") in June 2010, 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 Notice on Further Regulating Issuance of Bonds by Local Government Financing Vehicles (Fa Gai Ban Cai Jin [2010] No. 2881)(關於進一步規範地方政府投融資平台公司發行債券行為有關問題的通知(發改辦財金[2010]2881號)) released by the NDRC issued in November 2010 ("Circular 2881"), 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 Ministry of Finance ("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 Regulation 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 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 19, Circular 43, Circular 2881, Circular 50, Circular 87, Circular 23, Circular 706, the Joint Opinion and Circular 666, together, the "Debt Control Circulares").

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 Bonds 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 Bonds and will not provide a guarantee of any kind for the Bonds. The Bonds are solely to be repaid by the Group, and the obligations of the Group under the Bonds 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 Bonds and the Trust Deed, the Bondholders 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.

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

According to the Circular 706, any Public Assets cannot be counted towards the Group's assets for the purposes of issuing medium and long-term foreign debts. As at 31 December 2020, the Group's Public Assets amounted to approximately RMB552.6 million, representing approximately 0.4 per cent. of the Group's total assets. The Group's Public Assets mainly include office buildings of government departments and public institutions and public squares. The Group plans to dispose its Public Assets as instructed by SASAC of Tai'an Municipal Government (泰安市人民政府國有資產監督管理委員會) in the future.

In particular, prospective investors should not take into account the Group's Public Assets when assessing the Groups business, financial condition, results of operations and prospects as the Group's Public Assets cannot be utilised to discharge any obligations of the Group, including the repayment of any amount under the Bonds. The Group's Public Assets have not been excluded from the Guarantor's consolidated financial statements included elsewhere in this Offering Circular, potential investors must therefore exercise caution when using such consolidated financial statements to evaluate the Group's business, financial condition, results of operations and prospects.

As the Circular 706 is relatively new and given the limited volume of published decisions relating to the Circular 706, the interpretation and implementation of the Circular 706 involves uncertainties.

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 or policies. 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 directly and 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 or may not aim to maximise the Group's profits. 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. Additionally, there might be the government-led reorganisation which may result in subsidiaries of the Group from time to time being wound up. There can be no assurance that the Group's financial performance, results of operations and prospects will not be affected by the reorganisation implemented by the PRC government. Any adverse amendment, modification or repeal of

existing regulations or policies of the PRC government, in particular, the Tai'an Finance Bureau and the Tai'an Municipal Government may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Some of the actions taken by Tai'an Municipal Government while it carries out its administrative functions and implements the PRC government's policies may be beneficial to Tai'an as a whole, but could have an adverse impact on the Group's business, financial condition, results of operations and prospects. In recent years, the local government in many provinces and cities have directed reorganisation of local state-owned enterprises at a different scale, which are conducted in the forms of asset transfer, asset disposition, asset swap and/or equity transfer. It is difficult to foresee or control the occurrence of similar transactions directed by the governmental authorities and there can be no assurance that the Group will not be adversely affected if any such reorganisation takes place.

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 Bonds.*" in the section entitled "*– Risks relating to Conducting Business in the PRC*".

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 31 December 2020, the Group's total indebtedness (comprising short-term borrowings, non-current liabilities due within one year, long-term borrowings, bonds payable and long-term accounts payable) was approximately RMB43,495.6 million, representing 30.2 per cent. of the Group's total assets, of which approximately RMB10,473.7 million would become due within 12 months. 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 on commercially acceptable terms in the future, it may be under repayment pressure, which may negatively affect the liquidity and operation of the Group. In addition, as at 31 December 2020, the total amount of the Group's outstanding guarantees for third parties was approximately RMB780.8 million, representing approximately 0.5 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 2018, 2019 and 2020, the balance of the Group's inventories amounted to RMB41.1 billion, RMB58.2 billion and RMB64.2 billion, respectively, representing 37.5 per cent., 45.7 per cent. and 44.6 per cent. of the Group's total assets as at the respective dates. The Group's inventories derived mainly from development costs, construction and engineering project, finished goods, development products and raw materials. Such development costs, construction and engineering project, finished goods, 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 Bonds, 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 years ended 31 December 2018, 2019 and 2020, the Group recorded net cash outflow from operating activities with the amounts of RMB3,280.9 million, RMB2,901.6 million and RMB9,841.2 million, respectively. The Group's net cash outflow from operating activities was largely attributable to the rapid increase of the inventories. 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 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 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 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 travelling to and from the PRC. COVID-19 has spread all over the world and was declared a pandemic on 11 March 2020 by the World Health Organisation. In an effort to contain the spread of COVID-19, the PRC government has taken a number of measures, including, among other steps, imposing travel, quarantine and other work-related restrictions. A prolonged outbreak of COVID-19 has had and may continue to have a material adverse impact on China's economy, the global economy and financial markets in general, which in turn could materially and adversely affect the Group's business, financial condition and results of operations. Furthermore, as there is significant uncertainty relating to future developments of the COVID-19 pandemic, particularly in light of the resurgence of reported infections, including in Europe and India, and to a lesser extent, the PRC, as well as the emergence and rapid spread of new variants of the COVID-19 virus, 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 reputational 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 2018, 2019 and 2020, the Group made capital expenditures of RMB4,288.8 million, RMB6,125.2 million and RMB9,502.0 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 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 31 March 2021, the Group had obtained a total of RMB28,973.0 million in credits from a number of financial institutions, of which RMB8,568.0 million had not 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 holding company of 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 infrastructure construction and land consolidation 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.

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

Most of the Group's current and anticipated 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 costs 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 not be able to execute successfully or fully its business strategy with respect to assets, projects or companies in which the Group has minority interests or joint ventures.

The Group may not be able to execute successfully or fully its business strategy with respect to assets, projects or companies in which the Group has minority interests. The Group may also fail to manage such assets, projects or companies or joint ventures successfully. The Group may not have any board representation, veto power or power to exercise control over the management, policies, business and affairs of such companies. 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 have a material adverse effect on the Group's business, financial condition or results of operations. Any actual or perceived deterioration in the reputation of the Group's joint venture partners could also have an adverse impact on the Group's business, profitability and prospects.

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 with 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 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 municipal infrastructure construction projects, the real estate development projects and the land consolidation projects, which may adversely affect its results of operations.

There are a number of construction, financing, operating and other risks associated with the municipal infrastructure construction projects, the real estate development projects and the land consolidation 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.

Idle Land Disposal Measures (閒置土地處置辦法) became effective on 28 April 1999 and was amended on 1 June 2012 which became effective on 1 July 2012. It stipulated the procedures for disposal of idle land. Under Idle Land Disposal Measures and other 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 regard the land as idle land. And the PRC government may impose an idle land fee equal to 20 per cent. of the land premium or allocation fees if the Group does not commence development on the land held by the Group for more than one year after the date specified in the relevant land use rights grant contract. 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 but Unused 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. The Emergency Notice on Further Tightening the Administration on Real Estate Land Use and Reinforcing the Results of Real Estate Market Control (關於進一步嚴格房地產用地管理鞏固房地產市場調控成果的緊急通知) (the **Emergency Notice**) promulgated on 19 July 2012 further emphasised the strict enforcement of current regulations on land grants. The Emergency Notice further requires that the Idle Land Disposal Measures shall be strictly implemented, and the land administration authority shall dispose of idle land on a case-by-case basis and publish related information on the website designated by the MLR. With regard to land users who have committed acts such as failing to make payments for land grants, leaving land idle, hoarding land, land speculation, developing land in excess of its actual development capacity, or failing to fulfil the land use contract, they may be prohibited by the land authority from participating in land auctions for a certain period of time. On 26 February 2013, the General Office of the State Council issued the Notice on the Continuous Effective Regulation 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), which provides that land developers that commit violations such as holding idle land, speculative land trading, being reluctant to sell housing and forcing up the price, shall be prohibited from participating in land bidding, acquiring loans from commercial banks, obtaining relevant approvals from the China Securities Regulatory Commission (CSRC) for public listings, refinancing and major assets restructuring and relevant approvals from the banking regulatory authorities for trust financing.

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 31 December 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 real estate sales business may be materially and adversely affected if mortgage financing becomes more costly, less attractive or less available for purchasers.

Most of the purchasers of the residential properties the Group sells rely on mortgages provided by PRC commercial banks to fund their purchase. Mortgage financing relating to property purchase has been heavily regulated in the PRC. In the past few years, the PRC government at different levels introduced a number of policies and measures to control the fast-increasing property prices and to curtail the overheating property market in the PRC. The PRC government also sought to control the development of the PRC property market by adjusting the benchmark lending interest rate. A material increase in the interest rate may significantly increase the cost of mortgage financing and may affect the affordability of the Group’s commodity properties. All of these policies and measures have had a material impact on the property sales and prices of property in the PRC, including in Hubei Province. Continued controls over mortgage financing for property purchase will reduce the availability and attractiveness of mortgage

financing and many of the prospective customers may not be able to purchase the commodity properties the Group develops. Accordingly, the Group's real estate business and its related financial condition and results of operations may be materially and adversely affected.

The Group may not be able to obtain land reserves in desirable locations that are suitable for real estate business at commercially acceptable prices or at all.

The growth of the Group's real estate business depends on its ability to continue identifying and obtaining suitable land reserves located in desirable locations at commercially reasonable prices. The Group historically acquired the land for developing its real estate projects in land auctions held by the relevant governments of land and resources at county-level (or above county-level) government. Some of the land offered for bidding was associated with the Group's real estate projects and the Group's ability to succeed in the auctions and acquire land depends on a variety of factors, such as the credentials and operating history of the bidders. As the Group from time to time competes with other commodity property developers who may have more established track record, stronger execution capability, more extensive experience or abundant financial resources than the Group, there can be no assurance that the Group is able to acquire the target land as it anticipates.

In addition, the availability and price of land sold at auctions may be affected by many factors, such as government land policies and cost of financing. In the past ten years, the purchase cost of land reserves has significantly increased in the PRC, both in the primary market and the secondary market. In recent years, the PRC government has adopted a number of initiatives to slowdown the rapid growth of China's residential property sector and to promote the development of affordable housing. The PRC government also controls land supply through zoning, land usage regulations and other means. All of these measures further increase the competition for land among property developers in the PRC. If the Group is not able to acquire sufficient land reserves in a timely manner and at acceptable prices, its real estate development business and related financial condition and results of operations may be materially and adversely affected.

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

Some of the Group's land consolidation projects, infrastructure construction 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 Regulation and 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 Regulation and 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.

Real estate sales 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, 27 March 2020 and 29 November 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 real estate sales 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 gross floor area ("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 real estate 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, land consolidation 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 Bonds 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 Bonds, 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, heating, water supply, infrastructure construction, real estate sales, land consolidation, financial leasing, cableway 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 engages in related party transactions from time to time which may create potential conflicts of interest.

The Group has engaged in a variety of transactions with its associates. Although the Group has taken steps to ensure such transactions are fair and based on market price with approval from relevant authorities, there can be no assurance that those transactions would be deemed as arm's-length or its related parties will not take actions that favour their interests over the Group's. The internal control regarding the management of various related party transactions can be also challenging and demanding for the Group. Failure to adequately control and manage its related party transaction could have an adverse effect on the Group's business, financial condition or 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, heating, water supply, infrastructure construction, real estate sales and land consolidation, 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. As at the date of this Offering Circular, the Group is in the process of obtaining certain approvals, licences and permits from the relevant PRC governmental authorities for some of the projects under construction. Failure to obtain the necessary approvals, licences or permits in a timely manner could result in delay or suspension of business operations of the Group, and a failure to obtain the necessary approvals, licences or permits may subject the Group to regulatory or administrative penalties, which may adversely affect the business, financial conditions and results of operations of the relevant member company of the Group.

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 has not possessed all the necessary usage, title or ownership certificates for the real property and assets it possesses and some of the Group's properties are subject to usage for special purposes and restrictions on transfer.

The Group has not held all applicable usage, title or ownership certificates in respect of certain land, buildings and/or assets that the Group occupies or possesses. The Group may not be able to obtain or cure all of the title deeds for the defective properties or assets and the Group is uncertain how its rights as owner/occupier of these defective properties or assets would be adversely affected as a result of the absence of the title deeds as described above. There can be no assurance that the Group's business, financial conditions and operation performance would not be adversely affected should there be defects

in the relevant titles and certificates that the Group holds or the Group is unable to possess all the applicable usage, title or ownership certificates in respect of the land, buildings and/or assets that the Group occupies or possesses. In addition, some of the land that the Group uses or occupies is obtained through allocation from the government, therefore, restrictions of transfer of such land and properties may also have a material adverse impact on the liquidity of the Group's assets and the Group's financial condition.

General declines or disruptions in the travel industry may materially and adversely affect the Group's cableway business and results of operations.

The Group's cableway businesses generate income primarily from sales of admission tickets, which may be subject to cyclical fluctuations and change in consumer behaviours and preferences. For example, COVID-19 pandemic has adversely affected, and may continue to adversely affect the level of tourists flow in Taishan area. In addition, as a result of seasonal fluctuations, the operational results of the Group's cableway business during one period may not be comparable with that of any other period of the year. There is no assurance that the Group has sufficient resources to capture business opportunities during peak seasons, or that the Group will be able to effectively respond to a decline in market demand during the slow season. Failure to do so may materially and adversely affect the Group's financial performance and results of operations in its cableway business.

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 except for the bank loans from China Development Bank which was entered into in an earlier stage. 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.

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

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

Such investments and/or acquisitions may expose the Group to potential difficulties that could prevent it from achieving the strategic objectives for the investments and/or acquisitions or the anticipated levels of profitability from the investments and/or acquisitions. These difficulties include:

- diversion of management's attention from the Group's existing businesses;
- increases in the Group's expenses and working capital requirements, which may reduce its return on invested capital;
- difficulties in expanding into markets in different geographic locations and challenges of operating in markets and industries that the Group does not have substantial experience in;
- increases in debt, which may increase the Group's finance costs as a result of higher interest payments;
- exposure to unanticipated contingent liabilities to acquired businesses; and
- difficulties in integrating acquired businesses or investments into the Group's existing operations, which may prevent it from achieving, or may reduce, the anticipated synergies.

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

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 infrastructure construction, land consolidation 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 which became effective on 1 July 2013. It imposes more stringent requirements on employers in relation to entry into fixed-term employment contracts and dismissal of employees. Pursuant to the PRC Labour Contract Law, the employer is required to make 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. Where the period of work is more than six months but less than a year, it shall be deemed as a full year of work; where the period of service is less than six months, the employer shall pay half a month's wage to the worker as economic damages. 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 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 heating and water supply, infrastructure construction, real estate sales, land consolidation, financial leasing 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.

To manage operating risks, the Group maintains insurance policies that provide different types of risk coverage, which the Group believes to be consistent with market practice within the relevant industries that the Group operates in and in amounts that the Group believes to be adequate. Although each of the Group's facilities has had a track record of safe operation and none of them has suffered any material hazards over the last three years, there can be no assurance that hazards, accidents or mishaps will not occur in the future. The occurrence of any such incident for which the Group is uninsured or inadequately insured may have a material adverse effect on its business, financial condition and results of operations.

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.

Following the 18th Chinese Communist Party Congress in 2012 and the wide-reaching anti-corruption campaign in the PRC, the Central Leading Group for Inspection Work (the “**Inspection Leading Group**”), a coordination body set up under the Central Committee of the Chinese Communist Party for the purpose of managing party disciplinary inspections nationwide, has dispatched inspection teams to provinces and central government organs such as ministries and state-owned enterprises, including the Company, in the PRC to conduct inspection work on party disciplinary enforcement.

The Group believes that the inspection team’s findings will not materially and adversely affect the business, financial condition and results of operations of the Group. However, there can be no assurance that there will not be any further investigations or actions against the Group or its officers or employees resulting from the findings taken by the Inspection Leading Group or other governmental authorities or that such investigations or actions would not affect the Group as a result.

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.

RISKS RELATING TO DOING BUSINESS IN THE PRC

The Group's business, financial condition, results of operations and prospects could be adversely affected by slowdown in the PRC economy.

The Group's businesses are primarily concentrated in the PRC and substantially all of the Group's assets are located in the PRC and substantially all of the Group's operating income is derived from its operating activities in the PRC. Therefore, the performance of the PRC economy affects, to a significant degree, the Group's business, prospects, financial condition and results of operations.

In 2015, the PRC government adopted intensive reforms with the primary aim of restructuring and rebalancing the PRC economy towards a more sustainable model by focusing more on domestic consumption and away from investment and export fuelled growth.

In recent years, as a result of recurring liquidity tightening in the banking system, alternative lending and borrowing outside of traditional banking practices, generally known as "shadow banking", has grown to become an integral and significant aspect of the PRC economy. Such alternative lending is loosely regulated and has led to an increase in China's debt levels leading to concerns over rising bad debts and financial problems. As some of the funds obtained from shadow banking are being used for investments in speculative and risky products, should a widespread default on such investments occur, this could harm the growth prospects of the PRC economy. In 2014, there were reports of a number of shadow banking defaults in the PRC resulting in increased scrutiny and oversight by regulators who have proposed draft rules to control the industry. Even if the PRC government increases regulation over such alternative lending and borrowing, there can be no assurance that such regulations will be successful, or that they would not have an adverse impact on the overall loan markets and liquidity in the PRC, which will negatively impact the PRC economy. Although the PRC government has taken several measures with the intention of increasing investor confidence in the PRC economy, there can be no assurance that such measures will be effective. There can be no assurance that the PRC government will not to implement reforms which may conflict with any targeted growth rate. The Group's business, financial conditions and results of operations could be adversely affected by the PRC government's inability to effect timely economic reforms.

Any slowdown in the PRC economy may increase the Group's exposure to material losses from its investments, decrease the opportunities for developing the Group's businesses, create a credit tightening environment, increase the Group's financing costs, or reduce government subsidies to the Group, any of which may result in a material adverse effect on the Group's business, results of operations and financial condition.

Economic, political and social conditions in the PRC and government policies could affect the Group's business and prospects.

The PRC economy differs from the economies of developed countries in many respects, including, among other things, level of government involvement, level of economic development, growth rate, foreign exchange controls and resource allocation.

The PRC economy is in the process of transitioning from a centrally-planned economy to a more market-oriented economy. For more than three decades, the PRC government has implemented various economic reform measures to utilise market forces in the development of the PRC economy. In addition, the PRC government continues to play a significant role in regulating certain industries and the economy through numerous policy measures. The Group cannot predict whether changes in the nation's economic, political or social conditions or in any laws, regulations and policies will adversely affect its business, financial condition or results of operations.

In addition, many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. Other political, economic and social factors may also lead to further adjustments of the reform measures. This refining and adjustment process may not necessarily have a positive effect on the Group's operations and business development.

The Group's business, financial condition and results of operations may be adversely affected by:

- changes in PRC political, economic and social conditions;
- changes in policies of the PRC government, including changes in policies in relation to the Group's business segments;
- changes in laws and regulations or the interpretation of laws and regulations;
- measures that may be introduced to control inflation or deflation;
- changes in the rate or method of taxation;
- the imposition of additional restrictions on currency conversion and remittances abroad; and
- a reduction in tariff protection and other import restrictions.

If the PRC's economic growth slows down or if the PRC economy experiences a recession, the Group's business, results of operations and financial condition could be materially and adversely affected.

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

Economic growth in the PRC has historically been accompanied by periods of high inflation. Increasing inflation rates were caused by many factors beyond the Group's control, such as rising production and labour costs, high lending levels, changes in national and foreign 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 business, 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 incomes by companies and individuals, any of which could adversely affect the Group's business, financial condition or results of operations.

The PRC government (including the Tai'an Finance Bureau and the Government of Tai'an Municipality of Shandong Province) has no obligation to pay any amount under the Bond or the Guarantee.

The PRC government (including the the Tai'an Finance Bureau and the Government of Tai'an Municipality of Shandong Province) is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds in lieu of the Issuer. 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 (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))(the “**MOF Circular**”) promulgated on 28 March 2018 and took effect on the same day, 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)(the “**Joint Circular**”) promulgated on 11 May 2018 and took effect on the same day and the Notice on the Requirements relating to the Foreign Debt Issuance Filings and Registrations Application of local State-Owned Enterprises (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 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 Government of Tai'an Municipality of Shandong Province (including the Tai'an Finance Bureau) as the ultimate shareholder of the Guarantor only has limited liability in the form of their equity contribution in the Guarantor. As such, neither the Government of Tai'an Municipality of Shandong Province nor the Tai'an Finance Bureau has any payment obligations under the Bonds or in connection with the Bonds in lieu of the Guarantor. The Bonds are solely to be repaid by the Issuer or the Guarantor (as the case may be) as the obligor under the relevant transaction documents and as an independent legal person.

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

The PRC legal system is evolving and may cause uncertainty which could limit the legal protection available to or against the Group.

The Group is generally subject to laws and regulations of the PRC. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but they have limited precedential value. Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to market participants in the PRC. However, since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the enforcement of these laws, regulations and rules may be uncertain and their interpretation may not be as consistent or predictable as compared to other more developed jurisdictions. Such uncertainty may impede the Group's ability to enforce contracts that the Group has entered into with its investors, creditors, customers, suppliers and business partners. The Group cannot predict the effect of future developments in the PRC legal system or the integration of such developments under the legal systems of other jurisdictions, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, the pre-emption of local regulations by national laws, or the overturn of local government's decisions by itself, provincial or national governments. This uncertainty may limit legal protections available to or against the Group.

On 1 January 2006, substantial amendments to the PRC Company Law (中華人民共和國公司法) and the PRC Securities Law (中華人民共和國證券法) came into effect. Since then, the PRC Company Law was further amended on 28 December 2013 (and came into effect on 1 March 2014) and on 26 October 2018 (and came into effect on the same day) and the PRC Securities Law was further amended on 29 June 2013 (and came into effect on the same day), 31 August 2014 (and came into effect on the same day) and 28 December 2019 (and came into effect on 1 March 2020). As a result, the State Council and the China Securities Regulatory Commission (“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 Bondholders.

In addition, any litigation in the PRC may be protracted and could result in substantial costs and may divert the Group’s resources or management’s attention, all of which could have a material adverse effect on the Group’s business, prospects, financial condition and results of operations.

Certain PRC regulations governing PRC companies are less developed than those applicable to companies incorporated in more developed countries.

Substantially all members of the Group are established in the PRC and are subject to PRC regulations governing PRC companies. These regulations contain certain provisions that are required to be included in the joint venture contracts, articles of association and all other major operational agreements of these PRC companies and are intended to regulate the internal affairs of these companies. These regulations in general, and the provisions for protection of shareholders’ rights and access to information in particular, are less developed than those applicable to companies incorporated in Hong Kong, the United States, the United Kingdom and other developed countries or regions.

It may be difficult to effect service of process upon, or to enforce against, the Guarantor or its directors or members of the Guarantor’s senior management who reside in the PRC in connection with judgments obtained in non PRC courts.

Substantially all of the Group’s assets and the Group’s members are located in the PRC. In addition, substantially all of the assets of the Guarantor’s directors and the members of its senior management may be located within the PRC. Therefore, it may not be possible for investors to effect service of process upon, or to enforce against, the Guarantor or its directors or members of its senior management inside the PRC. The PRC has not entered into treaties or arrangements providing for the recognition of judgment made by courts of most other jurisdictions.

On 14 July 2006, Hong Kong and the PRC entered into 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 “**Choice of Court Arrangement**”), pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a “choice of court” agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final court judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a “choice of court” agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A “choice of court” agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Choice of Court Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for resolving the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute do not enter into a “choice of court” agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against the Group, the Group’s assets or the Guarantor’s directors or members of its senior management in the PRC and/or to seek recognition and enforcement for foreign judgments

in the PRC. On 18 January 2019, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters between the Courts of the Mainland and of the Hong Kong Special Administrative Region (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 “**2019 Arrangement**”), which seeks to establish a bilateral legal mechanism with greater clarity and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between the courts of Hong Kong and the PRC. The 2019 Arrangement will be implemented by local legislation in Hong Kong and will take effect after both Hong Kong and the PRC have completed the necessary procedures to enable implementation and shall apply to judgments made by the courts of Hong Kong and the PRC on or after the date of the commencement of the 2019 Arrangement. Upon commencement of the 2019 Arrangement, the Choice of Court Arrangement shall be terminated, except for “choice of court” agreements in writing made between parties before the commencement of the 2019 Arrangement, in which case the Choice of Court Arrangement shall continue to apply. However, the recognition and enforcement of judgments rendered by a Hong Kong court in the PRC are subject to the provisions, limits, procedures and other terms and requirements of the 2019 Arrangement. There can be no assurance that investors can successfully effect service of process against the Group, the Group’s assets or the Guarantor’s directors or members of its senior management in the PRC and/or to seek recognition and enforcement for judgments rendered by a Hong Kong court in the PRC.

Furthermore, the PRC does not have treaties or agreements providing for the reciprocal recognition and enforcement of judgments awarded by courts of the United States, the United Kingdom, or most other European countries or Japan. Hence, the recognition and enforcement in the PRC of judgment of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

The payment of dividends by the Guarantor’s operating subsidiaries in the PRC is subject to restrictions under the PRC law.

The Guarantor operates its businesses primarily through its operating subsidiaries in the PRC. The PRC laws require that dividends be paid only out of net profit, calculated according to the PRC accounting principles, which differ from generally accepted accounting principles in other jurisdictions. In addition, the PRC law requires enterprises set aside part of their net profit as statutory reserves before distributing the net profit for the current financial year. These statutory reserves are not available for distribution as cash dividends. Since the availability of funds to fund the Guarantor’s operations and to service its indebtedness depends upon dividends received from these subsidiaries, any legal restrictions on the availability and usage of dividend payments from the Guarantor’s subsidiaries may impact the Guarantor’s ability to fund its operations and to service its indebtedness.

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 PRC. Substantially all of the Group’s operating income is denominated in Renminbi, a portion of which may need to be converted into other currencies in order to meet the Group’s foreign currency obligations, such as payments of principal and interests under the Bonds or other foreign currency denominated debt, if any.

Under the 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 pay interests and/or principal to holders of the Bonds or 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 Bonds will be received in U.S. dollars. As a result, any appreciation of Renminbi against U.S. dollars 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 Bonds. Conversely, any depreciation of Renminbi may adversely affect the Group's ability to service the Bonds.

The value of Renminbi against U.S. dollars 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 U.S. dollars was gradually widened from 0.3 per cent. to 2 per cent. On 11 August 2015, PBOC adjusted the mechanism for market makers to form the central parity rate by requiring them to consider the closing exchange rate of the last trading date, the supply and demand of foreign exchange and the rate change at primary international currencies. On 11 December 2015, the China Foreign Exchange Trade System ("CFETS"), a sub-institutional organisation of PBOC, published the CFETS Renminbi exchange rate index for the first time which weighs Renminbi against 13 currencies, to guide the market in order to measure the Renminbi exchange rate from a new perspective. Although starting from 1 October 2016, Renminbi has been added to the Special Drawing Rights basket created by the International Monetary Fund, there can be no assurance that the PRC government will continue to gradually liberalise the control over cross-border Renminbi remittances in the future, that any pilot schemes for Renminbi cross-border utilisation will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting the remittance of Renminbi into or outside the PRC.

In addition, the value of Renminbi has depreciated significantly against U.S. dollars since the end of 2015 and there can be no assurance that the Renminbi will not experience significant depreciation or appreciation against U.S. dollars or against any other currency in the future. Furthermore, the Group is required to obtain SAFE's approval before converting significant amounts of foreign currencies into Renminbi. As a result, any significant increase in the value of Renminbi against foreign currencies could reduce the value of the Group's foreign currency-denominated income and assets and could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The enforcement of the Labour Contract Law and other labour-related regulations in the PRC may adversely affect the Group's business and results of operations.

On 28 December 2012, the PRC government enacted the Labour Contract Law (中華人民共和國勞動合同法), which became effective on 1 July 2013. The Labour Contract Law establishes additional restrictions and increases the cost to employers upon termination of employees, including specific provisions related to fixed-term employment contracts, temporary employment, probation, consultation with the labour union and employee general assembly, employment without a contract, dismissal of employees, compensation upon termination and overtime work, and collective bargaining. According to the Labour Contract Law, an employer is obligated to sign an unlimited term labour contract with an employee if the employer continues to employ the employee after two consecutive fixed term labour

contracts. The employer must also pay compensation to employees if the employer terminates an unlimited term labour contract unless an employee refuses to extend the labour contract with the employer under the same terms or better terms than those in the original contract. Further, under the Regulations on Paid Annual Leave for Employees which became effective on 1 January 2008, employees who have served more than one year with an employer are entitled to a paid vacation ranging from five to 15 days, depending on their length of service. Employees who waive such vacation time at the request of employers shall be compensated at three times their normal salaries for each waived vacation day. Under the National Leisure and Tourism Outline 2013-2020, which became effective on 2 February 2013, regulations on paid annual leave of employees shall have been implemented on a general basis by 2020. As a result of these protective labour measures or any additional future measures, the Group's labour costs may increase. There can be no assurance that any disputes, work stoppages or strikes will not arise in the future.

Any occurrence of force majeure events, natural disasters, contagious disease outbreaks or other adverse incidents in the PRC may materially and adversely affect the Group's businesses, financial condition and results of operations.

Any future occurrence of force majeure events, natural disasters or outbreaks of epidemics and contagious diseases, may materially and adversely affect the Group's businesses and results of operations. An outbreak of an epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activities in affected areas, which may in turn adversely affect the Group's businesses. Moreover, the PRC has experienced natural disasters such as earthquakes, floods and droughts in the past few years. As the Group's businesses are dependent on economic conditions in the PRC as a whole, any future occurrence of severe natural disasters in the PRC may adversely affect its economy and, in turn, the Group's businesses and results of operations. There is no assurance that any future occurrence of natural disasters or outbreak of avian influenza, severe acute respiratory syndrome, swine influenza or other epidemics or the measures taken by the PRC government or other countries in response to such events will not seriously disrupt the Group's operations or those of the Group's business partners or prospective investors in the Group's, which may have a material adverse effect on the Group's results of operations.

RISKS RELATING TO FINANCIAL AND OTHER INFORMATION

The Guarantor's Audited Consolidated Financial Statements have been prepared and presented in accordance with PRC GAAP, which is different from IFRS in certain respects. The Guarantor's auditor has limited international capital markets experience.

The Guarantor's consolidated financial statements as at and for the years ended 31 December 2019 and 2020 have been audited by Grant Thornton, the independent auditors of the Guarantor. The Guarantor's Audited Consolidated Financial Statements were prepared and presented in accordance with PRC GAAP. PRC GAAP differs in certain respects from IFRS. Please see "*Description 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.

Grant Thornton is a registered member of The Chinese Institute of Certified Public Accountants and although it has significant audit experience in the PRC, it has limited international capital markets experience. Prospective investors should consider these factors prior to making any investment decision.

The June 2021 Financial Information has not been reviewed or audited by the auditor of the Guarantor or a certified public accountant.

The June 2021 Financial Information has not been audited or reviewed by Grant Thornton, the independent auditors of the Guarantor or a certified public accountant. Consequently, the June 2021 Financial Information,, which does not form part of this Offering Circular, and the relevant half year

consolidated financial information disclosed in this Offering Circular should not be relied upon by potential investors in any way, in particular to provide the same quality of information associated with information that has been subject to an audit or review. None of the Managers, the Trustee, any Agent (nor any of their respective affiliates, directors, officers, employees, representatives, advisers and agents) makes any representation or warranty, express or implied, regarding the accuracy of such financial information or its sufficiency for an assessment of, and potential investors must exercise caution when using such data to evaluate the Guarantor's financial condition, results of operations and results. The June 2021 Financial Information should not be taken as an indication of the expected financial condition, results of operations and results of the Guarantor for the full financial year ending 31 December 2021.

Grant Thornton, the Guarantor's independent auditor, has previously been investigated, censured or penalised by relevant regulatory authorities.

The Guarantor's current independent auditor, Grant Thornton, is a registered member of the Chinese Institute of Certified Public Accountants. Grant Thornton, together with its auditors, have, over the years, been investigated, censured or penalised by relevant regulatory authorities in relation to its audit work for companies unrelated to the Guarantor. Such administrative sanctions, including warning, monetary penalties on Grant Thornton and/or specific accounting personnel involved in the relevant audit work, mainly focus on the appropriateness of the implementation of accounting standards, non-compliance with certain auditing guidelines, the adequacy of professional skepticism in the auditing process, and the reasonableness of the judgement made by the auditors.

Although such administrative sanctions may restrict Grant Thornton from providing audit services or other services in connection with certain financing transactions, Grant Thornton has further confirmed that none of such administrative sanctions (i) have restricted or will in any manner restrict Grant Thornton from serving as the auditors of the Guarantor or providing assistance in respect of the issue and offering of the Bonds; (ii) affect or in any way amend the conclusions in their audit opinions on the Guarantor's consolidated financial statements as at and for three years ended 31 December 2018, 2019 and 2020 included elsewhere in this Offering Circular or any previous consolidated financial statements of the Guarantor; or (iii) prevent Grant Thornton from issuing comfort letters or any audit opinions in respect of the issue and offering of the Bonds. However, there can be no assurance that such administrative actions imposed on Grant Thornton would not affect investors' confidence in companies and financial statements audited by it. Furthermore, there can be no assurance that there would be no additional negative news about the independent auditor and that negative news about the auditors would not have a material and adverse effect on the Group. Prospective investors should consider these factors prior to making any investment decision.

Historical consolidated 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. The historical financial information is not intended to represent or predict the Group's results of operations of any future periods. The Group's future results of operations may change materially if its future growth deviates from 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 businesses. The Group may also acquire businesses or companies or dispose of its subsidiaries or assets from time to time in accordance with the Group's business objectives. Period-to-period comparisons of the Group's historical operating results must be evaluated in light of the impact of any such transactions.

Certain facts and statistics in this Offering Circular are derived from publications not independently verified by the Issuer, the Guarantor, the Managers, the Trustee, the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents and advisers and each person who controls any of them.

This Offering Circular contains facts and statistics relating to the economy of the PRC, Shandong Province and the industries in which the Group operates. While the Issuer and the Guarantor have taken reasonable care to select reputable and reliable information sources and ensure that the facts and statistics relating to the PRC, the Shandong Province economy and the industries in which the Group operates presented are accurately extracted from such sources, such facts and statistics have not been independently verified by the Issuer, the Guarantor, the Managers, the Trustee, the Agents or any of their respective advisers affiliates, directors, officers, employees, representatives, agents and advisers and each person who controls any of them and, therefore, none of them makes any representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC. Due to 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.

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

As the equity securities of each of the Issuer and the Guarantor are not listed on any stock exchange, there may be less publicly available information about the Issuer and the Guarantor than is regularly made available by public companies in certain other countries.

RISKS RELATING TO THE BONDS AND THE GUARANTEE

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

Pursuant to the Deed of Guarantee executed by the Guarantor, the Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed. The Guarantor is required to submit the Deed of Guarantee to the local SAFE for registration in accordance with, and within the time period prescribed by, the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees promulgated by SAFE on 12 May 2014 and which came into effect on 1 June 2014. Although the non-registration does not render the Guarantee ineffective or invalid under PRC law, SAFE may impose penalties on the Guarantor if registration is not carried out within the stipulated time frame. The Guarantor intends to use its best endeavours to register the Guarantee on or before the Registration Deadline (being 90 PRC Business Days after the Issue Date. In addition, if the Guarantor fails to complete the SAFE registration, there may be logistical hurdles at the time of remittance of funds (if any cross-border payment is to be made by the Guarantor under the Guarantee) as domestic banks may require evidence of SAFE registration in connection with the Deed of Guarantee in order to effect such remittance, although this does not affect the validity of the Guarantee itself.

Uncertainties abound with respect to the implementation of the NDRC Notice on the issue of the Bonds.

The NDRC issued the NDRC Notice on 14 September 2015, which came into effect on the same day. According to the NDRC Notice, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issues outside the PRC with the NDRC prior to the issue of the securities and notify the particulars of the relevant issues within 10 working days after the completion of the issue of the securities.

The NDRC Notice itself is silent on the legal consequences of non-compliance with the pre-issue registration requirement. Although the Guarantor obtained the pre-issuance registration certificates in respect of the offering of the Bonds from NDRC on 13 September 2021, if the NDRC finds the

Guarantor to be guilty of maliciously obtaining quota of foreign debts or providing false information, the NDRC may blacklist or publish on the national credit information platform a bad credit record against the Guarantor, or even punish the Guarantor with other related authorities. In the worst case scenario, it might become unlawful for the Issuer and the Guarantor to perform or comply with any of their respective obligations under the Bonds, the Guarantee, the Trust Deed and the Deed of Guarantee. Potential investors of the Bonds are advised to exercise due caution when making their investment decisions.

Similarly, there is no clarity on the legal consequences of non-compliance with the post-issue notification requirement under the NDRC Notice. The Guarantor has undertaken to notify the NDRC of the particulars of the issue of the Bonds within the prescribed timeframe after the Issue Date.

The Bonds and the Guarantee are unsecured obligations.

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

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

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

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

The Issuer, at maturity or at any time following the occurrence of a Relevant Event (as defined in the Terms and Conditions of the Bonds), will be required to redeem all but not some only of the Bonds. If such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. The Issuer's or the Guarantor's failure to repay, repurchase or redeem the tendered Bonds by the Issuer or the Guarantor could constitute an event of default under the Bonds, which may also constitute a default under the terms of the Group's other indebtedness.

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

The Guarantee will be structurally subordinated to any existing and future debt and other liabilities and commitments, including trade payables and lease obligations, of the Guarantor's existing and future subsidiaries, whether or not secured. The Guarantor's obligations under the Guarantee will not be guaranteed by any of the Guarantor's subsidiaries, and the Guarantor's ability to make payments under the Guarantee depends partly on the receipt of dividends, distributions, interest or advances from its subsidiaries. The ability of such subsidiaries to pay dividends to the Guarantor is subject to various restrictions under applicable laws. The Guarantor's subsidiaries are separate legal entities that have no obligation to pay any amounts due under the Guarantee or make any funds available therefor, whether by dividends, loans or other payments. The Guarantor's right to receive assets of any of the Guarantor's subsidiaries, upon that subsidiary's liquidation or reorganisation, will be effectively subordinated to the claim of that subsidiary's creditors (except to the extent that the Guarantor is a creditor of that

subsidiary). Consequently, the Guarantee will be effectively subordinated to all liabilities, including trade payables and lease obligations, of any of the Guarantor's subsidiaries and any subsidiaries that the Guarantor may in the future acquire or establish. The outstanding indebtedness of the subsidiaries of the Guarantor may also contain covenants restricting the ability of such subsidiaries to pay dividends in certain circumstances for so long as such indebtedness remains outstanding. Moreover, the Guarantor's percentage interests in its subsidiaries and joint ventures could be reduced in the future.

The Guarantee is the Guarantor's unsecured obligations and will (i) rank at least equally in right of payment with all the Guarantor's other present and future unsubordinated and unsecured indebtedness; and (ii) be effectively subordinated to all of the Guarantor's present and future secured indebtedness to the extent of the value of the collateral securing such obligations. Accordingly, claims of secured lenders, whether senior or junior, with respect to assets securing their loans will take priority with respect to those assets. In the event of the Guarantor's bankruptcy, insolvency, liquidation, reorganisation, dissolution or other winding up, or upon any acceleration of the Bonds, these assets will be available to pay obligations on the Guarantee only after all other debt secured by these assets has been repaid in full. Any remaining assets will be available to the Bondholders rateably with all of the Guarantor's other unsecured and unsubordinated creditors, including trade creditors. If there are not sufficient assets remaining to pay all these creditors, then all or a portion of the Bonds then outstanding would remain unpaid.

The Bonds may be redeemed by the Issuer prior to maturity.

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at their principal amount together with any interest accrued to, but excluding, the date fixed for redemption if, subject to certain conditions, as a result of a change in tax law, the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions of the Bonds), as further described in Condition 6(b) of the Terms and Conditions of the Bonds.

If the Issuer redeems the Bonds prior to their maturity dates, investors may not receive the same economic benefits they would have received had they held the Bonds to maturity, and they may not be able to reinvest the proceeds they receive in a redemption in similar securities. In addition, the Issuer's ability to redeem the Bonds may reduce the market price of the Bonds.

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

If the Guarantor or any of its subsidiaries, including the Issuer, is unable to comply with the restrictions and covenants in the Bonds, or current or future debt obligations and other agreements (if any), there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Guarantor or any of its subsidiaries, including the Issuer, accelerate repayment of the debt, declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of those debt agreements and the Bonds contain or may contain cross-acceleration or cross-default provisions. As a result, the default by the Guarantor or any of its subsidiaries under one debt agreement may cause the acceleration of repayment of not only such but other debt, including the Bonds, or result in a default under its other debt agreements, including the Bonds. If any of these events occur, there can be no assurance that there would be sufficient assets and cash flows of the Guarantor or any of its subsidiaries to repay in full all of their respective indebtedness, or that it would be able to find alternative financing. Even if the Guarantor and its subsidiaries could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Guarantor and its subsidiaries.

The Issuer may be deemed to be a PRC tax resident enterprise by the PRC tax authorities and certain withholding taxes may be applicable.

The Issuer is incorporated under the laws of the British Virgin Islands. Pursuant to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法)(the “EIT Law”) which took effect on 1 January 2008 and was later amended on 24 February 2017 and 29 December 2018 and its implementation regulations which took effect on 1 January 2008 and was later amended on 23 April 2019, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose “de facto management bodies” are within the territory of China will be deemed as PRC tax resident enterprises for the purpose of the EIT Law and must pay enterprise income tax at the rate of 25 per cent. in respect of their income sourced from both within and outside China. The “de facto management body” is defined as the organisational body that effectively exercises overall management and control over production and business operations, personnel, finance and accounting, and properties of the 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 the Issuer’s directors and senior management are currently based inside China and they may keep their respective 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. It remains unclear how the PRC tax authorities will interpret such a broad definition. If 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 PRC, the Issuer may be deemed as 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. in respect of its income sourced from both within and outside PRC.

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. As such, non-resident enterprise holders of the Bonds will not be subject to withholding tax, income tax or any other taxes or duties (including stamp duty) imposed by any governmental authority in the PRC in respect of the holding of the Bonds or any repayment of principal and payment of interest made thereon by the Issuer. However, there can be no assurance 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 establishment within the PRC or whose income has no actual connection to its establishment within the PRC must pay enterprise income tax at the rate of 10 per cent. on its income sourced inside the PRC, unless a lower rate is available under an applicable tax treaty and such income tax must be withheld by sources with the PRC payer acting as the obligatory withholder, withholding the tax amount from each payment or payment due. 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 will be required to withhold income tax from the payments of interest in respect of the Bonds to any non-PRC enterprise Bondholder, and any gain realised by non-PRC enterprise Bondholders from the transfer of the Bonds may be regarded as being derived from sources within the PRC and accordingly would be subject to a 10 per cent. PRC withholding tax, unless a lower rate is available under an applicable tax treaty.

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

The Bondholders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in the prices of the Bonds, resulting in a capital loss for the Bondholders. However, the Bondholders may reinvest the interest payments at higher prevailing interest rates. Conversely, when interest rates fall, the prices of the Bonds may rise. The Bondholders may enjoy a capital gain but interest payments received may be reinvested at lower prevailing interest rates.

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

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

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

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

The market price of the Bonds may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Bonds is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including China. Since the global financial crisis of 2008 and 2009, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Bonds could be adversely affected.

A trading market for the Bonds may not develop.

The Bonds are a new issue of securities for which there is currently no trading market. There can be no assurance as to the liquidity of the Bonds or that an active trading market will develop. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. Although application will be made for the listing of the Bonds on the Hong Kong Stock Exchange, such listing can give no assurance as to the liquidity of, or trading market for, the Bonds. The Managers are not obligated to make a market in the Bonds and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Managers. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, the holders of the Bonds will only be able to resell the Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. It is investors' obligation to ensure that offers and sales of the Bonds within any countries comply with applicable securities laws. Please see "*Subscription and Sale*". Neither the Issuer nor the Guarantor can predict whether an active trading market for the Bonds will develop or be sustained.

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

Under the EIT Law and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as incomes derived from sources within the PRC. Under the EIT Law, a "non-resident enterprise" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained incomes derived from sources within the PRC. In addition, there is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will perhaps apply

respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to an arrangement between mainland China and Hong Kong for avoidance of double taxation, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds.

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

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

As the Issuer and the Guarantor are incorporated under the laws of the British Virgin Islands and the PRC, respectively, any insolvency proceeding relating to the Issuer or the Guarantor would likely involve British Virgin Islands or PRC insolvency laws, respectively, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar.

Investment in the Bonds is subject to exchange rate risks.

The Bonds are denominated and payable in U.S. dollars. If a Bondholder measures its investment returns by reference to a currency other than U.S. dollars, an investment in the Bonds entails foreign exchange related risks, including changes in the value of U.S. dollars relative to the currency by reference to which an investor measures its investment returns, such risks arising from, among other things, economic, political and other factors over which the Group has no control. Depreciation of the U.S. dollars against such currency could cause a decrease in the effective yield of the Bonds below their stated coupon rates and could result in a loss when the return on the Bonds is translated into such currency. In addition, there may be tax consequences for Bondholders as a result of any foreign currency gains resulting from any investment in the Bonds.

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

In certain circumstances, including without limitation the giving of notice to the Issuer and the Guarantor pursuant to Condition 9 of the Terms and Conditions of the Bonds and the taking of any such steps and/or actions and/or the instituting of any such proceedings pursuant to Condition 13 of the Terms and Conditions of the Bonds, the Trustee may request holders of the Bonds to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes any such steps and/or actions and/or institutes any such proceedings on behalf of holders of the Bonds. The Trustee shall not be obliged to take any such steps and/or actions and/or institutes any such proceedings if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take any such steps and/or actions and/or institutes any such proceedings, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed, the Deed of Guarantee or the Terms and Conditions of the Bonds and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable law, it will be for the holders of the Bonds to take such actions directly.

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

The Trust Deed contains provisions for convening meetings of holders of the Bonds to consider any matters affecting their interests. These provisions permit defined majorities to bind all holders of the Bonds 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 the holders of the Bonds may be adverse to the interests of the individuals.

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

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

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

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

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

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

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

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) Bonds are legal investments for it, (b) Bonds can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

The Bonds 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.

The Bonds 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 Bonds. The relevant Clearing System will maintain records of the beneficial interests in the Global Certificate.

While the Bonds are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems. While the Bonds are represented by the Global Certificate, the Issuer will discharge its payment obligations under the Bonds 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 Bonds. 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 Bonds. 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.

Bondholders should be aware that a definitive Certificate which has a principal amount that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

In relation to any Bond which has a principal amount consisting of a minimum specified denomination plus a higher integral multiple of another smaller amount, it is possible that the Bonds may be traded in amounts in excess of the minimum specified denomination that are not integral multiples of such minimum specified denomination. In such a case a Bondholder who, as a result of trading such amounts, holds a principal amount of less than the minimum specified denomination will not receive a definitive Certificate in respect of such holding (should definitive Bonds be printed) and would need to purchase a principal amount of Bonds such that it holds an amount equal to one or more specified denominations. If definitive Bonds are issued, holders should be aware that a definitive Certificate which has a principal amount that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

Additional procedures may be required to be taken to bring English law governed matters or disputes to the Hong Kong courts and the Bondholders would need to be subject to the exclusive jurisdiction of the Hong Kong courts. There can also be 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 Bonds, the Deed of Guarantee, the Trust Deed and the Agency Agreement 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, the Hong Kong courts may require certain additional procedures to be taken. Under the Choice of Court 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 Choice of Court Arrangement. While it is expected that the PRC courts will recognise and enforce a judgment given by the Hong Kong courts in respect of a dispute governed by English law, there can be no assurance that the PRC courts will do so for all such 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 Bonds will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the holders' ability to initiate a claim outside of Hong Kong will be limited.

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

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

The Issuer is a special purpose vehicle.

The Issuer is a special purpose vehicle used for the purpose of raising finance through issuances of bonds and will use the net proceeds from the issuances to on-lend to the Guarantor and/or its subsidiaries or associates. As such, the Issuer has limited assets as recourse for Bondholders. The Issuer does not and will not have any business activities other than raising finance, and its ability to make payments under the Bonds will depend on its receipt of timely remittance of funds from the Guarantor and/or its subsidiaries and other members of the Group.

The Issuer may issue additional securities in the future.

The Issuer may from time to time without the consent of the Bondholders create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the first payment of interest on them, and the timing for complying with the Registration Conditions (as defined in the Terms and Conditions of the Bonds) and the completion of the Cross-Border Security Registration and the NDRC Post-issue Filing) or otherwise raise additional capital through such means and in such manner as it may consider necessary.. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Bonds. The issue of any such debt securities may also reduce the amount recoverable by investors in the Bonds upon the Issuer's bankruptcy, winding-up or liquidation.

USE OF PROCEEDS

The gross proceeds from the offering of the Bonds will be U.S.\$300,000,000. After the deduction of fees, commissions and expenses payable in connection with this offering, the Company intends to use the net proceeds for refinancing the Group's indebtedness and project construction.

EXCHANGE RATE INFORMATION

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

On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by 2 per cent. against the U.S. dollar. The PRC government has since made and in the future may make further adjustments to the exchange rate system. The PBOC authorised the CFETS effective since 4 January 2006, to announce the central parity exchange rate of certain foreign currencies against the Renminbi at 9:15 a.m. on each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and the over the counter exchange rate for that business day. On 18 May 2007, the PBOC enlarged, effective on 21 May 2007, the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar from 0.3 per cent. to 0.5 per cent. around the central parity rate. This 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. The floating band was further widened to 1.0 per cent. on 16 April 2012. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 26.9 per cent. from 21 July 2005 to 31 December 2013. On 17 March 2014, the PBOC further widened the floating band against the U.S. dollar to 2.0 per cent.. On 11 August 2015, the PBOC announced to improve the central parity quotations of Renminbi against the U.S. dollar by authorising market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre daily before the opening of the interbank foreign exchange market with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. Following the announcement by the PBOC on 11 August 2015, Renminbi depreciated significantly against the U.S. dollar. On 11 December 2015, the CFETS, a sub-institutional organisation of the PBOC, published the CFETS Renminbi exchange rate index for the first time which weighs the Renminbi based on 13 currencies, to guide the market in order to measure the Renminbi exchange rate from a new perspective. The Renminbi continued to experience further fluctuation in value against the U.S. dollar in 2019. On 5 August 2019, the PBOC set the Renminbi daily reference rate above RMB7 per U.S. dollar for the first time in over a decade. There can be no assurance as to how and to what extent the exchange rate of the Renminbi will fluctuate against the U.S. dollar or any other foreign currency in the future. There remains significant market trend and international pressure on the PRC government to adopt a more liberalised and flexible currency policy, which could result in greater fluctuation of the Renminbi against the U.S. dollar.

The following table sets forth information concerning exchange rates between the Renminbi and the U.S. dollar for the periods presented:

Period	Renminbi per U.S. Dollar Noon Buying Rate ⁽¹⁾			
	End	Average ⁽²⁾	High	Low
		(CNY per U.S.\$1.00)		
2016	6.9430	6.6549	6.9580	6.4480
2017	6.5063	6.7569	6.9575	6.4773
2018	6.8755	6.6090	6.9737	6.2649
2019	6.9618	6.9014	7.1786	6.6822
2020	6.5250	6.9042	7.1681	6.5208
2021				
January	6.4282	6.4672	6.4822	6.4282
February	6.4730	6.4600	6.4869	6.4344
March	6.5518	6.5109	6.5716	6.4648
April	6.4749	6.5186	6.5649	6.4710
May	6.3674	6.4321	6.4749	6.3674
June	6.4566	6.4250	6.4811	6.3796
July	6.4609	6.4763	6.5104	6.4562
August	6.4604	6.4768	6.5012	6.4604
September	6.4434	6.4563	6.4702	6.4320
October	6.4050	6.4172	6.4485	6.3820
November (through 5 November 2021)	6.3961	6.3992	6.4061	6.3961

Notes:

- (1) Exchange rates between Renminbi and U.S. dollar represent the noon buying rates as set forth in the H.10 statistical release of the Federal Reserve Board.
- (2) Annual and semi-annual averages have been calculated from month-end rate. Monthly averages have been calculated using the average of the daily rates during the relevant period.

CAPITALISATION AND INDEBTEDNESS OF THE GUARANTOR

The following table sets forth the consolidated total indebtedness (both current and non-current portions), total equity and total capitalisation of the Guarantor as at 31 December 2020 (i) on an actual basis and (ii) on an adjusted basis to give effect to the Bonds to be issued. The summary consolidated financial information below should be read in conjunction with “*Use of Proceeds*”, “*Summary Consolidated Financial Information of the Guarantor*” and the Guarantor’s audited consolidated financial statements as at and for the year ended 31 December 2020 and the notes to those statements included elsewhere in this Offering Circular.

	As at 31 December 2020			
	Actual		As adjusted	
	(RMB)	(U.S.\$) ⁽¹⁾ (in thousands)	(RMB)	(U.S.\$) ⁽¹⁾
Current indebtedness:				
Short-term borrowings	5,076,968.0	778,079.4	5,076,968.0	778,079.4
Non-current liabilities due within one year	5,396,694.2	827,079.6	5,396,694.2	827,079.6
Total current indebtedness	10,473,662.2	1,605,159.0	10,473,662.2	1,605,159.0
Non-current indebtedness:				
Long-term loans	9,351,919.0	1,433,244.3	9,351,919.0	1,433,244.3
Bonds payable	10,671,378.2	1,635,460.3	10,671,378.2	1,635,460.3
Long-term payables ⁽²⁾	12,998,661.4	1,992,132.0	12,998,661.4	1,992,132.0
Bonds to be issued ⁽³⁾	—	—	1,957,500.0	300,000.0
Total non-current indebtedness	33,021,958.6	5,060,836.6	34,979,458.6	5,360,836.6
Total indebtedness⁽⁴⁾	43,495,620.8	6,665,995.6	45,453,120.8	6,965,995.6
Total owners’ equity	45,180,158.6	6,924,162.2	45,180,158.6	6,924,162.2
Total capitalisation⁽⁵⁾	88,675,779.4	13,590,157.8	90,633,279.4	13,890,157.8

The Group has entered into bank loans and project financing, and incurred additional indebtedness of approximately RMB3.8 billion since 31 December 2020 in the ordinary course of business to finance its operations and refinance existing indebtedness. After the completion of this offering, the Group may continue to incur debt in the ordinary course of its business.

In addition, on 1 March 2021, Taishan City Investment Co., Limited issued U.S.\$100,000,000 4.50 per cent. Guaranteed Bonds due 2022, unconditionally and irrevocably guaranteed by Tai’an City Development and Investment Co., Ltd. (泰安市城市發展投資有限公司), which is wholly-owned by the Guarantor.

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

-
- (1) For convenience only, all translations from Renminbi into U.S. dollars are made at the rate of RMB6.5250 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 31 December 2020.
- (2) This amount represents the interest-bearing portion of long-term payables.
- (3) This amount represents the aggregate principal amount of the Bonds to be issued, before deducting commissions and other estimated expenses payable in connection with the offering of the Bonds.
- (4) Total indebtedness equals the sum of total current indebtedness and total non-current indebtedness.
- (5) Total capitalisation represents the sum of total indebtedness and total owners’ equity.

TERMS AND CONDITIONS OF THE BONDS

The following are the terms and conditions of the Bonds substantially in the form in which they (other than the text in italics) will be endorsed on the definitive Certificates and referred to in the global certificate.

The issue of the U.S.\$300,000,000 3.50 per cent. guaranteed bonds due 2024 (the “**Bonds**”, which expression, unless the context requires otherwise, includes any further bonds issued pursuant to Condition 15 and to be consolidated and forming a single series therewith) of Taishan Finance International Business Co., Limited (the “**Issuer**”) was authorised by a written resolution of the sole director of the Issuer dated 17 August 2021 and the giving of the Guarantee (as defined in Condition 3(a)) was authorised by a resolution of the board of directors of Tai'an Municipality Taishan Finance and Investment Group Co., Ltd. (泰安市泰山財金投資集團有限公司)(the “**Guarantor**”) on 15 July 2021. The Bonds are constituted by a trust deed dated on or about 18 November 2021 (the “**Issue Date**”) (as amended and/or supplemented from time to time, the “**Trust Deed**”) made between the Issuer, the Guarantor and China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)(the “**Trustee**”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for itself and the Holders (as defined below). These terms and conditions (these “**Conditions**”) include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. The Bonds have the benefit of a deed of guarantee (as amended and/or supplemented from time to time, the “**Deed of Guarantee**”) dated on or about 18 November 2021 executed by the Guarantor and the Trustee relating to the Bonds. An agency agreement (as amended and/or supplemented from time to time, the “**Agency Agreement**”) dated on or about 18 November 2021 relating to the Bonds has been entered into between the Issuer, the Guarantor, the Trustee, China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as principal paying agent (the “**Principal Paying Agent**”, which expression shall include any successor principal paying agent appointed from time to time in connection with the Bonds), as registrar (the “**Registrar**”, which expression shall include any successor registrar appointed from time to time in connection with the Bonds) and as transfer agent (the “**Transfer Agent**”, which expression shall include any additional or successor transfer agent appointed from time to time pursuant to the Agency Agreement) and the other agents appointed thereunder. Copies of the Trust Deed, the Deed of Guarantee and the Agency Agreement are available for inspection at all reasonable times during usual business hours (being between 9.00 a.m. (Hong Kong time) and 3.00 p.m. (Hong Kong time), from Monday to Friday (excluding public holidays)) at the specified office of the Principal Paying Agent (being as at the date of issue of the Bonds at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong) following prior written request and proof of holding and identity to the satisfaction of the Principal Paying Agent. “**Paying Agents**” means any paying agents appointed from time to time pursuant to the Agency Agreement with respect to the Bonds and includes the Principal Paying Agent and “**Agents**” means the Principal Paying Agent, any other Paying Agents, the Registrar, any Transfer Agent and any other agent or agents appointed from time to time pursuant to the Agency Agreement with respect to the Bonds. The Bondholders (as defined below) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Deed of Guarantee and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Trust Deed.

1 FORM, SPECIFIED DENOMINATION AND TITLE

The Bonds are issued in the specified denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (each, a “**Specified Denomination**”). The Bonds are represented by registered certificates (the “**Certificates**”) and, save as provided in Condition 2(a), each Certificate shall represent the entire holding of Bonds by the same Holder.

Title to the Bonds shall pass by transfer and registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”), as described in Condition 2. The Holder of any Bond shall (except as ordered by a court of competent jurisdiction or as otherwise required by law) be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on the Certificate (other than the endorsed form of transfer) representing it or the theft or loss of such Certificate and no person shall be liable for so treating the Holder.

In these Conditions, “**Bondholder**” or, in respect of any Bond, “**Holder**” means the person in whose name a Bond is registered in the Register (or in the case of a joint holding, the first named thereof).

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

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

2 TRANSFERS OF BONDS AND ISSUE OF CERTIFICATES

(a) Transfer

A holding of Bonds may, subject to Conditions 2(d) and 2(e) and the provisions of the Agency Agreement, be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Bonds to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or the relevant Transfer Agent may require. In the case of a transfer of part only of a holding of Bonds represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Bonds to a person who is already a Holder, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. No transfer of title to a Bond will be valid unless and until entered on the Register.

A Bond may not be transferred unless the principal amount of such Bonds to be transferred and (where not all of the Bonds held by a holder are being transferred) the principal amount of the balance of such Bonds not being transferred are equal to or more than the Specified Denomination.

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

(b) Delivery of New Certificates

Each new Certificate to be issued upon transfer of any Bonds pursuant to Condition 2(a) shall be made available for delivery within seven business days of receipt by the Registrar or, as the case may be, the relevant Transfer Agent of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the

specified office of the relevant Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer and Certificate shall have been made or, at the option of the Holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the Holder entitled to the new Certificate to such address as may be so specified, unless such Holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(b), “**business day**” means a day, other than a Saturday, Sunday or public holiday, on which banks are generally open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(c) Transfer Free of Charge

On transfer, Certificates shall be issued and registered without charge to the relevant Bondholder by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon payment by the relevant Bondholder of any and all tax, duty, assessment or other governmental charges that may be imposed in relation to them (or the giving of such indemnity and/or security and/or pre-funding as the Registrar or the relevant Transfer Agent may require).

(d) Restricted Transfer Periods

No Holder may require the transfer of a Bond to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of that Bond, (ii) after a Put Exercise Notice has been deposited in respect of such Bond pursuant to Condition 6(c), (iii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(a)(ii)), or (iv) during the period of 15 days prior to (and including) any date on which Bonds may be called for redemption by the Issuer pursuant to Condition 6(b).

(e) Regulations

All transfers of Bonds and entries on the Register will be made in accordance with the detailed regulations concerning transfer and registration of Bonds, the initial form of which is scheduled to the Agency Agreement. Each of the Issuer and the Registrar may change the regulations from time to time, with the prior written approval of the Trustee and (in the case of any change proposed by the Issuer) of the Registrar. A copy of the current regulations will be made available (free of charge to the Bondholder and at the Issuer’s expense) by the Registrar to any Bondholder at the specified office of the Registrar for inspection by any Bondholder at all reasonable times during normal business hours (being between 9:00 a.m. (Hong Kong time) and 3:00 p.m. (Hong Kong time), Monday to Friday other than public holidays) following prior written request and proof of holding and identity to the satisfaction of the Registrar.

3 GUARANTEE AND STATUS

(a) Guarantee

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

(b) Status

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

4 COVENANTS

(a) Negative Pledge

So long as any Bond remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor will, and each of the Issuer and the Guarantor will procure that none of their respective Subsidiaries will, create, or have outstanding, any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Bonds (i) the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or (ii) such other security as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

(b) Issuer Activities

So long as any Bond remains outstanding (as defined in the Trust Deed), the Issuer shall not, and the Guarantor shall procure that the Issuer will not, carry on any material business activity whatsoever other than in connection with the issue of the Bonds or any other bonds or similar debt securities or instruments and any other activities incidental thereto (such activities shall, for the avoidance of doubt, include the on-lending of the proceeds of the issue of the Bonds or any other bonds to any other Subsidiaries of the Guarantor).

(c) Undertakings Relating to SAFE

The Guarantor undertakes to file or cause to be filed with Tai'an City Center Sub-Bureau (泰安市中心支局)(or other relevant branch) of the State Administration of Foreign Exchange ("SAFE") the Deed of Guarantee within the period prescribed by the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 (the "**Cross-Border Security Registration**"). The Guarantor shall use its best endeavours to complete the Cross-Border Security Registration and obtain a registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline and shall comply with all applicable PRC laws and regulations in relation to the Guarantee.

(d) Notification to NDRC

The Guarantor undertakes that it will within 10 PRC Business Days after the Issue Date file or cause to be filed with the National Development and Reform Commission of the PRC or its local counterparts (the "**NDRC**") the requisite information and documents in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044 號)) issued by the NDRC and effective as of 14 September 2015 and any implementation rules as issued by the NDRC from time to time (the "**NDRC Post-issue Filing**").

(e) Notification of Completion of the Cross-Border Security Registration and the NDRC Post-issue Filing

The Guarantor shall, within 15 PRC Business Days after the later of submission of the NDRC Post-issue Filing and receipt of the registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE), provide the Trustee with: (i) a certificate in English substantially in the form set out in the Trust Deed signed by an Authorised Signatory (as defined in the Trust Deed) of the Guarantor confirming the completion of the NDRC Post-issue Filing and the Cross-Border Security Registration; and (ii) if any, copies of the relevant documents evidencing the NDRC Post-issue Filing and the Cross-Border Security Registration, each certified in English by an Authorised Signatory of the Guarantor, as being a true and complete copy of the original (the items specified in (i) and (ii) together, the “**Registration Documents**”).

In addition, the Guarantor shall procure that within five PRC Business Days after the Registration Documents are delivered to the Trustee, the Issuer gives notice (substantially in the form set out in the Trust Deed) to the Bondholders (in accordance with Condition 16) confirming the completion of the NDRC Post-issue Filing and the Cross-Border Security Registration.

The Trustee may rely conclusively on the Registration Documents and shall have no obligation or duty to monitor or ensure or to assist with the making of the NDRC Post-issue Filing as required by Condition 4(c), the filing or registration of the Bonds or the Deed of Guarantee with SAFE on or before the Registration Deadline or to verify the accuracy, completeness, content, validity and/or genuineness of any documents in relation to or in connection with the NDRC Post-issue Filing, the Cross-Border Security Registration and/or the Registration Documents or to translate or procure that any Registration Document is translated into English or to give notice to the Bondholders confirming the completion of the NDRC Post-issue Filing and/or the Cross-Border Security Registration, and shall not be liable to Bondholders or any other person for not doing so.

(f) Financial Information

So long as any Bond remains outstanding (as defined in the Trust Deed) each of the Issuer and the Guarantor will furnish the Trustee with:

- (i) a Compliance Certificate (on which the Trustee may rely conclusively as to such compliance) for each of the Issuer and the Guarantor and a copy of the relevant Audited Guarantor Financial Reports within 180 days of the end of each Relevant Period prepared in accordance with PRC GAAP (audited by a nationally or internationally recognised firm of independent accountants (which may be the auditor of the Guarantor as at the Issue Date)) and if such reports shall be in the Chinese language, together with an English translation of the same translated by (aa) a nationally or internationally recognised firm of independent accountants (which may be the auditor of the Guarantor as at the Issue Date) or (bb) a professional translation service provider and checked by a nationally or internationally recognised firm of independent accountants (which may be the auditor of the Guarantor as at the Issue Date);
- (ii) a copy of the Unaudited Guarantor Financial Reports within 90 days of the end of each Relevant Period prepared on a basis consistent with the Audited Guarantor Financial Reports and if such reports shall be in the Chinese language, together with an English translation of the same translated by (aa) a nationally or internationally recognised firm of independent accountants (which may be the auditor of the Guarantor as at the Issue Date) or (bb) a professional translation service provider and checked by a nationally or internationally recognised firm of independent accountants (which may be the auditor of the Guarantor as at the Issue Date); and

- (iii) a Compliance Certificate (on which the Trustee may rely conclusively as to such compliance) for each of the Issuer and the Guarantor within 14 days of any request therefor from the Trustee.

(g) Definitions

In these Conditions:

“Audited Guarantor Financial Reports” means, for a Relevant Period, the annual audited consolidated financial statements of the Guarantor together with any statements, reports (including directors’ and auditors’ reports, if any) and notes attached to or intended to be read with any of them, prepared in accordance with the applicable PRC GAAP;

“Compliance Certificate” means a certificate in English of the Issuer or the Guarantor (as the case may be), the form of which is substantially as set out in the Trust Deed, signed by any one of its directors or Authorised Signatories that, having made all reasonable enquiries, to the best knowledge, information and belief of the Issuer or the Guarantor (as the case may be) as at a date (the **“Certification Date”**) not more than five days before the date of the certificate that:

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

“Hong Kong” means the Hong Kong Special Administrative Region of the PRC;

“person” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organisation or government or any agency or political subdivision thereof;

“Potential Event of Default” means an 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 9 become an Event of Default;

“PRC” means the People’s Republic of China, which shall for the purpose of these Conditions only, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;

“PRC Business Day” means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are generally open for business in Beijing;

“PRC GAAP” means the Accounting Standards for Business Enterprises in China issued by the Ministry of Finance of the PRC from time to time;

“Registration Deadline” means the day falling 90 PRC Business Days after the Issue Date;

“Relevant Indebtedness” means any indebtedness issued outside the PRC which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market (which, for the avoidance of doubt, does not include bilateral loans, syndicated loans or club deal loans);

“Relevant Period” means (i) in relation to the Audited Guarantor Financial Reports, each period of 12 months ending on the last day of the Guarantor’s financial year (being 31 December of that financial year); (ii) in relation to the Unaudited Guarantor Financial Reports, each period of six months ending on the last day of the Guarantor’s first half financial year (being 30 June of that financial year);

a **“Subsidiary”** of any person means (i) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital, or (ii) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the laws, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person; and

“Unaudited Guarantor Financial Reports” means, for a Relevant Period, semi-annual unaudited consolidated balance sheet, income statement, statement of cash flows and statement of changes in owners’ equity of the Guarantor together with any statements, reports (including directors’ and auditors’ review reports, if any) and notes attached to or intended to be read with any of them, if any.

5 INTEREST

The Bonds bear interest on their outstanding principal amount from and including 18 November 2021 at the rate of 3.50 per cent. per annum, payable semi-annually in arrear in equal instalments of U.S.\$17.50 per Calculation Amount (as defined below) on 18 May and 18 November in each year (each an **“Interest Payment Date”**) commencing on 18 May 2022.

Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Bond, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the date on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder, and (b) the date falling seven days after the Trustee or the Principal Paying Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant Bondholder under these Conditions).

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day count fraction will be determined on the basis of a 360 day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

In these Conditions, the period beginning on and including 18 November 2021 and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an **“Interest Period”**.

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

6 REDEMPTION AND PURCHASE

(a) Final Redemption

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 18 November 2024 (the “**Maturity Date**”). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

(b) Redemption for Taxation Reasons

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Bondholders in accordance with Condition 16 and in writing to the Trustee and the Principal Paying Agent (which notice shall be irrevocable), at their principal amount together with any interest accrued to, but excluding, the date fixed for redemption, if the Issuer and/or the Guarantor (as the case may be) satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts (as defined in Condition 8) as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or the PRC, or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of, such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change and/or amendment becomes effective on or after 11 November 2021, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds (or the Guarantee, as the case may be) then due. Prior to the giving of any notice of redemption pursuant to this Condition 6(b), the Issuer (or the Guarantor, as the case may be) shall deliver to the Trustee (A) a certificate in English signed by any Authorised Signatory of the Issuer (or a certificate in English of the Guarantor signed by any Authorised Signatory of the Guarantor, as the case may be) stating that the obligation referred to in (i) above of this Condition 6(b) cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it and (B) an opinion, addressed to and in form and substance satisfactory to the Trustee, of independent tax or legal advisers of recognised standing to the effect that the Issuer (or the Guarantor, as the case may be) has or will become obliged to pay such Additional Tax Amounts as a result of such change and/or amendment and the Trustee shall be entitled (but shall not be obliged) to accept and conclusively rely upon such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above of this Condition 6(b), in which event the same shall be conclusive and binding on the Bondholders.

(c) Redemption for Relevant Event

At any time following the occurrence of a Relevant Event, a Holder will have the right, at such Holder’s option, to require the Issuer to redeem all but not some only of that Holder’s Bonds on the Put Settlement Date (as defined below) at 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, in each case, accrued interest up to but excluding such Put Settlement Date. In order to exercise such right, the Holder of the relevant Bond must deposit at the specified office of the Principal Paying Agent or any other Paying Agent a duly completed and signed notice of redemption, in the form obtainable from the specified office of the Principal Paying Agent or any other Paying Agent (a “**Put Exercise Notice**”), together with the Certificate evidencing the Bonds to be redeemed by not later than 30 days following a Relevant Event, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 16.

Subject to Condition 7(e), the “**Put Settlement Date**” shall be the fourteenth day (in the case of a redemption for a Change of Control) or the tenth day (in the case of a redemption for a No Registration Event) after the expiry of such period of 30 days as referred to above. A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds, the subject of the Put Exercise Notices delivered as aforesaid, on the Put Settlement Date.

The Issuer shall give notice to Bondholders in accordance with Condition 16 and to the Trustee and the Principal Paying Agent in writing by not later than 14 days (in the case of a redemption for a Change of Control) or 10 days (in the case of a redemption for a No Registration Event) following the first day on which it becomes aware of the occurrence of a Relevant Event, which notice shall specify the procedure for exercise by Holders of their rights to require redemption of the Bonds pursuant to this Condition 6(c).

In this Condition 6(c):

a “**Change of Control**” occurs when:

- (i) the Tai'an Municipality Finance Bureau (泰安市財政局) and PRC Government Persons collectively cease to directly or indirectly hold or own at least 51 per cent. of the issued share capital of the Guarantor; or
- (ii) the Guarantor ceases to directly or indirectly hold or own 100 per cent. of the issued share capital of the Issuer; or
- (iii) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of the Guarantor's assets to any other person(s), unless the consolidation, merger, sale or transfer will not result in the other person(s) acquiring Control over the Guarantor or the successor entity;

“**Control**” means (i) the ownership, acquisition or control of more than 50 per cent. of the voting rights of the issued share capital of a person or (ii) the right to appoint and/or remove all or the majority of the members 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; the term “**Controlled**” has meanings correlative to the foregoing;

a “**No Registration Event**” occurs when the Registration Conditions have not been complied with on or before the Registration Deadline;

a “**person**” includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include the Issuer's or the Guarantor's board of directors or any other governing board and does not include the Issuer's or the Guarantor's wholly-owned direct or indirect subsidiaries;

“**PRC Government Persons**” means any person directly or indirectly Controlled by the government of Tai'an Municipality of Shandong Province and/or the central government of the PRC;

“**Registration Conditions**” means the receipt by the Trustee of the Registration Documents relating to the Cross-Border Security Registration as set forth in Condition 4(e); and

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

So long as the Bonds are represented by the Global Certificate, a right of a Bondholder to redemption of the Bonds following the occurrence of a Relevant Event will be effected in accordance with the rules of the relevant clearing systems.

(d) Purchase

The Issuer, the Guarantor and their respective Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer, the Guarantor or any such Subsidiary, shall not entitle the Holder thereof to vote at any meetings of the 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 9, Condition 12(a) and Condition 13.

(e) Notice of redemption

All Bonds in respect of which any notice of redemption is given under this Condition 6 shall be redeemed on the date, in such place and in such manner as specified in such notice in accordance with this Condition 6(e). If there is more than one notice of redemption given in respect of any Bond (which shall include any notice given by the Issuer pursuant to Condition 6(b) and any Put Exercise Notice given by a Bondholder pursuant to Condition 6(c)), the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail. Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under any notice of redemption or Put Exercise Notice and shall not be liable to the Holders, the Issuer, the Guarantor or any other person for not doing so.

(f) Cancellation

All Certificates representing Bonds redeemed or purchased by or on behalf of the Issuer, the Guarantor and their respective Subsidiaries may be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Bonds shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Bonds shall be discharged.

7 PAYMENTS

(a) Method of Payment:

- (i) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Bonds represented by such Certificates) in the manner provided in Condition 7(a)(ii).
- (ii) Interest on each Bond shall be paid, on the due date for payment, to the person shown on the Register at the close of business on the fifth Payment Business Day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Bond shall be made in U.S. dollars by wire transfer to the registered account of the Bondholder. For the purposes of this Condition 7(a)(ii), a Bondholder’s “**registered account**” means the U.S. dollar denominated 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 on the Record Date.
- (iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested in writing by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the

remaining unpaid outstanding principal amount. If the amount of premium (if any) or interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of premium (if any) or interest so paid.

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

- (b) **Payments subject to Fiscal Laws:** All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives in the place of payment but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “Code”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Bondholders in respect of such payments.
- (c) **Payment Initiation:** Payment instructions (for value on the due date or, if that is not a Payment Business Day, for value on the first following day which is a Payment Business Day) will be initiated on the due date for payment (or, if that date is not a Payment Business Day, on the first following day which is a Payment Business Day), or, in the case of payments of principal and premium (if any) where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent or of the Registrar, on a day on which the Principal Paying Agent is open for business and on which the relevant Certificate is surrendered.
- (d) **Appointment of Agents:** The Principal Paying Agent, the Registrar and the Transfer Agent initially appointed by the Issuer and the Guarantor and their respective specified offices are listed below. The Principal Paying Agent, the Registrar and the Transfer Agent act solely as agents of the Issuer and the Guarantor (and as provided in the Trust Deed, the Trustee) and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer and the Guarantor reserve the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Principal Paying Agent, the Registrar, the Transfer Agent or any of the other Agents and to appoint additional or other Paying Agents and/or Transfer Agents, provided that the Issuer and the Guarantor shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, and (iii) a Transfer Agent.

Notice of any such termination or appointment or any change of any specified office shall promptly be given by the Issuer (failing whom, the Guarantor) to the Bondholders in accordance with Condition 16.

- (e) **Delay in Payment:** Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day or if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so).
- (f) **Non-Payment Business Day:** If any date for payment in respect of any Bond is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment.

In this Condition 7,

“Payment Business Day” means a day other than a Saturday, a Sunday or a public holiday on which banks and foreign exchange markets are generally open for business and settlement of U.S. dollars payments in Hong Kong, New York City and (if surrender of the relevant Certificate is required) the relevant place of presentation.

8 TAXATION

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

Where withholding or deduction is made by the Issuer or, as the case may be, the Guarantor for or on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected withheld or assessed by or within the PRC at a rate up to and including the aggregate rate applicable on 11 November 2021 (the **“Applicable Rate”**), the Issuer or, as the case may be, the Guarantor will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been received by them had no such withholding or deduction been required.

If (a) the Issuer or, as the case may be, the Guarantor is required to make any deduction or withholding for or on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected withheld or assessed by or within the British Virgin Islands or (b) the Issuer, or as the case may be, the Guarantor is required to make a deduction or withholding for or on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected withheld or assessed by or within the PRC in excess of the Applicable Rate, then the Issuer (or the Guarantor, as the case may be) shall pay such additional amounts (**“Additional Tax Amounts”**) as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond (or the Guarantee, as the case may be):

- (i) **Other connection:** to a Holder (or to a third party on behalf of a Holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the British Virgin Islands or the PRC other than the mere holding of the Bond; or
- (ii) **Surrender more than 30 days after the Relevant Date:** in respect of which the Certificate representing it is surrendered (where surrender is required) for payment more than 30 days after the Relevant Date except to the extent that the Holder of it would have been entitled to such Additional Tax Amounts on surrendering the Certificate representing such Bond for payment on the last day of such period of 30 days; or
- (iii) **Tax Declaration:** to a Holder (or to a third party on behalf of a Holder) who would not be liable for or subject to such withholding or deduction by making a declaration of identity, non-residence or other similar claim for exemption to the relevant tax authority if, after having been requested to make such declaration or claim, such Holder fails to do so within any applicable period prescribed by such relevant tax authority.

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

In these Conditions, “**Relevant Date**” in respect of any Bond means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date falling seven days after that on which notice is duly given to the Bondholders that, upon further surrender of the Certificate representing such Bond being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, assessments, governmental charges, withholding or other payment referred to in this Condition 8 or otherwise in connection with the Bonds 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 Bondholder or any third party to pay such tax, duty, assessments, governmental charges, withholding or other payment in any jurisdiction or to provide any notice or information in relation to the Bonds in connection with payment of such tax, duty, charges, assessments, government charges, withholding or other payment imposed by or in any jurisdiction, including without limitation any notice or information that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Bonds without deduction or withholding for or on account of any such tax, duty, assessments, governmental charge, withholding or other payment imposed by or in any jurisdiction.

These Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed.

9 EVENTS OF DEFAULT

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

An “**Event of Default**” occurs if:

- (a) **Non-Payment:** the Issuer and the Guarantor each fail to pay (i) the principal of or any premium (if any) on any of the Bonds when due or (ii) any interest on any of the Bonds when due and such failure continues for a period of 14 days; or
- (b) **Breach of Other Obligations:** the Issuer or the Guarantor does not perform or comply with any one or more of their respective other obligations under the Bonds (other than those referred to in Condition 9(a) and a No Registration Event which gives rise to a redemption by the Holders pursuant to Condition 6(c)), the Trust Deed or the Deed of Guarantee, which default is, in the opinion of the Trustee, incapable of remedy or, if such default is, in the opinion of the Trustee, capable of remedy, such default is not remedied within 30 days after written notice of such default shall have been given to the Issuer or the Guarantor (as the case may be) by the Trustee; or

- (c) **Cross-Acceleration:** (i) any other present or future indebtedness of the Issuer or the Guarantor or any of their respective Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period; or (iii) the Issuer or the Guarantor or any of their respective Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9 have occurred equals or exceeds U.S.\$20,000,000 or its equivalent in any other currency (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this Condition 9(c) operates); or
- (d) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against the whole or any material part of the property, assets or revenues of the Issuer or the Guarantor or any Principal Subsidiary and is not discharged or stayed within 45 days; or
- (e) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, the Guarantor or any Principal Subsidiary over all or a material part of the assets of the Issuer, the Guarantor or the relevant Principal Subsidiary, as the case may be, 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 45 days; or
- (f) **Insolvency:** the Issuer, the Guarantor or any Principal Subsidiary is (or is, or could be, deemed by law or a court of competent jurisdiction to be) insolvent or bankrupt or unable to pay its debts as and when such debts fall due, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of the Issuer, the Guarantor or any Principal Subsidiary, as the case may be, except for the purpose of and followed by a solvent winding-up, dissolution, reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Bondholders, or (ii) in the case of a Principal Subsidiary of the Issuer or the Guarantor, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer or the Guarantor (as the case may be) or another of their respective Subsidiaries; or
- (g) **Winding-up:** an order of any court of competent jurisdiction is made or an effective resolution is passed for the winding-up or dissolution of the Issuer, the Guarantor or any Principal Subsidiary (except for any voluntary solvent winding-up of any Principal Subsidiary), or the Issuer, the Guarantor or any Principal Subsidiary ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a solvent winding-up, dissolution, reconstruction, amalgamation, reorganisation, merger or consolidation: (i) on terms approved by the Bondholders by Extraordinary Resolution: or (ii) in the case of a Principal Subsidiary, whereby the undertaking and assets of a Principal Subsidiary are transferred to or otherwise vested in the Issuer or Guarantor or any of their respective Subsidiaries; or

- (h) **Nationalisation:** any step is taken by any person acting under the authority of any national, regional or local government with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer, the Guarantor or any of the Principal Subsidiaries; or
- (i) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Bonds, the Trust Deed and the Deed of Guarantee, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds, the Trust Deed and the Deed of Guarantee admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or
- (j) **Illegality:** it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any one or more of their respective obligations under any of the Bonds, the Trust Deed and/or the Deed of Guarantee; or
- (k) **Unenforceability of Guarantee:** the Guarantee becomes unenforceable or invalid or shall for any reason cease to be in full force and effect or is claimed to be unenforceable, invalid or not in full force and effect by the Guarantor; or
- (l) **Analogous Events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to Conditions 9(d) to (g) (both inclusive).

In this Condition 9, “**Principal Subsidiary**” means any Subsidiary of the Guarantor:

- (i) whose revenue (consolidated in the case of a Subsidiary which itself has Subsidiaries), as shown by its latest audited income statement, is at least five per cent. of the revenue as shown by the latest published audited consolidated income statement of the Guarantor and its Subsidiaries including, for the avoidance of doubt, the Guarantor and its consolidated Subsidiaries’ share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests;
- (ii) whose net profit (consolidated in the case of a Subsidiary which itself has Subsidiaries), as shown by its latest audited income statement, is at least five per cent. of the consolidated net profit as shown by the latest published audited consolidated income statement of the Guarantor and its Subsidiaries including, for the avoidance of doubt, the Guarantor and its consolidated Subsidiaries’ share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests;
- (iii) whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries), as shown by its latest audited balance sheet, are at least five per cent. of the amount which equals the amount included in the consolidated total assets of the Guarantor and its Subsidiaries as shown by the latest published audited consolidated balance sheet of the Guarantor and its Subsidiaries including, for the avoidance of doubt, the investment of the Guarantor whose accounts are not consolidated with the audited consolidated accounts of the Guarantor and its Subsidiaries and of jointly controlled entities and after adjustment for minority interests,
- (iv) to which is transferred the whole or substantially the whole of the assets of a Subsidiary of the Guarantor which immediately prior to such transfer was a Principal Subsidiary, provided that (xx) the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall forthwith become a Principal Subsidiary and (yy) on or after the date on

which the first published audited accounts (consolidated, if appropriate) of the Guarantor prepared as of a date later than such transfer are issued, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Principal Subsidiary shall be determined on the basis of such accounts by virtue of the provisions of paragraphs (i), (ii) or (iii) above of this definition;

provided that, in relation to paragraphs (i), (ii) and (iii) above of this definition:

- (a) in the case of a corporation or other business entity becoming a Subsidiary of the Guarantor after the end of the financial period to which the latest consolidated audited accounts of the Guarantor relate, the reference to the then latest consolidated audited accounts of the Guarantor for the purposes of the calculation above shall, until consolidated audited accounts of the Guarantor for the financial period in which the relevant corporation or other business entity becomes a Subsidiary of the Guarantor are published, be deemed to be a reference to the then latest consolidated audited accounts of the Guarantor adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary of the Guarantor which itself has Subsidiaries) of such Subsidiary in such accounts; and
- (b) if the accounts of any Subsidiary of the Guarantor (not being a Subsidiary of the Guarantor referred to in proviso (a) 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 accounts (consolidated, if available) with the consolidated accounts (determined on the basis of the foregoing) of the Guarantor.

10 PRESCRIPTION

Claims against the Issuer and/or the Guarantor for payment in respect of the Bonds and/or the Guarantee (as applicable) shall be prescribed and become void unless made within 10 years (in the case of principal or premium (if any)) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

11 REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or any Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Bondholders in accordance with Condition 16, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity, pre-funding and otherwise as the Issuer, the Registrar or the relevant Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12 MEETINGS OF BONDHOLDERS, MODIFICATION, WAIVER, AUTHORISATION, DETERMINATION AND ENTITLEMENT OF TRUSTEE

(a) Meetings of Bondholders

The Trust Deed contains provisions for convening meetings of the Bondholders to consider matters affecting their interests, including without limitation the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed, the Agency Agreement and/or the Deed of Guarantee. Such a meeting may be convened by the Issuer, the Guarantor or the Trustee and shall be convened by the Trustee if requested in writing to do so by Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and

expenses. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the Maturity Date or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, any premium payable on redemption of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution or (v) to modify or cancel the Deed of Guarantee (other than as provided in Condition 12(b)), in which case the necessary quorum will be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in aggregate principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution (A) in writing signed by or on behalf of the Bondholders of not less than 75 per cent. in aggregate principal amount of the Bonds for the time being outstanding or (B) passed by Electronic Consent (as defined in the Trust Deed) shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders. A resolution passed in writing will be binding on all Bondholders whether or not they participated in such written resolution.

(b) Modification, Waiver, Authorisation and Determination

The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement or the Deed of Guarantee that in its opinion is of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of law, and (ii) any other modification (except as mentioned in the Trust Deed) and any waiver or authorisation of any breach or proposed breach by the Issuer or the Guarantor, of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement and/or the Deed of Guarantee that is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and, unless the Trustee otherwise agrees, such modification, authorisation or waiver shall be notified by the Issuer, failing whom the Guarantor, to the Bondholders as soon as practicable thereafter in accordance with Condition 16.

(c) Entitlement of the Trustee

In connection with the exercise of its functions, rights, powers and/or discretions (including but not limited to those referred to in this Condition 12), the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the interests of, or be responsible for, the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer, the Guarantor or, in the case of a claim by any Bondholder, the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

13 ENFORCEMENT

At any time after the Bonds become due and payable, the Trustee may, at its discretion and without further notice, take such steps and/or actions and/or institute such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the terms of the Trust Deed, the Deed of Guarantee, the Agency Agreement and/or the Bonds, but it need not take any such steps and/or actions and/or institute any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Bondholders holding at least 25 per cent. in aggregate principal amount of the Bonds then outstanding and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Holder may proceed directly against the Issuer and/or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

14 INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including without limitation, provisions relieving it from taking any steps and/or actions and/or instituting proceedings to enforce its rights under the Trust Deed, the Agency Agreement, the Deed of Guarantee and/or these Conditions and in respect of the Bonds and to enforce payment or taking other actions, steps and/or instituting proceedings unless first indemnified and/or secured and/or pre funded to its satisfaction and to be paid or reimbursed for its fees, costs, expenses and indemnity payments and any liabilities and other amounts incurred by it in priority to the claims of Bondholders. The Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and/or any entity related to the Issuer or the Guarantor without accounting for any profit.

The Trustee may rely conclusively, and may act or refrain from acting, in each case without liability to Bondholders, the Issuer, the Guarantor or any other person on any report, confirmation, certificate or information from or any advice or opinion of any accountants, lawyers, valuers, auctioneers, surveyors, bankers, brokers, financial consultants, investment banks or any other expert, whether or not obtained by or addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee shall not be responsible or liable to the Issuer, the Guarantor, the Bondholders or any other person for any loss occasioned by acting on or refraining from acting on any such report, confirmation, certificate, information, advice or opinion, in which event such report, confirmation, certificate, information, advice or opinion shall be binding on the Bondholders.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Deed of Guarantee, the Agency Agreement or these Conditions or by law to exercise any discretion or power, take or refrain from taking any action, make any decision or give any direction, the Trustee is entitled, prior to exercising any such discretion or power, taking or refraining from taking any such action, making any such decision or giving any such direction, to seek directions or clarification of any directions from the Bondholders by way of Extraordinary Resolution or given as otherwise contemplated or permitted by the Trust Deed and/or the Bonds, and the Trustee shall be entitled to rely on any such direction or clarification and shall not be responsible or liable for any loss or liability incurred by the Issuer, the Guarantor, the Bondholders or any other person as a result of any delay in it exercising such discretion or power, taking or refraining from taking such action, making such decision or giving such direction where the Trustee is seeking such approval, direction, clarification of any direction or instructions from the Bondholders or in the event that the approval, direction, clarification of any direction or instruction sought are not provided by the Bondholders. Neither the Trustee nor any Agent shall be liable to any Bondholder, the Issuer, the Guarantor or any other person for any action taken by it in accordance with the approval,

direction, request or instruction of the Bondholders. The Trustee shall be entitled to rely on any approval, directions, request or instruction of Bondholders (whether given by Extraordinary Resolution or otherwise as contemplated or permitted by the Trust Deed and/or the Bonds).

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer, the Guarantor, and any other person appointed by the Issuer or the Guarantor in relation to the Bonds, of the duties and obligations on their part expressed in respect of the same and, unless it has received written notice in writing to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed.

None of the Trustee or any of the Agents shall have any obligation to monitor or take any steps to ascertain whether an Event of Default, a Potential Event of Default or a Relevant Event has occurred and shall not be liable to the Bondholders or any other person for not doing so.

Each Bondholder shall be solely responsible for making and continuing to make its own independent appraisal of and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, the Guarantor and their respective subsidiaries, and the Trustee shall not at any time have any responsibility for the same and no Bondholder shall rely on the Trustee in respect thereof.

These Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed.

15 FURTHER ISSUES

The Issuer may from time to time without the consent of the Bondholders create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the first payment of interest on them, and the timing for complying with the Registration Conditions and the completion of the Cross-Border Security Registration and the NDRC Post-issue Filing) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds. References in these Conditions to the Bonds include (unless the context requires otherwise) any other bonds issued pursuant to this Condition 15 and forming a single series with the Bonds. Any further bonds forming a single series with the outstanding Bonds shall be constituted by a deed supplemental to the Trust Deed and be guaranteed by the Guarantor pursuant to a deed supplemental to the Deed of Guarantee or an additional deed of guarantee.

16 NOTICES

Notices to the Holders shall be mailed to them by uninsured mail at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday, a Sunday or a public holiday) after the date of mailing. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

So long as the Global Certificate is held by or on behalf of Euroclear and Clearstream or any Alternative Clearing System (as defined in the Trust Deed), any notice to the Holders of the Bonds shall be validly given by the delivery of the relevant notice to Euroclear, Clearstream or such Alternative Clearing System, for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by these Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

17 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

18 GOVERNING LAW AND JURISDICTION

(a) Governing Law

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

(b) Jurisdiction

The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds, the Trust Deed, the Deed of Guarantee and the Agency Agreement and accordingly any legal action or proceedings arising out of or in connection with any Bonds, the Trust Deed, the Deed of Guarantee and the Agency Agreement (“**Proceedings**”) may be brought in such courts. Each of the Issuer and the Guarantor has in the Trust Deed and the Agency Agreement and the Guarantor has in the Deed of Guarantee, irrevocably submitted to the exclusive jurisdiction of such courts and waived any objection to Proceedings in any such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

(c) Agent for Service of Process

Each of the Issuer and the Guarantor irrevocably appoints Taishan Finance International Investment Co., Limited of Unit 1015, 10/F Block A, New Mandarin Plaza, No. 14 Science Museum Rd, Tsim Sha Tsui East, Kowloon, Hong Kong as its authorised agent in Hong Kong to receive service of process in any Proceedings in Hong Kong based on any of the Bonds, the Guarantee, the Trust Deed or the Agency Agreement. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Issuer or the Guarantor, respectively). If for any reason the Issuer or the Guarantor, as the case may be, ceases to have such an agent in Hong Kong, it will promptly appoint a substitute process agent and notify the Bondholders of such appointment within 30 days of such cessation. Nothing herein shall affect the right to serve process in any other manner permitted by law.

(d) Waiver of Immunity

Each of the Issuer and the Guarantor has waived any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and has irrevocably consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

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

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

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

Owners of interests in the Bonds in respect of which the Global Certificate is issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive certificates if either Euroclear or Clearstream or any other clearing system selected by the Issuer and approved in writing by the Trustee, the Principal Paying Agent and the Registrar through which the Bonds are held (an “**Alternative Clearing System**”) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

In such circumstances, the Issuer will cause sufficient individual definitive certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant holders of the Bonds. A person with an interest in the Bonds in respect of which the Global Certificate is issued must provide the Registrar not less than 30 days’ notice at its specified office of such holder’s intention to effect such exchange and a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive certificates.

In addition, the Global Certificate will contain provisions which modify the Terms and Conditions of the Bonds as they apply to the Bonds evidenced by the Global Certificate. The following is a summary of certain of those provisions:

PAYMENT

So long as the Bonds are represented by a Global Certificate, each payment in respect of the Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be the Clearing System Business Day immediately prior to the date for payment, where “**Clearing System Business Day**” means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

CALCULATION OF INTEREST

So long as the Bonds are represented by a Global Certificate and such Global Certificate is held on behalf of a clearing system, the Issuer has promised, *inter alia*, to pay interest in respect of such Bonds from the Issue Date in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Conditions, save that the calculation is made in respect of the total aggregate amount of the Bonds represented by such Global Certificate.

TRUSTEE’S POWERS

In considering the interests of the Bondholders whilst the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being 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 Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which such Global Certificate is issued.

NOTICES

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or any Alternative Clearing System, notices to Bondholders shall be given by delivery of the relevant notice to Euroclear or Clearstream or such Alternative Clearing System, for communication by it to accountholders entitled to an interest in the Bonds in substitution for notification as required by the Terms and Conditions of the Bonds, and shall be deemed to have been given at the time of delivery to the relevant clearing system(s).

BONDHOLDER'S REDEMPTION

The Bondholder's redemption option in Condition 6(c) of the Terms and Conditions of the Bonds may be exercised by the holder of the Global Certificate giving notice to the Principal Paying Agent of the principal amount of the Bonds in respect of which the option is exercised within the time limits specified in the Terms and Conditions of the Bonds.

ISSUER'S REDEMPTION

The option of the Issuer provided for in Condition 6(b) of the Terms and Conditions of the Bonds shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by the Terms and Conditions of the Bonds.

TRANSFERS

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

CANCELLATION

Cancellation of any Bond represented by the Global Certificate will be effected by a reduction in the principal amount of the Bonds in the register of the Bondholders and the Global Certificate on its presentation to or to the order of the Registrar for annotation.

MEETINGS

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

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

DESCRIPTION OF THE ISSUER

OVERVIEW

The Issuer is a BVI business company incorporated under the BVI Business Companies Act (as amended) of the British Virgin Islands (BVI Company Number: 2044444). It was incorporated in the British Virgin Islands on 24 September 2020. The Issuer is an indirect wholly-owned subsidiary of the Guarantor. The registered office of the Issuer is at Intershore Chambers, P.O.Box 4342, Road Town, Tortola, VG1110, 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, has not carried and will not carry on any business other than entering into arrangements for the issue of the Bonds or other bonds 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 Mr. Liu Qingang (劉欽剛).

As at the date of this Offering Circular, the sole director of the Issuer does not hold any shares or options to acquire shares of the Issuer, and there are no potential conflicts of interest between any duties of the sole director of the Issuer and his private interests and/or other duties.

SHARE CAPITAL

As at the date of this Offering Circular, the Issuer is authorised under its memorandum of association to issue a maximum of 50,000 Ordinary shares with a par value of U.S.\$1.00 each of a single class. 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 August 2017, the Guarantor is a comprehensive investment and operating company that serves the improvement of urban functions and real economy development in Tai'an City, Shandong Province. The Guarantor is directly and wholly-owned by the Tai'an Finance Bureau, a government organ of the Tai'an Municipal Government. Since its establishment, the Group has been taking a pivot role in the investment, construction and operation of the urban infrastructure in Tai'an City. The Group has diverse business and investments in multiple industries including infrastructure construction, public utilities, real estate sales, cableway business, financial leasing business and land consolidation. 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 located in the middle of 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, public utilities and real estate sales.

The Group's business segments are as follows:

- *Infrastructure Construction.* As the main body of investment, construction and operation of urban infrastructure construction in Tai'an City, the Group focuses on the development of main urban areas in Tai'an City and the construction of the large-scale municipal projects. Tai'an City Development and Investment Co., Ltd. (泰安市城市發展投資有限公司), Tai'an Taishan Chengxiang Construction Development Co., Ltd. (泰安泰山城鄉建設發展有限公司), Taian Dawenhe Comprehensive Development and Construction Co., Ltd. (泰安市大汶河綜合開發建設有限公司) and Shandong Taian Tianping Lake Tourism Investment Co., Ltd. (山東泰安天平湖旅遊投資有限公司) have undertaken most of the urban infrastructure construction and shantytown redevelopment in the new urban area of Tai'an City. For the years ended 31 December 2018, 2019 and 2020, operating income generated from the Group's infrastructure construction business was approximately RMB1,121.0 million, RMB2,600.0 million and RMB3,424.0 million, respectively, representing 21.0 per cent., 31.4 per cent. and 35.0 per cent. of the Group's total operating income for the same years.
- *Public Utilities.* The Group is a major supplier of gas, heating and water in Tai'an City, and conducts the gas, heating and water supply business through its subsidiaries, Tai'an Taishan Gas Group Co., Ltd. (泰安泰山燃氣集團有限公司), Tai'an City Taishan District Heating Power Co., Ltd. (泰安市泰山城區熱力有限公司) and Tai'an City Water Supply Co., Ltd. (泰安市自來水有限公司), respectively. For the years ended 31 December 2018, 2019 and 2020, operating income generated from the Group's public utilities services was approximately RMB2,160.0 million, RMB2,021.0 million and RMB2,235.0 million, respectively, representing 40.4 per cent., 24.5 per cent. and 22.8 per cent. of the Group's total operating income for the same years.

- *Real Estate Sales.* The Group conducts its real estate sales business primarily through five wholly-owned subsidiaries, Tai'an Taishan City Construction Investment Co., Ltd. (泰安市泰山城市建設投資有限公司), Tai'an Taishan Municipal Development Real Estate Co., Ltd. (泰安泰山城市發展置業有限公司), Tai'an City Taishan Urban Construction Investment Co., Ltd. (泰安市泰山城建設投資有限公司), Shandong Taishan Shengshi Cultural Real Estate Co., Ltd. (山東泰山盛世文化地產有限公司) and Tai'an Taibao Real Estate Co., Ltd. (泰安泰報置業有限公司). The Group's real estate sales business mainly involves development and sale of real estate properties in Tai'an City. For the years ended 31 December 2018, 2019 and 2020, operating income generated from the Group's real estate sales business was RMB1,117.0 million, RMB2,052.0 million and RMB2,584.0 million, respectively, representing 20.9 per cent., 24.8 per cent. and 26.4 per cent. of the Group's total operating income for the same years.
- *Cableway.* The Group's cableway business is conducted through its wholly-owned subsidiary, Taishan Ropeway Operation Centre (泰安市泰山索道運營中心). It is primarily responsible for the operation, maintenance and management of the passenger cableways in Zhongtianmen (中天門), Taohuayuan (桃花源) and Houshiwu (後石塢) of Mount Tai. For the years ended 31 December 2018, 2019 and 2020, operating income generated from the Group's cableway business was approximately RMB378.0 million, RMB391.0 million and RMB253.0 million, respectively, representing 7.1 per cent., 4.7 per cent. and 2.6 per cent. of the Group's total operating income for the same years.
- *Financial Leasing.* The Group's financial leasing business is mainly conducted through its subsidiary, Taishan Financial Leasing Co., Ltd. (泰山融資租賃有限公司), which was established in September 2013 and commenced business in 2014 with a registered capital of RMB635.0 million. The Group's financial leasing business primarily consists of sale-leaseback financial leasing. For the years ended 31 December 2018, 2019 and 2020, operating income generated from the Group's financial leasing business was approximately RMB128.0 million, RMB193.0 million and RMB250.0 million, respectively, representing 2.4 per cent., 2.3 per cent. and 2.6 per cent. of the Group's total operating income for the same years.
- *Land Consolidation.* The Group's land consolidation business is mainly carried out by its subsidiary, Tai'an City Taishan Urban Construction Investment Co., Ltd. (泰安市泰山城建設投資有限公司), which is entrusted by the Tai'an Municipal Government to organise and develop the land requisitioned and acquired by the Tai'an Municipal Government. For the years ended 31 December 2018, 2019 and 2020, operating income generated from the Group's land development business was approximately RMB139.0 million, RMB97.0 million and RMB201.0 million, respectively, representing 2.6 per cent., 1.2 per cent. and 2.0 per cent. of the Group's total operating income for the same years.
- *Other Businesses.* In addition to its main business segments, the Group also generates operating income from other businesses, mainly including medical education, catering and accommodation, product manufacture and processing, which supplement the Group's operating income from its main businesses. For the years ended 31 December 2018, 2019 and 2020, operating income generated from the Group's other businesses was approximately RMB302.0 million, RMB918.0 million and RMB841.0 million, respectively, representing 5.6 per cent., 11.1 per cent. and 8.6 per cent. of the Group's total operating income for the same years.

For the years ended 31 December 2018, 2019 and 2020, total operating income from the Group's business operations was RMB5,345.0 million, RMB8,272.0 million and RMB9,788.0 million, respectively; total operating costs from the Group's business operations was RMB5,162.5 million, RMB8,242.3 million and RMB9,696.9 million, respectively. As at 31 December 2018, 2019 and 2020, total assets of the Group was RMB109,722.9 million, RMB127,329.9 million and RMB143,918.4 million, respectively.

RECENT DEVELOPMENT

For the avoidance of doubt, the Guarantor's unaudited and unreviewed half year consolidated financial information as at and for the six months ended 30 June 2021 (the “**June 2021 Financial Information**”) is not and shall not be deemed to be incorporated by reference or otherwise included in this Offering Circular. Such information has not been subject to an audit or review and should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or review.

According to the June 2021 Financial Information, as compared to 31 December 2020, (i) the Group's prepayments decreased as prepaid land payments were recorded as development costs, (ii) the Group's short-term loans increased, primarily attributable to an increase in the Group's trust loans and bank loans, (iii) the Group's long-term loans increased, primarily attributable to an increase in the Group's bank loans, (iv) the Group's bonds payable increased, primarily attributable to an increase in the Group's corporate bonds and debt financing instruments, (v) the Group's administrative expenses increased, primarily due to an increase in the Group's employee benefits, (vi) the Group's financial expenses increased, primarily due to an increase in the Group's interest expenses, (vii) the Group's profit before tax decreased, primarily attributable to an increase in the Group's financial expenses and (viii) the Group's net profit increased, primarily attributable to reduction in the Group's income taxes.

The selected financial data explained above were extracted from the management accounts of the Guarantor, and are not to be, and should not be, taken as an indication of the expected financial condition or results of operations of the Guarantor for the full financial year ending 31 December 2021. Such information has not been audited or reviewed and should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or review. Potential investors must exercise extensive caution when using such information to evaluate the Guarantor's financial condition, results of operation and results (financial or otherwise). See “*Risk Factors – The June 2021 Financial Information has not been reviewed or audited by the auditor of the Guarantor*”.

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, public utilities services and real estate sales, which has contributed to the growth of the Group's business operations.

The Group also conducts business within the Tai'an High-speed Railway New District (泰安市高鐵新區) and Tai'an Tourism Economic Development Zone (泰安旅遊經濟開發區). Since 2017, the Tai'an Municipal Government has started to develop the Tai'an High-speed Railway New District and the Tai'an Tourism Economic Development Zone 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 High-speed Railway

New District and the Tai'an Tourism Economic Development Zone together as “an upscale tourist resort, a modern ecological liveable 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 comprehensive investment and operating platform that serves the improvement of urban functions and real economy development in 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 August 2017, the Group is directly and 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. For the years ended 31 December 2018, 2019 and 2020, the government grants received by the Group were RMB246 million, RMB251 million and RMB292 million, respectively. In 2017 and 2018, Tai'an Finance Bureau injected RMB300 million and RMB400 million into the Group by way of monetary capital contribution, respectively. In 2019 and 2020, Tai'an Municipal Government injected RMB3,079 million and RMB5,254 million into the Group's capital reserve by way of monetary capital contribution, land revenue capital increase, and land and real estate capital increase, respectively. In 2019, Tai'an Municipal Government contributed assets of No. 11 Hushan East Road to the Group in the amount of RMB57.74 million. The strong and continued support from the Tai'an Municipal Government greatly increased the financing stability, credibility and comprehensive competitiveness of the Group and in turn contributions to the future growth of the Group.

The support that the Group receives from the Tai'an Municipal Government does not include assuming any obligation to repay any payments under the Bonds or the Trust Deed or providing guarantee of any kind in respect of the Bonds.

The main body for municipal infrastructure construction, real estate sales and public utilities 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 Zone D, Zone E and Zone F shantytown redevelopment projects in the southern area of the Tai'an Beijing-Shanghai High-speed Railway and New Area of the Tai'an Station of Beijing-Shanghai High-speed Railway. 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, benefit the Group's business, strengthen the Group's competitiveness and further increase its revenue and cash flows to achieve a sustainable growth. The Group's current business mainly focus on six business

segments, namely infrastructure construction, real estate sales, public utilities, cableways, financial leasing and land consolidation. In recent years, the Group also expanded its businesses to other areas, such as medical education, catering and accommodation, product manufacture and processing. 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.

Access to diversified financing channels to obtain sufficient capital for the Group's business development

The Group is the core investment and financing platform in Tai'an City. The Group has access to diversified sources of financing to fund its projects, including bank loans and issuance of debt securities in the offshore capital markets. The Group has strived to maintain a balanced capital structure to control the risk of over-leveraging and to ensure financial stability. The Group is able to obtain various forms of financing on various levels in the Group.

In addition, the Group has established close and extensive cooperative relationships with a number of commercial banks, trusts, leasing companies and other financial institutions. As at 31 March 2021, the Group had obtained a total of RMB28,973.0 million in credits from financial institutions such as China Development Bank, Agricultural Development Bank of China, Bank of China, Industrial and Commercial Bank of China, Tai'an Bank, Bohai Bank and Qilu Bank, of which RMB8,568.0 million had not been utilised. The abundant refinancing capabilities provides support to the Group to enable it to successfully carry out investment and operation activities and have a normal development of business.

The Group has been able to obtain stable long-term financing in various channels. With its diverse sources of funding, the Group believes that it will continue to have access to sufficient capital to support its business operations and expansion.

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 its directors 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 Guarantor is directly and wholly-owned by the Tai'an Finance Bureau, a government organ of the Tai'an Municipal Government, Tai'an 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 directors, the supervisors and the senior management of the Guarantor.

The directors and senior management personnel of the Guarantor 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's senior management conduct in-depth discussions on the key investment projects before making investment decisions. The Group has adopted a commercially driven approach to manage its business operations. The Group has also 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 is an investment and financing platform with sustainable development capabilities and serves the municipal construction and economic and social development of Tai'an City. It is a core body to implement the investment and financing strategy of Tai'an Municipal Government. The Group is also benefitting from Tai'an Municipal Government's policy which supports the development of the Group as a priority. The policy formulated by the government gives priority to supporting the development of the Group. 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 businesses and established itself as a leader or major player in the industries it operates in. The Group adheres to the integration of resources to strengthen its platform, manage funds to increase capital, takes multiple measures to diversify its financing sources, and seeks balance to promote its business development. The Group focuses on the traditional investment and financing business and development of the real economy to improve its comprehensive strength and ensure the realisation of economic benefits and social benefits. 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 infrastructure construction, gas, heating and water supply, and real estate sales, the Group introduced new businesses in medical education, catering and accommodation, product manufacture and processing 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 the diversification across various business segments enables the Group to reduce the risks associated with the reliance on any one particular market, further strengthen its competitiveness and increase its revenue and cash flows to achieve sustainable growth.

The Group has stipulated its development layout in the next five years to diversify its business portfolio:

In 2021, firstly, the Group plans to continue to focus on investment in the construction of bonded logistics parks, rural revitalisation and agricultural industry parks, and establish industrial industry model parks and agricultural industry model parks. Secondly, the Group plans to continue to promote the shantytown redevelopment projects. Thirdly, the Group plans to continue to invest in companies through funds or equity investment to promote the real economic development and strengthen the financial resources in Tai'an City.

From 2022 to 2023, the Group plans to concentrate on building model projects of the education sector and complete the construction of Tai'an University Town (including Tai'an Technicians College) and Xiaohushan Campus of Affiliated Primary and Middle Schools of Tai'an Normal University. Additionally, the Group plans to launch the Yellow River Basin Management Project. Furthermore, the Group plans to carry on the construction of such projects as industrial and agricultural industry model parks and rural revitalisation, and invest in companies with funds or equity investment with an aim to boost real economy development and diversify the financial resources in Tai'an City.

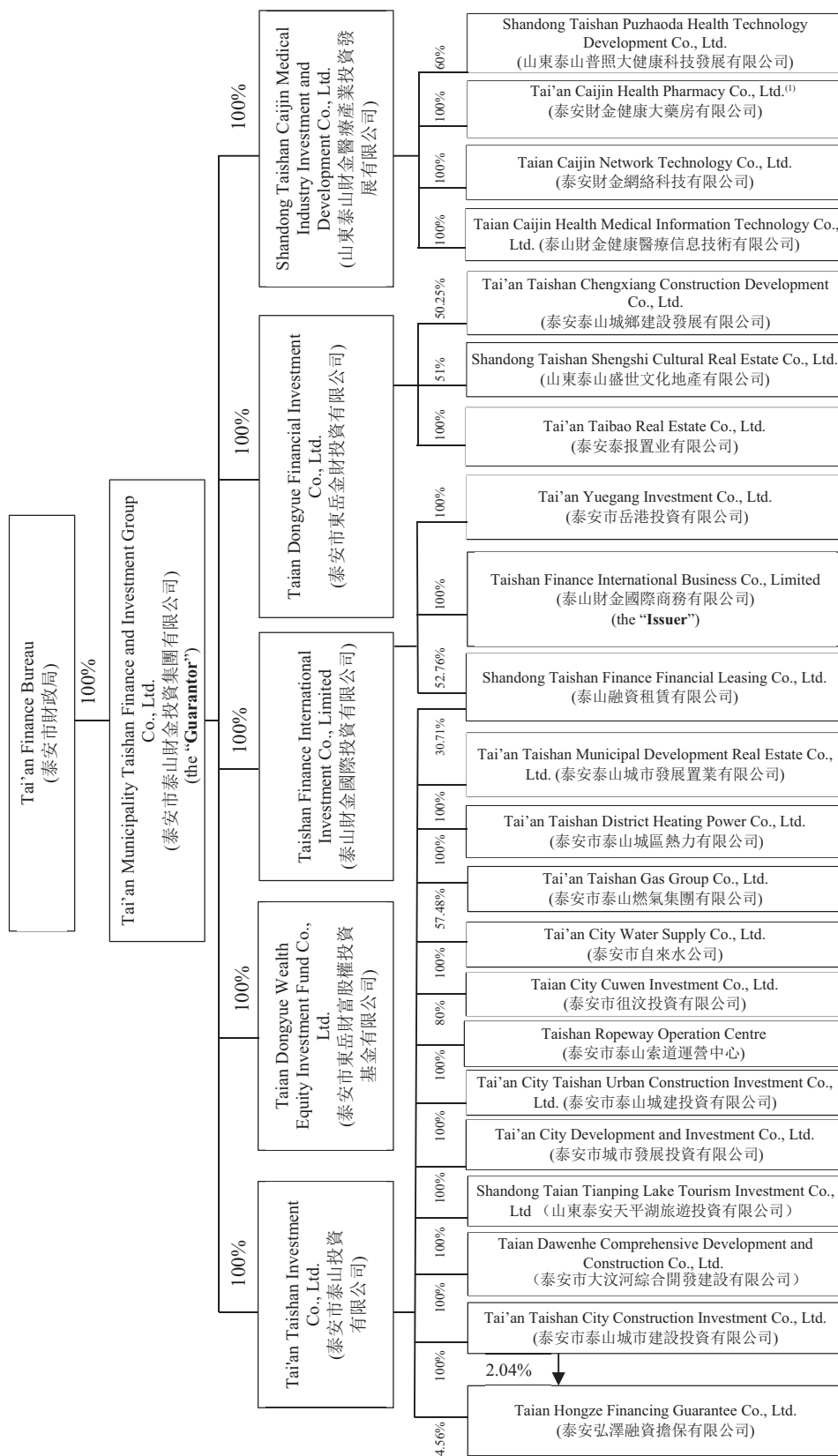
From 2024 to 2025, the Group plans to focus on the construction of the Eastern New Town of Tai'an City. Simultaneously, the Group plans to adhere to the construction of industrial and agricultural industry model parks, model projects of the education sector and shantytown redevelopment projects, as well as the fund management and equity investment, to boost the Group's transformation development.

Enhance management and internal control systems 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 intends to improve its corporate governance structure by further adjusting its organisational structure and re-allocating functions among departments. 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 31 December 2020:



Note:

(1) As at the date of this Offering Circular, Tai'an Caijin Health Pharmacy Co., Ltd. is in liquidation due to the government-led reorganisation.

HISTORY AND DEVELOPMENT

In August 2017, the Guarantor was established by the Tai'an Finance Bureau with a registered capital of RMB10,000.0 million. As at the date of this Offering Circular, the Guarantor had a registered capital of RMB10,000.0 million. The following table sets forth the milestone events in the course of development of the Guarantor and the Group:

Year	Milestone Events
2006	In March 2006, Tai'an Taishan Investment Co., Ltd. (泰安市泰山投資有限公司), a major subsidiary of the Guarantor, was established with State-owned Assets Supervision and Administration Commission of Tai'an City as the shareholder.
2012	In June 2012, Taian Dongyue Financial Investment Co., Ltd. (泰安市東岳金財投資有限公司), a major subsidiary of the Guarantor, was established with Tai'an Taishan Investment Co., Ltd. as the shareholder. In June 2012, Tai'an Taishan Investment Co., Ltd. (泰安市泰山投資有限公司) obtained AA+ credit rating from CSCI Pengyuan Credit Rating Co., Ltd..
2014	In July 2014, the shareholder of Tai'an Taishan Investment Co., Ltd. (泰安市泰山投資有限公司) was changed from State-owned Assets Supervision and Administration Commission of Tai'an City to Tai'an Finance Bureau. The shareholder of Taian Dongyue Financial Investment Co., Ltd. (泰安市東岳金財投資有限公司) was changed from Tai'an Taishan Investment Co., Ltd. to Tai'an Finance Bureau. In 2014, Tai'an Taishan Investment Co., Ltd. (泰安市泰山投資有限公司) obtained AA+ credit rating from Shanghai Brilliance Credit Rating & Investors Service Co., Ltd..
2017	In March 2017, Taian Dongyue Wealth Equity Investment Fund Co., Ltd. (泰安市東岳財富股權投資基金有限公司), a major subsidiary of the Guarantor, was established, with Tai'an Finance Bureau as the shareholder. In August 2017, Shandong Taishan Caijin Medical Industry Investment and Development Co., Ltd. (山東泰山財金醫療產業投資發展有限公司), a major subsidiary of the Guarantor, was established with Tai'an Finance Bureau as the shareholder. On 18 August 2017, the Guarantor, formerly known as Tai'an Taishan Financial Investment Co., Ltd., approved by the Document "Approval of the Tai'an Municipal Government on the Establishment of Tai'an Taishan Financial Investment Co., Ltd." from Tai'an Municipal Government (TaiZhengZi [2017] No. 35), was established as a wholly state-owned enterprise.

Year	Milestone Events
2018	In March 2018, the shareholder of Tai'an Taishan Investment Co., Ltd. (泰安市泰山投資有限公司), Taian Dongyue Financial Investment Co., Ltd. (泰安市東岳金財投資有限公司) and Taian Dongyue Wealth Equity Investment Fund Co., Ltd. (泰安市東岳財富股權投資基金有限公司) was changed from Tai'an Finance Bureau to the Guarantor. On 16 June 2018, the Guarantor was renamed as Tai'an Taishan Finance Investment Group Co., Ltd., with a registered capital of RMB10,000.0 million. Tai'an Finance Bureau performed the duties and management of the shareholders on behalf of the Tai'an Municipal Government.
2019	In April 2019, the shareholder of Shandong Taishan Caijin Medical Industry Investment and Development Co., Ltd. (山東泰山財金醫療產業投資發展有限公司) was changed from Tai'an Finance Bureau to the Guarantor.
2020	In February 2020, Tai'an Taishan Chengxiang Construction Development Co., Ltd. (泰安泰山城鄉建設發展有限公司) obtained AA+ credit rating from United Credit Ratings Co., Ltd.. In September 2020, Tai'an City Development and Investment Co., Ltd. (泰安市城市發展投資有限公司) obtained AA+ credit rating from United Credit Rating Co., Ltd.. In September 2020, Taishan Finance International Investment Co., Limited (泰山財金國際投資有限公司), a wholly-owned subsidiary of the Guarantor, was established in Hong Kong.
2021	On 1 March 2021, Taishan City Investment Co., Limited issued U.S.\$100,000,000 4.50 per cent. Guaranteed Bonds due 2022, unconditionally and irrevocably guaranteed by Tai'an City Development and Investment Co., Ltd. (泰安市城市發展投資有限公司), which is wholly-owned by the Guarantor.

RELATIONSHIP WITH THE TAI'AN MUNICIPAL GOVERNMENT

The Guarantor is directly and wholly-owned by the Tai'an Finance Bureau, a government organ of the Tai'an Municipal Government. As the main body for municipal infrastructure construction, real estate sales and public utilities 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 Guarantor's extensive connections with the Tai'an Municipal Government and other entities controlled by it, the various social and community functions performed by the Guarantor and the financial support provided by the Tai'an Municipal Government to the Guarantor, the Guarantor 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 directors of the Guarantor (except for the Employee Director) are approved by the Tai'an Municipal Government, they are not government officials. The Guarantor 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 Guarantor is only responsible for the liability of the Guarantor up to the limit of its equity contribution to the Guarantor. Neither the Tai'an Municipal Government nor any other PRC governmental entity has any payment or other obligations under the Bonds or the Trust Deed and they will not provide guarantee of any kind for the Bonds. 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 Bonds or the Trust Deed. The Bonds are solely to be repaid by the Issuer or the Guarantor and the obligations of the Issuer and the Guarantor under the Bonds or the Trust Deed shall solely be fulfilled by the Issuer or the Guarantor, each 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 Guarantor 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 Bonds, the repayment of which remains the sole responsibility of the Guarantor. 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 (including the Tai'an Finance Bureau and the Government of Tai'an Municipality of Shandong Province) has no obligation to pay any amount under the Bonds or the Guarantee."* in the section entitled *"Risk Factors – Risks relating to Doing Business in the PRC"*.

DESCRIPTION OF THE GROUP'S BUSINESS

Overview

Founded in August 2017, the Guarantor is a comprehensive investment and operating company that serves the improvement of urban functions and real economy development in Tai'an City, Shandong Province. The Guarantor is directly and wholly-owned by the Tai'an Finance Bureau, a government organ of the Tai'an Municipal Government. Since its establishment, the Group has been taking a pivot role in the investment, construction and operation of the urban infrastructure in Tai'an City. The Group has diverse business and investments in multiple industries including infrastructure construction, public utilities, real estate sales, cableway business, financial leasing business and land consolidation. 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 engages in infrastructure construction, public utilities services and real estate sales 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 income from each business segment of the Group for the years indicated:

Business Segment	For the year ended 31 December					
	2018		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
Infrastructure Construction	1,121.0	21.0	2,600.0	31.4	3,424.0	35.0
Public Utilities (gas, heating and water supply)	2,160.0	40.4	2,021.0	24.5	2,235.0	22.8
Real Estate Sales	1,117.0	20.9	2,052.0	24.8	2,584.0	26.4
Cableway.	378.0	7.1	391.0	4.7	253.0	2.6
Financial Leasing.	128.0	2.4	193.0	2.3	250.0	2.6
Land Consolidation.	139.0	2.6	97.0	1.2	201.0	2.0
Other Businesses	302.0	5.6	918.0	11.1	841.0	8.6
Total Operating Income	5,345.0	100.0	8,272.0	100.0	9,788.0	100.0

For the years ended 31 December 2018, 2019 and 2020, total operating income from the Group's business operations was RMB5,345.0 million, RMB8,272.0 million and RMB9,788.0 million, respectively; total operating costs from the Group's business operations was RMB5,162.5 million, RMB8,242.3 million and RMB9,696.9 million, respectively. As at 31 December 2018, 2019 and 2020, total assets of the Group was RMB109,722.9 million, RMB127,329.9 million and RMB143,918.4 million, respectively.

Infrastructure Construction

Overview

As the main body of investment, construction and operations of urban infrastructure construction in Tai'an City, the Group focuses on the development of main urban areas in Tai'an City and the construction of the large-scale municipal projects. Tai'an City Development and Investment Co., Ltd. (泰安市城市發展投資有限公司), Tai'an Taishan Chengxiang Construction Development Co., Ltd. (泰安泰山城鄉建設發展有限公司), Taian Dawenhe Comprehensive Development and Construction Co., Ltd. (泰安市大汶河綜合開發建設有限公司) and Shandong Taian Tianping Lake Tourism Investment Co., Ltd. (山東泰安天平湖旅遊投資有限公司) have undertaken most of the urban infrastructure construction and shantytown redevelopment in the new urban area of Tai'an City. The Group's infrastructure construction funds are generated from its own financing and government grants. The scope of the Group's infrastructure construction covers various fields such as river improvement, roads, transportation, and environment. For the years ended 31 December 2018, 2019 and 2020, operating income generated from the Group's infrastructure construction business was approximately RMB1,121.0 million, RMB2,600.0 million and RMB3,424.0 million, respectively, representing 21.0 per cent., 31.4 per cent. and 35.0 per cent. of the Group's total operating income for the same years.

Tai'an City Development and Investment Co., Ltd. has been steadily promoting the development of infrastructure construction projects in Tai'an City. In 2020, the construction project of the Tai'an High-speed Railway New District was completed. The total estimated investment of this project was RMB3,000.0 million, and the actual investment amount was RMB2,828.0 million. For the year ended 31 December 2020, the operating income generated from the infrastructure construction business of Tai'an City Development and Investment Co., Ltd. was approximately RMB1,982.0 million, which was mainly derived from the agent construction of high-speed railway infrastructure projects.

Tai'an Taishan Chengxiang Construction Development Co., Ltd. focuses on the construction of urban infrastructure and affordable housing projects within the Tai'an High-speed Railway New District and Tai'an Tourism Economic Development Zone. For the years ended 31 December 2018, 2019 and 2020, the operating income generated from the infrastructure construction business of Tai'an Taishan Chengxiang Construction Development Co., Ltd. was RMB1,001.0 million, RMB1,586.0 million and RMB1,388.0 million, respectively. The projects that have been constructed by Taian Taishan

Chengxiang Construction Development Co., Ltd. include Zone D, Zone E and Zone F shantytown redevelopment projects in the southern area of the Tai'an Beijing-Shanghai High-speed Railway (泰安京滬高鐵南片區D、E、F棚戶區住房改造), Pan River Comprehensive Improvement (泮河綜合治理), road construction in New Area of the Tai'an Station of Beijing-Shanghai High-speed Railway (京滬高鐵泰安站新區道路建設) and other shantytown redevelopments in Gushan Jiayuan and Jin Dou Shan Jiayuan (鼓山家園及金陡山佳苑棚戶區改造), Peace Community (和平社區棚戶區改造) and Yingbin Community Phase I and II (迎賓社區(一期、二期)棚戶區改造).

Business Model

The Group is mainly responsible for constructing municipal infrastructure projects in areas such as Tai'an Cuwen New District, Tai'an High-speed Railway New District, Tai'an Tourism Economic Development Zone and the old districts of Tai'an City. At present, the Group's municipal infrastructure project is mainly obtained through market-based bidding. After the relevant project is completed and confirmed, the income of such project will be recorded according to its settlement amount. For the other large-scale projects, such as the infrastructure construction projects in Tai'an High-speed Railway New District and Tai'an Tourism Economic Development Zone, the Group usually conducts such projects through the agent construction model and the income of such projects are recognised in different stage of the projects. The Group's profit margin of each municipal infrastructure project is usually from 10 per cent. to 20 per cent..

In recent years, the Group has also undertaken affordable housing projects in Tai'an Cuwen New District, Tai'an High-speed Railway New District, Tai'an Tourism Economic Development Zone and the old districts of Tai'an City. The Group's affordable housing projects are mainly obtained under the agent construction model. Pursuant to the relevant agent construction agreement, payments under such projects by the government are made on annual basis.

Project Description

Completed Projects

As at 31 December 2020, the Group had completed more than nine municipal infrastructure construction projects with a total investment of approximately RMB13,900 million. The particulars of major completed infrastructure construction projects are set forth below:

Projects	Year of Commencement	Year of Completion	Total Investment ⁽¹⁾ (RMB in millions)
Western and Middle Part of Huanshan Road (環山路西、中段) . . .	2009	2016	632
Xianghe Community (祥和小區)	2010	2019	46
North Daiyue Landscape (岱岳北景觀)	2018	2019	8
New Area of the Tai'an Station of Beijing-Shanghai High-speed Railway, including the relocation of A, B, and C areas (京滬高鐵泰安站新區工程, 包括回遷A、B、C區)	2014	2017	2,878
Middle section of Lingshan Main Street (靈山大街中段)	2011	2015	350
Wanguan Main Street (萬官大街)	2015	2019	321
Pan River Phase III (泮河三期)	2011	2015	247
Pan River Comprehensive Treatment Project (泮河綜合治理項目) . .	2015	2019	2,977
Zone D, Zone E and Zone F shantytown redevelopment Project in the southern area of the Tai'an Beijing-Shanghai High-speed Railway (泰安京滬高鐵南片區D、E、F棚戶區住房改造)	2015	2019	5,999
Total			13,458

Note:

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

Projects in Progress

As at 31 December 2020, the Group had 15 municipal infrastructure construction projects under construction with an estimated investment of approximately RMB38.9 billion. The particulars of the projects are set forth below:

Projects	Year of Commencement	Expected Year of Completion	Total Estimated Investment ⁽¹⁾ (RMB in millions)
Dongyue Street reconstruction and other infrastructure construction projects (東岳大街改造工程項目等基礎設施建設項目)	2012	2021	6,987
Dawen River impoundment project (大汶河攔蓄工程)	2009	2021	1,909
Huan Taishan infrastructure project (環泰山基礎設施項目)	2012	2021	1,189
Lingshan Main Street treatment project (靈山大街治理工程項目)	2012	2021	715
Urban water network environment comprehensive improvement project (城區水網環境綜合整治工程項目)	2012	2021	1,436
Culture and Art Centre Construction Project (文化藝術中心建設項目)	2012	2021	547
Tianping Lake Comprehensive Treatment Project (天平湖綜合治理工程)	2008	2021	849
Urban road reconstruction project (城區道路建設改造工程項目)	2006	2021	2,822
Cuwen scenic area pilot area construction project (徂汶景區核心先導區建設工程項目)	2015	2021	6,370
Tai'an Sports School (泰安市體育運動學校)	2019	2022	449
Utilisation and transformation of water resources in Tianping lake and Binhu road scenic spot (天平湖水資源利用及改造、濱湖路景區)	2019	2023	4,370
Road construction project of Beijing-Shanghai high speed railway Tai'an Station New District (京滬高鐵泰安站新區道路建設工程)	2015	2023	3,188
Ecological protection and restoration project of Taishan Area (泰山區域山水林田湖草生態保護修復建設項目)	2018	2021	1,042
Construction project of road network in Tai'an Tourism Economic Development Zone, Areas I, II and III (泰安旅遊經濟開發區路網一、二、三區建設工程項目)	2018	2025	5,370
Chongzhi school (崇智學校)	2020	2022	1,648
Total			38,891

Note:

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

Public Utilities

The Group is a major supplier of gas, heating and water in Tai'an City, and conducts the gas, heating and water supply business through its subsidiaries, Tai'an Taishan Gas Group Co., Ltd. (泰安市泰山燃氣集團有限公司), Tai'an Taishan District Heating Power Co., Ltd. (泰安市泰山城區熱力有限公司) and Tai'an City Water Supply Co., Ltd. (泰安市自來水有限公司), respectively. For the years ended 31 December 2018, 2019 and 2020, operating income generated from the Group's public utilities services was approximately RMB2,160.0 million, RMB2,021.0 million and RMB2,235.0 million, respectively, representing 40.4 per cent., 24.5 per cent. and 22.8 per cent. of the Group's total operating income for the same years.

Gas Supply

Overview

The Group is a major gas supplier in Tai'an City and conducts the gas supply business through its subsidiary, Tai'an Taishan Gas Group Co., Ltd. (泰安市泰山燃氣集團有限公司). 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 31

December 2020, the Group had gas storage capacity of approximately 150,000 to 200,000 cubic metres, covering approximately 750,000 residential households and other end users. For the years ended 31 December 2018, 2019 and 2020, the gas sales volume of the Group was approximately 301 million cubic metres, 415 million cubic metres and 365 million cubic metres, respectively. The decline in the income of the Group's gas supply business was mainly due to the temporary downward adjustment of gas sales prices to support the resumption of work and production under the influence of the COVID-19. The following table sets forth details of the Group's gas supply business as at and for the years indicated:

	As at/for the year ended 31 December		
	2018	2019	2020
Amount of natural gas sold (million cubic metres)	301	415	365
Amount of nature gas purchased (million cubic metres)	385	402	347
Sale price of natural gas (RMB per cubic metre)	3.19	3.19	2.88
Purchase cost of natural gas (RMB per cubic metre)	1.98	2.12	1.97

Business Model

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).

Heating

Overview

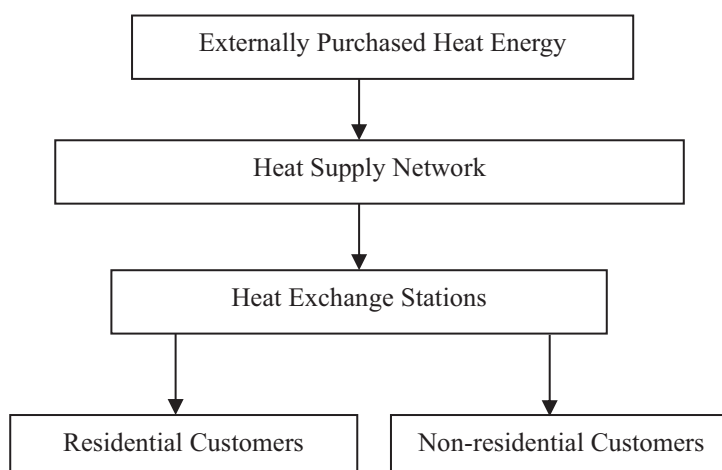
The Group is a major heat supplier in Tai'an City and conducts the heating business through its subsidiary, Tai'an City Taishan District Heating Power Co., Ltd. (泰安市泰山城區熱力有限公司). The Group's heating business primarily involves distribution of centralised heating to residential households and commercial and industrial users. As at 31 December 2020, the Group operated three regional heat supply stations, three boiler plants for peak shaving purposes (調峰鍋爐房) and approximately 400 heat exchange stations, covering more than 100,000 end users in Tai'an City.

The following table sets forth details of the Group's heating business for the years indicated:

	For the year ended 31 December		
	2018	2019	2020
Regional heat supply stations	3	3	3
Heat exchange stations	380	406	408
Length of heat supply connection pipelines (kilometres)	957	1,025	1,025
Number of users (thousand)	90.0	105.0	108.5
Heat supply area (thousand square metres)	13,458.2	14,481.2	14,617.6

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:



Water Supply

Overview

The Group is a major water supplier in Tai'an City and conducts the water supply business through its subsidiary, Tai'an City Water Supply Co., Ltd. (泰安市自來水有限公司). The Group's water supply business primarily involves distribution of tap water to residential households and commercial and industrial users. As at 31 December 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 years indicated:

	As at 31 December		
	2018	2019	2020
Number of water plants	3	3	3
Daily water supply capacity (thousand tonnes).	210.0	210.0	210.0
Daily water supply volume (thousand tonnes)	148.4	148.3	140.6
Annual water supply volume (million tonnes)	54.2	54.2	51.3
Annual sales volume (million tonnes).	42.8	48.7	45.7
Length of pipelines (kilometres)	1,156	1,258	1,328

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.

Real Estate Sales

Overview

The Group conducts its real estate sales business primarily through five wholly-owned subsidiaries, Tai'an Taishan City Construction Investment Co., Ltd. (泰安市泰山城市建設投資有限公司), Tai'an Taishan Municipal Development Real Estate Co., Ltd. (泰安泰山城市發展置業有限公司), Tai'an City Taishan Urban Construction Investment Co., Ltd. (泰安市泰山城建投資有限公司), Shandong Taishan Shengshi Cultural Real Estate Co., Ltd. (山東泰山盛世文化地產有限公司) and Tai'an Taibao Real Estate Co., Ltd. (泰安泰報置業有限公司), from which Tai'an Taishan Municipal Construction Investment Co., Ltd. and Tai'an Taishan Municipal Development Real Estate Co., Ltd. have been accredited with the Property Development Enterprise Qualification Certificate (Class 3)(三級房地產開發企業資質), Tai'an City Taishan Urban Construction Investment Co., Ltd. has been accredited with the Property Development Enterprise Qualification Certificate (Class 4)(四級房地產開發企業資質), and Shandong Taishan Shengshi Cultural Real Estate Co., Ltd. has been accredited with the Property

Development Enterprise Qualification Certificate (Tentative)(房地產開發暫定資質). The Group's real estate sales business mainly involves the development and sale of real estate properties in Tai'an City. For the years ended 31 December 2018, 2019 and 2020, operating income generated from the Group's real estate sales business was RMB1,117.0 million, RMB2,052.0 million and RMB2,584.0 million, respectively, representing 20.9 per cent., 24.8 per cent. and 26.4 per cent. of the Group's total operating income for the same years.

Since 2020, the real estate properties developed under Kaiyuan Shengshi (Heyuan) Phase I and II (開元盛世和園一期、二期), Kaiyuan Shengshi (Shuoyuan) Phases I and II (開元盛世碩園一期、二期) and Taishan Newspapering Cultural Centre (泰山報業文化中心二期) projects have been sold out. The total investment of the preceding projects was approximately RMB5,276 million, and the cumulative return of capital was approximately RMB6,180 million. As at 31 December 2020, the Group's real estate projects for sale mainly include Jiahe New Town Phase II (嘉和新城二期), Kaiyuan Shengshi (Heyuan) Phase III (開元盛世和園三期), Kaiyuan Shengshi (Xinyuan) Phases I-III (開元盛世信園一至三期), Impression Taishan Phase II (印象泰山二期), Taishan Newspaper Culture Centre Phase II (泰山報業文化中心二期) and other commercial housing projects. In 2020, The Group's operating income for the real estate properties business was mainly derived from Kaiyuan Shengshi (Heyuan)(開元盛世和園), Kaiyuan Shengshi (Shuoyuan)(開元盛世碩園), Impression Taishan Phase II (印象泰山二期) and New Town Phase II (嘉和新城二期) projects.

The Group's major real estate projects under development include Jiahe New City, Phase II (嘉和新城二期), Impression Taishan, Phase II (印象泰山二期), Kaiyuan Shengshi (Heyuan), Phase III (開元盛世和園三期), Kaiyuan Shengshi (Zhiyuan), Phase III (開元盛世智園二期), Kaiyuan Shengshi (Xinyuan), Phases I-III (開元盛世信園一至三期), Kaiyuan Shengshi (Yuyuan), Phases I-II (開元盛世裕園一至二期), Kaiyuan Shengshi (Wangyueyuan), Phases I-II (開元盛世望岳園一期) and Kaiyuan Shengshi (Fuyuan)(開元盛世•福園) projects, which have begun pre-sale or partial sales.

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. Tai'an 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.
- *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 settling 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.
- *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.

Project Description

Completed Projects

As at 31 December 2020, the Group had completed three real estate development projects with a total investment of approximately RMB5.3 billion. The particulars of the projects are set forth below:

Projects	Year of Commencement	Year of Completion	Total Investment ⁽¹⁾ (RMB in millions)
Kaiyuan Shengshi (Heyuan), Phase I and II (開元盛世和園一期、二期)	2016	2019	2,655
Kaiyuan Shengshi (Shuoyuan), Phases I and II (開元盛世碩園一期、二期)	2017	2019	2,261
Taishan Newspapering Cultural Centre (泰山報業文化中心二期)	2015	2020	360
Total			5,276

Note:

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

Projects under Development

As at 31 December 2020, the Group had 12 real estate development projects under construction with an estimated investment of approximately RMB14.2 billion. The particulars of the projects are set forth below:

Projects	Year of Commencement	Year of Completion	Total Investment ⁽¹⁾ (RMB in millions)
Jiahe New City, Phase II (嘉和新城二期)	2015	2021	637
Impression Taishan, Phase II (印象泰山二期)	2018	2021	790
Kaiyuan Shengshi (Heyuan), Phase III (開元盛世和園三期)	2018	2022	549
Kaiyuan Shengshi (Zhiyuan), Phase III (開元盛世智園二期)	2018	2022	330
Kaiyuan Shengshi (Xinyuan), Phase I (開元盛世信園一期)	2019	2022	1,450
Kaiyuan Shengshi (Xinyuan), Phase II (開元盛世信園二期)	2019	2022	1,544
Kaiyuan Shengshi (Xinyuan), Phase III (開元盛世信園三期)	2019	2022	781
Kaiyuan Shengshi (Yuyuan), Phase I (開元盛世裕園一期)	2018	2021	1,896
Kaiyuan Shengshi (Yuyuan), Phase II (開元盛世裕園二期)	2017	2021	1,959
Kaiyuan Shengshi (Wangyueyuan), Phase I (開元盛世望岳園一期)	2019	2022	1,892
Kaiyuan Shengshi (Wangyueyuan), Phase II (開元盛世望岳園二期)	2020	2022	138
Kaiyuan Shengshi (Fuyuan) (開元盛世·福園)	2020	2022	2,555
Total			14,244

Note:

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

Cableway

Overview

The Group's cableway business is conducted through its wholly-owned subsidiary, Taishan Ropeway Operation Centre (泰安市泰山索道運營中心). It is primarily responsible for the operation, maintenance and management of the passenger cableways at Zhongtianmen (中天門), Taohuayuan (桃花源) and Houshiwu (後石塢) of Mount Tai. For the years ended 31 December 2018, 2019 and 2020, operating income generated from the Group's cableway business was approximately RMB378.0 million, RMB391.0 million and RMB253.0 million, respectively, representing 7.1 per cent., 4.7 per cent. and 2.6 per cent. of the Group's total operating income for the same years. Affected by the COVID-19, the passenger flow in Mount Tai has been reduced since 2020 and therefore the operating income of the Group's cableway business in 2020 declined accordingly.

Business Model

The operating income of the Group's cableway business derives from tickets income. The ticket price of the cableway was not adjusted in recent years. The ticket price per person for the passenger cableway at Zhongtianmen (中天門), Taohuayuan (桃花源) and Houshiwu (後石塢) of Mount Tai are set at RMB100.0, RMB100.0, and RMB20.0, respectively.

Financial Leasing

Overview

The Group's financial leasing business is mainly conducted through its subsidiary, Taishan Financial Leasing Co., Ltd. (泰山融資租賃有限公司), which was established in September 2013 and commenced business in 2014 with a registered capital of RMB635.0 million. The Group's financial leasing business primarily consists of sale-leaseback financial leasing. For the years ended 31 December 2018, 2019 and 2020, operating income generated from the Group's financial leasing business was approximately RMB128.0 million, RMB193.0 million and RMB250.0 million, respectively, representing 2.4 per cent., 2.3 per cent. and 2.6 per cent. of the Group's total operating income for the same years.

Business Model

The Group's financial leasing business mainly consists of sale-leaseback financial leasing. The lessee first sells the equipment to Taishan Financial Leasing Co., Ltd. at market price, and then leases the equipment back from Taishan Financial Leasing Co., Ltd. The operating income of the Group's financial leasing business is primarily generated from charging leasing commissions and service portfolio charges. With respect to risk control, Taishan Financial Leasing Co., Ltd. has access to and requires to register the relevant information in financial leasing transactions with the Credit Reference Center maintained by The People's Bank of China. In addition, the Group is required to complete the registration of leased properties on the website of the China Securities Network System as well as with SAIC ("State Administration for Industry and Commerce of the People's Republic of China").

Land Consolidation

The Group's land consolidation business is mainly carried out by its subsidiary, Tai'an City Taishan Urban Construction Investment Co., Ltd. (泰安市泰山城建投資有限公司), which is entrusted by the Tai'an Municipal Government to organise and develop the land requisitioned and acquired by the Tai'an Natural Resources and Planning Bureau and the other departments. For the years ended 31 December 2018, 2019 and 2020, operating income generated from the Group's land development business was approximately RMB139.0 million, RMB97.0 million and RMB201.0 million, respectively, representing 2.6 per cent., 1.2 per cent. and 2.0 per cent. of the Group's total operating income for the same years.

Other Businesses

In addition to its main business segments, the Group also generates operating income from other businesses, mainly including medical education, catering and accommodation, product manufacture and processing, which supplement the Group's operating income from its main businesses. For the years ended 31 December 2018, 2019 and 2020, operating income generated from the Group's other businesses was approximately RMB302.0 million, RMB918.0 million and RMB841.0 million, respectively, representing 5.6 per cent., 11.1 per cent. and 8.6 per cent. of the Group's total operating income for the same years.

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 31 December 2020, the Group had over 12,000 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.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE GUARANTOR

As at the date of this Offering Circular, the Guarantor has three directors, four supervisors and four members of senior management, the details of whom are set forth below:

Board of Directors

The Board of Directors of the Guarantor is primarily responsible for, among others, reporting to the shareholder; implementing the shareholder's resolutions, determining operation and investment plans, determining budget plans, final account plans, profit distribution plans and working capital; determining internal management structure of the Guarantor; determining the internal management systems and policies and other responsibilities stipulated in the Guarantor's articles of association, relevant laws and regulations.

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

Name	Position/Title
Mr. QIN Yuchang (秦玉昌)	Chairman, Secretary of the Party Committee
Ms. Fan Xiaoyan (范曉焱)	Director, Deputy Secretary of the Party Committee and General Manager
Mr. Jingliwei (井立偉)	Employee Director

Mr. QIN Yuchang (秦玉昌), born in 1963, serves as the chairman of the board of directors and secretary of the party committee of the Guarantor. He is an intermediate engineer. Mr. QIN had previously held positions as officer of the Tai'an Fertilizer Plant, staff member and deputy director of the Preparation Office of Tai'an Chemical General Plant, deputy section-level officer of the Management Committee of Tai'an Economic Development Zone, deputy director of the Development Research Center of Tai'an Economic Development Zone, deputy general manager, member of the party committee, director of general office and secretary of institutional branch of Tai'an Urban Construction State-owned Assets Management Co., Ltd., deputy director of the Second Customer Division of China Development Bank Jinan Branch, member of the party committee of the Tai'an Finance Bureau, deputy director and deputy secretary of Party Committee of the Investment and Financing Management Center of Tai'an Municipal Government, and deputy secretary of the Party Committee of Tai'an Financial Asset Management Center (Tai'an Municipal Government and Social Capital Cooperation Management Office (市政府與社會資本合作管理辦公室)). He holds a college degree.

Ms. FAN Xiaoyan (范曉焱), born in 1964, serves as the director, deputy secretary of the party committee and general manager of the Guarantor. She is a senior accountant. Ms. FAN had previously held positions as a staff member of the Management Office as well as the Commerce and Trade Office of the Tai'an Finance Bureau, director and deputy director of the Foreign Economic and Trade Office of Enterprise Management Department of Tai'an Finance Bureau, director of the Debt Finance Office of the Enterprise Management Department of the Tai'an Finance Bureau, director of Education, Science and Art Office of the Tai'an Finance Bureau, deputy director and member of the Party Committee of Investment and Financing Management Center of the Tai'an Municipal Government. She holds a postgraduate degree.

Mr. JING Liwei (井立偉), born in 1984, serves as deputy director of the General Department of the Guarantor. He is a senior economist. Mr. JING had previously held positions as staff member, officer and secretary of the Youth League of General Office of Mine Rescue Brigade of Shandong Energy Fertilizer Group (山東能源肥礦集團礦山救護大隊綜合辦), as well as secretary, supervisor and deputy director of the Office, and director of the Research Office of Weifang Education Investment Group (濰坊市教育投資集團). He holds a bachelor's degree.

Board of Supervisors

The Supervisors of the Guarantor is primarily responsible for monitoring the Guarantor's financial matters; overseeing the actions of the directors and the senior management in performing their duties and proposing the removal of directors and members of the senior management who violate laws, administrative regulations or the articles of association of the Guarantor; demanding directors and members of the senior management to correct their improper conducts when their conducts harm the interests of the Guarantor; making proposals and giving advice to shareholders and other responsibilities stipulated in the Guarantor's articles of association, relevant laws and regulations.

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

Name	Position/Title
Mr. DENG Jisheng (鄧繼勝)	Chief Supervisor
Ms. NI Ping (倪萍)	Supervisor
Mr. SUN Qiang (孫強)	Employee Supervisor
Ms. Wu Qian (吳倩)	Employee Supervisor

Mr. DENG Jisheng (鄧繼勝), born in 1962, serves as the chief supervisor and a member of the party committee of the Guarantor. He is an intermediate accountant. Mr. DENG had previously held positions as an accountant of Tai'an Catering Service Company and the Budget section of the Administrative Finance Section of the Finance Bureau of Taishan District, Tai'an City, staff member and deputy director of Administrative Finance Section of the Tai'an Finance Bureau, director of the Social Security Section of Tai'an Finance Bureau, director of Administration and Administrative Law Section of the Tai'an Finance Bureau and director of Enterprise Management Division (Tai'an Housing Fund Management Office) of the Tai'an Finance Bureau and deputy director of the Payment Management Office of Tai'an City Treasury Centralised Payment Management Office. He holds a college degree.

Ms. NI Ping (倪萍), born in 1986, serves as supervisor and level 1 project manager of the Risk Management Department of the Guarantor. She is an intermediate economist. Ms. NI had previously held positions as an administrative clerk of Shandong Luda Laboratory Instrument Co., Ltd. (山東路達試驗儀器有限公司), trainee lawyer, and lawyer of Shandong Hualin Law Firm (山東華林律師事務所) and legal manager of Tai'an City Nuotai Electronic Technology Co., Ltd. (泰安市諾泰電子科技有限公司). She holds a bachelor's degree.

Mr. SUN Qiang (孫強), born in 1984, serves as an employee supervisor and the head of the party building work group of the Guarantor. Mr. SUN had previously held positions as a teacher in Beijing Haolaoshi School (北京好老師學校), clerk and deputy director of the Housing and Urban-Rural Development Bureau of Ningyang County and secondee of Shandong Provincial Housing and Urban-Rural Development Department. He holds a bachelor's degree.

Ms. Wu Qian (吳倩), born in 1990, serves as an employee supervisor and level 3 project manager of the Risk Management Department of the Guarantor. She is an intermediate accountant. Ms. WU had previously held positions as audit team leader of Zhonglian CPAs Co., Ltd., Shenzhen branch (中聯會計師事務所有限公司深圳分所) and Shenzhen Zhonglian Yuehua Tax Agent Co., Ltd (深圳市中聯岳華稅務師事務所有限公司) and project manager of Tianyuan Tongtai Certified Public Accountants Co., Ltd. Tai'an Branch (天元同泰會計師事務所有限公司泰安分所) and Tai'an CITIC Tiancheng Tax Agents Co., Ltd. (泰安中信天成稅務師事務所有限責任公司). She holds a bachelor's degree.

Senior Management

The senior management of the Guarantor is appointed by and reports to the board of directors of the Guarantor. The senior management is primarily responsible for presiding over the production, operation and management work of the Guarantor; implementing board resolutions, annual business plans and investment proposals; other responsibilities as directed by the board of directors, stipulated in the Guarantor's articles of association and relevant laws and regulations.

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

Name	Position/Title
Ms. Fan Xiaoyan (范晓焱)	Director, Deputy Secretary of Party Committee, General Manager
Mr. Zhang Zengbin (張曾彬)	Deputy General Manager, Head of Finance
Mr. Lin Nan (林楠)	Deputy General Manager
Mr. Jiang Hanqing (姜漢卿)	Deputy General Manager

For the business and working experience of Ms. Fan Xiaoyan (范晓焱), see “– Board of Directors” above for detailed information.

Mr. ZHANG Zengbin (張曾彬), born in 1967, serves as a deputy general manager, head of finance and a member of the party committee of the Guarantor. He is a senior accountant and a certified public accountant. Mr. ZHANG had previously held positions as a teacher of Tai'an City Finance Cadre School (泰安市財政幹部學校), deputy director of the Officials Training section and director of the Administration Section of Tai'an City Financial Cadre Education Center (泰安市財政幹部教育中心), director of the Investment Management Section and director of the General Section of the Investment and Financing Management Center of Tai'an Municipal Government. He holds a bachelor's degree.

Mr. LIN Nan (林楠), born in 1974, serves as a deputy general manager and a member of the party committee of the Guarantor. He is a senior auditor and a registered constructor. Mr. LIN had previously held positions as deputy director of the Dispatch Section, principal staff member and director of the Investment Department of Tai'an City Audit Bureau and deputy director of the Tai'an Investment Bureau. He holds a bachelor's degree and is an on-the-job postgraduate.

Mr. JIANG Hanqing (姜漢卿), born in 1972, serves as a deputy general manager and a member of the party committee of the Guarantor. Mr. JIANG had previously held positions as staff member of the Engineering and Transportation Section and Taxation Section, deputy principal staff member and principal staff member of Enterprise Management Division of the Tai'an Finance Bureau and director of the Enterprise section of Tai'an City Treasury Centralised Payment Management Office.

Corporate Governance

In order to continuously enhance corporate governance, the Guarantor has adopted comprehensive management systems consisting of five departments, namely, (1) general department, (2) human resources department, (3) asset and finance department, (4) capital operation department and (5) risk control department.

PRC REGULATIONS

This section summarises the principal PRC laws and regulations which are 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 which are relevant to the Group's business and operations.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution (中華人民共和國憲法) and is made up of written laws, regulations, directives and local laws, laws of Special Administrative Regions and laws resulting from international treaties entered into by the PRC Government. In general, court judgments do not constitute binding precedents. However, they are used for the purposes of judicial reference and guidance.

The National People's Congress of the PRC (the "NPC") and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the State. The NPC has the power to amend the PRC Constitution and enact and amend basic laws governing State agencies and civil, criminal and other matters. The Standing Committee of the NPC is empowered to enact and amend all laws except for the laws that are required to be enacted and amended by the NPC.

The State Council is the highest organ of the State administration and has the power to enact administrative rules and regulations. The ministries and commissions under the State Council are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. All administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must be consistent with the PRC Constitution and the national laws enacted by the NPC. In the event that a conflict arises, the Standing Committee of the NPC has the power to annul such administrative rules, regulations, directives and orders.

At the regional level, the provincial and municipal congresses and their respective standing committees may enact local rules and regulations and the people's governments may promulgate administrative rules and directives applicable to their own administrative areas. These local rules and regulations must be consistent with the PRC Constitution, the national laws and the administrative rules and regulations promulgated by the State Council.

The State Council, provincial and municipal governments may also enact or issue rules, regulations or directives in new areas of the law for experimental purposes or in order to enforce the law. After gaining sufficient experience with experimental measures, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level.

The PRC Constitution vests the power to interpret laws in the Standing Committee of the NPC. The Supreme People's Court, in addition to its power to give general interpretation on the application of laws in judicial proceedings, also has the power to interpret specific cases. The State Council and its ministries and commissions are also vested with the power to interpret rules and regulations that they have promulgated. At the regional level, the power to interpret regional rules and regulations is vested in the regional legislative and administrative bodies which promulgated such laws.

THE PRC JUDICIAL SYSTEM

Under the PRC Constitution and the Law of Organisation of the People's Courts (中華人民共和國憲法), the judicial system is made up of the Supreme People's Court, the local courts, military courts and other special courts.

The local courts are comprised of the primary people's courts, the intermediate people's courts and the higher people's courts. The primary people's courts are organised into civil, criminal, economic, administrative and other divisions. The intermediate courts are organised into divisions similar to those of the primary people's courts, and are further organised into other special divisions, such as the intellectual property division. The higher level courts supervise the primary and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the administration of justice by all other courts.

The courts employ a two-tier appellate system. A party may appeal against a judgment or order of a local court to the court at the next higher level. Second judgments or orders given at the next higher level and the first judgments or orders given by the Supreme People's Court are final. First judgments or orders of the Supreme People's Court are also final. If, however, the Supreme People's Court or a court at a higher level finds an error in a judgment which has been given by any court at a lower level, or the president of a court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried in accordance with the judicial supervision procedures.

The Civil Procedure Law of the PRC, which was adopted on 9 April 1991 and amended on 28 October 2007, 31 August 2012 and 27 June 2017, sets forth the criteria for instituting a civil action, the jurisdiction of the courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the place of the object of the contract. However, such selection cannot violate the stipulations of grade jurisdiction and exclusive jurisdiction in any case.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or order made by a court or an award granted by an arbitration panel in the PRC, the aggrieved party may apply to the court to request for enforcement of the judgment, order or award. The time limit imposed on the right to apply for such enforcement is two years calculated from the last day of the enforcement period stipulated in the judgment by the court. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, mandatorily enforce the judgment.

A party seeking to enforce a judgment or order of a court against a party who is not located within the PRC and does not own any property in the PRC may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or order. A foreign judgment or ruling may also be recognised and enforced by a court in accordance with the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination in accordance with the principle of reciprocity, unless the court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons of social and public interests.

FOREIGN EXCHANGE CONTROLS

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange controls and is not freely exchangeable into foreign exchange at this time. SAFE, under the authority of PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

Prior to 31 December 1993, a quota system was used for the management of foreign currency. Any enterprise requiring foreign currency was required to obtain a quota from the local SAFE office before it could exchange Renminbi into foreign currency through PBOC or other designated banks. Such conversion had to be effected at the official rate prescribed by SAFE on a daily basis. Renminbi could also be exchanged into foreign currency at swap centres. The exchange rates used by swap centres were largely determined by the demand for, and supply of, the foreign currency and the Renminbi requirements of enterprises in the PRC. Any enterprise that wished to buy or sell foreign currency at a swap centre had to obtain the prior approval of the SAFE.

On 28 December 1993, PBOC, under the authority of the State Council, promulgated the Notice of PBOC Concerning Further Reform of the Foreign Currency Control System. The notice announced the abolition of the foreign exchange quota system, the implementation of conditional exchangeability of Renminbi in current account items, the establishment of the system of settlement and payment of foreign exchange by banks, the unification of the official Renminbi exchange rate and the market rate for Renminbi established at swap centres. On 26 March 1994, PBOC promulgated the Provisional Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理暫行規定)(the “**Provisional Regulations**”, repealed on 1 July 1996), which set out detailed provisions regulating the trading of foreign exchange by enterprises, economic organisations and social organisations in the PRC.

On 1 January 1994, the former dual exchange rate system for Renminbi was abolished and replaced by a controlled floating exchange rate system, which was determined by demand and supply of Renminbi. Pursuant to such system, PBOC set and published the daily Renminbi-U.S. dollar exchange rate. Such exchange rate was determined with reference to the transaction price for Renminbi-U.S. dollar in the inter-bank foreign exchange market on the previous day. Also, PBOC, with reference to exchange rates in the international foreign exchange market, announced the exchange rates of Renminbi against other major foreign currencies. In foreign exchange transactions, designated foreign exchange banks may, within a specified range, freely determine the applicable exchange rate in accordance with the rate announced by PBOC.

On 29 January 1996, the State Council promulgated Regulations of the PRC on Foreign Exchange Administration (中華人民共和國外匯管理條例)(the “**Foreign Exchange Administration Regulations**”) which became effective from 1 April 1996. The Foreign Exchange Administration Regulations classifies all international payments and transfers into current account items and capital account items. Most current account items are subject to the approval by relevant banks that are duly authorised by SAFE to do so, while capital account items are still subject to SAFE approval directly. The Foreign Exchange Administration Regulations was subsequently amended on 14 January 1997 and 5 August 2008. Such amendment affirms that the State shall not restrict international current account payments and transfers.

On 20 June 1996, PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定)(the “**Settlement Regulations**”) which became effective on 1 July 1996. The Settlement Regulations superseded the Provisional Regulations and abolished the remaining restrictions on exchangeability of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items.

On 25 October 1998, PBOC and SAFE promulgated the Notice Concerning the Discontinuance of Foreign Exchange Swapping Business (關於停辦外匯調劑業務的通知) pursuant to which and with effect from 1 December 1998, all foreign exchange swapping business in the PRC for foreign-invested enterprises shall be discontinued, while the trading of foreign exchange by foreign-invested enterprises shall be regulated under the system for the settlement and sale of foreign exchange applicable to banks.

On 8 January 2003, Interim Provision on Foreign Debts Management (外債管理暫行辦法) was promulgated by the NDRC, SAFE, and the PRC Ministry of Finance, according to which, the summation of the accumulated medium-term and long-term loans borrowed by a foreign invested entity and the balance of short-term shall not exceed the surplus between the total investment and the registered capital of the foreign-invested entity. Within the range of the surplus, the foreign invested entity may borrow foreign loans at its own will. If the loans exceed the surplus, the total investment of the foreign invested entity shall be re-examined by its original examination and approval authorities.

On 21 July 2005, PBOC announced that, beginning from 21 July 2005, the PRC will implement a regulated and managed floating exchange rate system based on market supply and demand and by reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the U.S. dollar. PBOC will announce the closing price of a foreign currency such as the U.S. dollar traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each business day, setting the central parity for trading of the Renminbi on the following business day.

Save for foreign-invested enterprises or other enterprises which are specially exempted by relevant regulations, all entities in the PRC (except for foreign trading companies and production enterprises having import and export rights, which are entitled to retain part of foreign exchange income generated from their current account transactions and to make payments using such retained foreign exchanges in their current account transactions or approved capital account transactions) must sell their foreign exchange income to designated foreign exchange banks. Foreign exchange income from loans issued by organisations outside the territory or from the issuance of Securities and shares is not required to be sold to designated banks, but may be deposited in foreign exchange accounts with designated banks.

Enterprises in the PRC (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of SAFE, effect payment from their foreign exchange account or exchange and pay at the designated foreign exchange banks, upon presentation of valid receipts and proof. Foreign-invested enterprises which need foreign currencies for the distribution of profits to their shareholders, and Chinese enterprises which, in accordance with regulations, are required to pay dividends to shareholders in foreign currencies, may with the approval of board resolutions on the distribution of profits, effect payment from their foreign exchange account or exchange and pay at the designated foreign exchange banks.

Exchangeability of foreign exchange in respect of capital account items, like direct investment and capital contribution, is still subject to restriction, and prior approval from SAFE or its competent branch.

In January and April 2005, SAFE issued two regulations that require PRC residents to register with and receive approvals from SAFE in connection with their offshore return/round-trip investment activities. SAFE also announced that the purpose of these regulations is to achieve the proper balance of foreign exchange and the standardisation of all cross-border flows of funds.

On 21 October 2005, SAFE issued the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Round-trip Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) which became effective as at 1 November 2005. The notice replaced the two regulations issued by SAFE in January and April 2005 mentioned above. On 4 July 2014, SAFE issued the Notice of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Overseas Investment, Financing and Return on Investment Conducted by Residents in China via Special-Purpose Companies (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投

資外匯管理有關問題的通知)(“**Circular 37**”), which became effective at the same day. This notice replaced the notice issued by SAFE in October 2005 mentioned above. According to the notice, “**special purpose company**” refers to the overseas enterprises that are directly established or indirectly controlled for the purpose of investment and financing by Mainland residents (including Mainland institutions and resident individuals) with their legitimate holdings of the assets or interests in Mainland enterprises, or their legitimate holdings of overseas assets or interests. Under the notice, a mainland resident can make contribution to a special purpose company with legitimate holdings of domestic or overseas assets or interests, and a mainland enterprise directly or indirectly controlled by a Mainland resident may, on the basis of real and reasonable needs, disburse loans to its registered special purpose companies pursuant to prevailing provisions, and, a mainland resident may, on the basis of real and reasonable needs, purchase foreign exchanges to remit funds overseas for the establishment, share repurchase, delisting, etc. of a special purpose company. Prior to the establishment or assumption of control of such special purpose company, each PRC resident, whether a natural or legal person, must complete the overseas investment foreign exchange registration procedures with the relevant local SAFE branch.

On 5 August 2008, the State Council issued the Regulation of the PRC on Foreign Exchange Administration (中華人民共和國外匯管理條例)(the “**New Forex Regulation**”). The New Forex Regulation came into effect with the intention to further limit the inbound of foreign currency while relaxing the requirement of outbound investment, taking into consideration the capital reserve structure of the PRC then. Under the New Forex Regulation, foreign currency received under the current account by domestic entities will not be asked to be settled into Renminbi automatically, while foreign currency under capital account may also be maintained upon approval. Unless otherwise required by laws and regulations, applicants may go to commercial banks directly for capital investment overseas without SAFE approval.

On 30 March 2015, SAFE issued the Notice of the State Administration of Foreign Exchange on Reforming the Administrative Approach Regarding the Settlement of the Foreign Exchange Capitals of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知)(“**Circular 19**”), which became effective from 1 June 2015. Notice of the General Affairs Department of the State Administration of Foreign Exchange on the Relevant Operating Issues concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-funded Enterprises (國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知)(“**Circular 142**”) and Supplementary Notice of the General Affairs Department of the State Administration of Foreign Exchange on the Relevant Operating Issues concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-funded Enterprises (國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的補充通知)(“**Circular 88**”) have been replaced by Circular 19. Under Circular 19, Foreign-invested enterprises are allowed to settle their foreign exchange capitals on a discretionary basis, and a foreign-invested enterprise shall be facilitated to make domestic equity investment with the amount of foreign exchanges settled.

On 1 July 2009, PBOC, the PRC Ministry of Finance, the Ministry of Commerce of the PRC (“**MOFCOM**”), the General Administration of Customs, the State Administration of Taxation and the China Banking Regulatory Commission jointly promulgated the Measures for the Administration of Pilot Renminbi Settlement in Cross-border Trade (跨境貿易人民幣結算試點管理辦法), under which, eligible enterprises as designated by relevant authorities located in the cities or provinces which have been chosen by the State Council to execute the pilot Renminbi trade settlement scheme, are allowed to settle the cross-border trade transactions in Renminbi. PBOC, the PRC Ministry of Finance.

PBOC, the PRC Ministry of Finance, MOFCOM, the General Administration of Customs, the State Administration of Taxation and the China Banking Regulatory Commission jointly promulgated the Circular on Issues Concerning the Expansion of the Scope of the Pilot Programme of Renminbi Settlement of Cross-Border Trades (關於擴大跨境貿易人民幣結算試點有關問題的通知) on 17 June

2010 and the Circular on Expansion of the Region of Renminbi Settlement of Cross-Border Trades (關於擴大跨境貿易人民幣結算地區的通知) on 27 July 2011, which, together, extended the pilot scheme to the whole of the PRC and to make Renminbi trade and other current account item settlement available in all countries worldwide.

REGULATIONS REGARDING OVERSEAS INVESTMENT AND ACQUISITION ACTIVITIES

NDRC Supervision

On 4 August 2017, NDRC, MOFCOM, PBOC and the Ministry of Foreign Affairs jointly issued the “Guiding Opinions on Further Orienting and Regulating Outbound Investment”(關於進一步引導和規範境外投資方向的指導意見)(the “**Guiding Opinion**”), which classifies outbound investment into three groups: encouraged, restricted, and prohibited. The Guiding Opinion provides that the government will support enterprises to actively engage in outbound investment projects which promote the ‘One Belt, One Road’ strategy; deepen cooperation in international production capacity; promote the transfer of quality domestic production capacity, equipment, and applicable technologies overseas; enhance China’s technology R&D, production, and manufacturing capacity; help resolve the country’s energy shortage problems; and promote industrial upgrade.

Under the Guiding Opinion, the encouraged group includes:

- Projects that promote outbound investment in construction in the areas covered under the ‘One Belt One Road’ initiative, and basic infrastructure construction in the surrounding areas.
- Projects that steadily promote outbound investment that can facilitate the transfer of quality domestic production capacity, equipment, and applicable technology standards overseas.
- Projects that enhance investment cooperation with overseas high-tech and advanced manufacturing enterprises, and encourage domestic companies to set up R&D centres overseas.
- Projects that encourage domestic companies to actively participate in the exploration and development of oil, gas, and mineral projects overseas on the condition that a prudent assessment of economic benefits and interests has been conducted.
- Projects involving cooperation in agriculture.
- The government will promote outbound investment in trade and commerce, and culture and logistics, and support qualified financial institutions to establish branches and service networks overseas to carry out business lawfully.

The groups subject to restrictions include:

- Outbound projects in sensitive countries and regions that have no diplomatic relations with China; are currently at war with it; or have restrictions imposed in bilateral or multilateral agreements or conventions with China.
- Real estate, hotel, cinema, entertainment, and sports clubs.
- A stock investment fund or investment platform that does not invest in any real business overseas.
- Adopting technology standards that fall short of the required standards in the host country to manufacture production equipment.
- Failure to comply with the environmental protect, energy consumption or safety standards of the host country.

Investments falling into the first three areas listed above shall be subject to verification and approval by NDRC and other competent authorities in charge of outbound investment.

The prohibited category includes:

- Projects involving the export of core military technologies and products without the approval of the Chinese government.
- Projects involving the use of technologies, techniques, or products that are prohibited for exports.
- Projects involving gambling or pornography.
- Projects involving breach of international conventions which China is a signatory to.
- Other outbound investment projects that may endanger or potentially endanger national security.

Also, further measures will be taken to improve guidance on different types of outbound investments, including:

- Further raising government service levels to support outbound investment – such as in taxation, foreign exchange, insurance, customs, and information areas.
- Providing guidance and timely alerts to domestic enterprises on their intended investment in the restricted areas overseas.
- Imposing substantial control and regulation to prevent outbound investments in prohibited areas.

On 26 December 2017, NDRC issued the Administration of Overseas Investment of Enterprises (企業境外投資管理辦法) which came effective from 1 March 2018. According to the Administration of Overseas Investment of Enterprises, the scope of approval management is the sensitive projects carried out by investors either directly or through overseas enterprises controlled thereby, the scope of filing management is the non-sensitive projects directly carried out by the investors, that is, the non-sensitive projects involving the investors' direct investment in assets, rights and interests or the provision of financing and guarantee.

For the projects under the filing management, (i) if the investor is an enterprise under the central management (including the financial enterprise under the central management, the enterprise under the direct management of the State Council or its subordinate organ, the same below), the filing authority is the NDRC; (ii) if the investor is a local enterprise, and the amount of Chinese investment is more than U.S.\$300 million, the filing authority is the NDRC; (iii) if the investor is a local enterprise and the amount of Chinese investment is less than U.S.\$300 million, the filing authority is the Development and Reform Department of the provincial government where the investment subject is registered.

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 Overseas Investment of Enterprises.

MOFCOM Supervision

MOFCOM issued the new version of the Administration of Overseas Investment on 6 September 2014, effective from 6 October 2014 (境外投資管理辦法)(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 shall, with regard to an enterprise so verified or filed, issue thereto an Enterprise Overseas Investment Certificate. 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 soliciting 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**” mean those countries without a diplomatic relationship with the PRC, or subject to the UN sanctions or otherwise under the list of verified countries and regions published by MOFCOM from time to time. “**Sensitive industries**” mean 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 of 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 of accepting such local enterprise’s application and report all application documents to MOFCOM, while MOFCOM shall decide whether or not the verification is granted 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.

Other than those overseas investments subject to MOFCOM verification as described above, all other overseas investments are subject to a filing requirement. The investing enterprise shall fill and complete the filing form through the Overseas Investment Management System, an online system maintained by MOFCOM and 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 license, for filing at MOFCOM (for a central enterprise) 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 3 working days of receipt of such filing form. The investing enterprise must carry out the investment within 2 years of the date of the relevant Enterprise Overseas Investment Certificate, otherwise such Certificate will automatically expire and a new filing or verification application has to be made by the investing enterprise after such expiry. In addition, if any item recorded in such Certificate is changed, the investing enterprise shall handle an updating process 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 investment is completed offshore. The investing enterprise shall fill in and print out a copy of the Overseas Chinese-invested Enterprise Re-investment Report Form from the Overseas Investment Management System and stamp and submit such Report Form to MOFCOM or the provincial department of commerce.

The New Overseas Investment Rules specifically provide that an overseas invested company cannot use the words of “China” (“中國” or “中華”) in its name, unless otherwise approved.

Foreign Exchange Administration

According to Administrative on Foreign Exchange of PRC and Circular of the State Administration of Foreign Exchange on Promulgating the Administrative Provisions on Foreign Exchange of the Outbound Direct Investments of Domestic Institutions, corporations, enterprises or other economic organisations (domestic investors)(國家外匯管理局關於發佈《境內機構境外直接投資外匯管理規定》的通知) that have been permitted to make outbound investment shall go through the procedures of registration to the Foreign Exchange Bureau. The Foreign Exchange Bureau shall issue the Foreign Exchange Registration Certificate 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 Bureau 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.

The SAFE promulgated Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知)(the “**2015 SAFE Circular**”) on 13 February 2015. The 2015 SAFE Circular aims to deepen the reform of foreign exchange administration of capital accounts, promote and facilitate the capital operation of enterprises in making cross-border investments, regulate the direct investment-related foreign exchange administration business, improve the administration efficiency. The 2015 SAFE Circular set forth the following reformation: (i) cancel two administrative examination and approval items: verification and approval of foreign exchange registration under domestic direct investment, and verification and approval of foreign exchange registration under overseas direct investment; After the implementation hereof, a bank that has obtained the financial institution identification code assigned by the relevant Foreign Exchange Bureau and has activated the capital account information system with the Foreign Exchange Bureau at its domicile may handle Foreign Exchange Registration of Direct Investment for foreign-invested enterprises in the Mainland and the domestic investors of enterprises invested overseas directly through the capital account information system of the Foreign Exchange Bureau; (ii) cancel the confirmation and registration of foreign investors’ non-monetary contribution and the confirmation and registration of foreign investors’ contribution to purchasing the equity held by the Chinese party under domestic direct investment; (iii) the confirmation and registration of foreign investors’ monetary contribution is adjusted to book-entry registration of domestic direct investment monetary contribution.

The 2015 SAFE Circular, which is new regulation, has been promulgated to control the remittance of Renminbi for payment of transactions categorised as capital account items and such new regulation will be subject to interpretation and application by the relevant PRC authorities. Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

State-owned Assets Supervision

The Measures for the Supervision and Administration of Overseas Investment of Enterprises Supervised by SASAC of Shandong Province (山東省省管企業境外投資監督管理辦法) also apply to overseas investment projects. The enterprises founded by SASAC Shandong Province shall establish the overseas investment management system, which shall be submitted to SASAC of Shandong Province after being approved by the board of directors. The SASAC of Shandong Province shall establish the linkage mechanism of overseas investment supervision, give full play to strategic planning, financial supervision, property rights management, assessment and distribution, cadres management, discipline inspection, audit supervision, supervision of the board of supervisors and other relevant regulatory functions, realise the supervision of overseas investment activities of the enterprises founded by SASAC of Shandong Province, including pre-action management, on-going management and after-action management.

ENTERPRISE INCOME TAX LAW

Prior to 1 January 2008, under the then applicable PRC law and regulations (the “**Old EIT Law**”), entities established in the PRC were generally subject to a 33 per cent. enterprise income tax. However, entities that satisfied certain conditions enjoyed preferential tax treatment. In accordance with the tax laws and regulations effective until 31 December 2007, foreign invested manufacturing enterprises

scheduled to operate for a period not less than ten years were exempted from paying state income tax for two years starting from its first profit making year and were allowed a 50 per cent. reduction in its tax rate in the third, fourth and fifth years (“**two-year exemption and three-year reduction by half**”).

On 16 March 2007, the NPC enacted the EIT Law, which, together with its related implementation rules issued by the State Council on 6 December 2007, became effective on 1 January 2008. The EIT Law imposes a single uniform income tax rate of 25 per cent. on all Chinese enterprises, including foreign invested enterprises, and eliminates or modifies most of the tax exemptions, reductions and preferential treatments available under the previous tax laws and regulations. On 26 December 2007, the State Council issued a Notice on the Implementation of the Transitional Preferential Tax Policies (關於實施企業所得稅過渡優惠政策的通知)(“**Circular 39**”). Further, as at 1 January 2008, the enterprises that previously enjoyed “two-year exemption and three-year reduction by half” of the enterprise income tax and other preferential treatments in the form of tax deductions and exemptions within specified periods may, after the implementation of the EIT Law, continue to enjoy the relevant preferential treatments until the expiration of the time period. However, if such an enterprise has not enjoyed the preferential treatments yet because of its failure to make profits, its preferential time period shall be calculated from 2008.

Under the EIT Law, the preferential tax treatment for encouraged enterprises located in western China and certain industry-oriented tax incentives are still available. The Chinese and foreign-invested enterprises within the state-encouraged industry located in western China may be taxed at a preferential income tax rate of 15 per cent. for years from 1 January 2011 to 31 December 2023 after being approved by the competent tax authority.

VALUE ADDED TAX

According to the Tentative Regulations on the Value-added Tax of the PRC (中華人民共和國增值稅暫行條例) which was promulgated by the State Council on 13 December 1993 and came into effect on 1 January 1994, amended on 10 November 2008 and came into effect on 1 January 2009, amended on 6 February 2016 and came into effect on the same day, and amended on 19 November 2017 and came into effect on the same day and the Detailed Implementation Rules of the Tentative Regulations on the Value-added Tax of the PRC promulgated by the PRC Ministry of Finance (中華人民共和國增值稅暫行條例實施細則) which came into effect on 25 December 1993 and was amended on 15 December 2008 and 28 October 2011, organisations or individuals who sell commodities, provide processing, repairing or replacement services, or import commodities within the PRC’s territories are subject to value-added tax, and shall pay the value-added tax accordingly. The rate of the value-added tax shall be 17 per cent. or 13 per cent., depending on the commodities being sold. For taxpayers exporting commodities, the tax rate shall be zero per cent.

With the reform of Value-added Tax since 2012, the Ministry of Finance and the State Administration of Taxation promulgated a series of regulations and commenced pilot from the transport industry and part of the modern service industries which gradually expands to the scope of the pilot reform region and the applicable industry scope, and ultimately under the Notice of the Ministry of Finance and the State Administration of Taxation on Overall Implementation of the Pilot Program of Replacing Business Tax with Value-added Tax (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知, “**Circular 36**”) which was promulgated on 23 March 2016 and came into effect on 1 May 2016, the pilot program of replacing business tax with value-added tax shall be implemented nationwide effective since 1 May 2016 and all business tax payers in construction industry, real estate industry, finance industry and service industry, etc. shall be included in the scope of the pilot program and pay value-added tax instead of business tax. For provision of transportation, postal, basic telecommunication, construction services, leasing of immovables, sale of immovables and transfer of land use right, the tax rate shall be 11 per cent. For provision of leasing services of tangible movables, the tax rate shall be 17 per cent. The tax rate for cross-border taxable acts of entities or individuals in China shall be zero. And except for the above, the tax rate for taxable acts of taxpayers shall be 6 per cent.

On 4 April 2018, Ministry of Finance and State Administration of Taxation issued the Notice on the Adjustment to VAT Rates which came into effect on 1 May 2018. According to the notice, 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. On 20 March 2019, Ministry of Finance, State Administration of Taxation, General Administration of Customs issued the Announcement on Policies for Deepening the VAT Reform which came into effect on 1 April 2018. According to the announcement, for general VAT payers' sales activities or imports that are subject to VAT at an existing applicable rate of 16 per cent. or 10 per cent., the applicable VAT rate is adjusted to 13 per cent. or 9 per cent. respectively.

ENVIRONMENTAL PROTECTION LAWS

The State Environmental Protection Administration is responsible for the overall supervision and management of environmental protection in the PRC. All manufacturers in the PRC must comply with environmental laws and regulations including the Environmental Protection Law of the PRC (中華人民共和國環境保護法), Prevention and Control of Water Pollution Law of the PRC (中華人民共和國水污染防治法), Prevention and Control of Air Pollution Law of the PRC (中華人民共和國大氣污染防治法) and Prevention and Control of Environmental Pollution by Solid Waste Law of the PRC (中華人民共和國固體廢物污染環境防治法), and relevant environmental regulations such as provisions regarding the treatment and disposal of pollutants and sewage, discharge of polluted fumes and the prevention of industrial pollution. Depending on the circumstances and the seriousness of the violation of the environmental regulations, the local authorities are authorised to impose various types of penalties on the persons or entities in violation of the environmental regulations. The penalties which could be imposed include the issue of warnings, suspension of operation or installation and use of preventive facilities which are incomplete and fail to meet the prescribed standards, reinstallation of preventive facilities which have been dismantled or left idle, administrative sanction against office-in-charge, suspension of business operations or shut-down of the enterprise or institution. Fines could also be levied together with these penalties. The relevant local authorities may apply to the court for compulsory enforcement of environmental compliance. The persons or entities in violation of the applicable laws and regulations may also be liable to pay damages to the victims and/or result in criminal liability.

Other major environmental protection laws applicable to the Group include: Regulations of Environmental Management on Project (建設項目環境保護管理條例), Interim Measures for Acceptance of Environment Protection Completed Construction Project (建設項目竣工環境保護驗收暫行辦法) and Environmental Impact Evaluation Law of the PRC (中華人民共和國環境影響評價法).

CROSS-BORDER SECURITY LAWS

On 12 May 2014, SAFE promulgated the Notice concerning the Foreign Exchange Administration Rules on Cross-border Security (跨境擔保外匯管理規定) and the relating implementation guidelines (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 cross-border security only; (iii) removing eligibility requirements for providers of cross-border security; (iv) providing that 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). 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 bond issuance, the offshore issuer's equity shares must be fully or partially held directly or indirectly by an onshore security provider. Moreover, the proceeds from any such offshore bond issuance must be applied towards the offshore project(s), where an onshore entity holds equity interest, 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.

On 26 January 2017, SAFE issued the Circular on Further Promoting the Reform of Foreign Exchange Administration and Improving the Genuineness and Compliance Review and Verification Process (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 “**SAFE Circular 3**”), which eases certain restrictions on the use of proceeds raised under a NBWD structure and generally allows the proceeds raised under a NBWD structure to be repatriated onshore and used in the PRC by way of loans and equity investments. The second series of the Policy Q&As in relation to the SAFE Circular 3 (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》(匯發(2017)3號)政策問答(第二期)) (“**Policy Q&As in relation to the SAFE Circular 3**”) published by SAFE on its official website on 27 April 2017 further clarified that, for offshore bond issuance by offshore entities which is secured by PRC onshore guarantees, the restrictions on the use of proceeds for offshore bond issuance as mentioned in the New Regulations above still apply despite of the SAFE Circular 3. However, in practice, application or exemption of such restrictions on the use of proceeds to a large extent remains subject to SAFE's discretion on a case by case basis.

The SAFE Circular 3 and Policy Q&As in relation to the SAFE Circular 3 are relatively new and will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying the SAFE Circular 3 and Policy Q&As in relation to the SAFE Circular 3.

The Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed. The Guarantor's obligations in respect of the Bonds and the Trust Deed 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 Bonds 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 the 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 Bonds held by them at 100 per cent. of their principal amount together with accrued interest (see Condition 6(c) of the Terms and Conditions of the Bonds).

NDRC

On 14 September 2015, NDRC promulgated the NDRC Notice. According to the NDRC Notice, 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 NDRC and procure a registration certificate from NDRC in respect of such issuance.

In addition, the enterprise must also report certain details of the bonds to NDRC within 10 working days of the completion of the bond issue.

TAXATION

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

BRITISH VIRGIN ISLANDS

Under existing British Virgin Islands law, payments of interest and principal on the Bonds will not be subject to taxation in the British Virgin Islands and no withholding will be required on the payment of interest and principal to any holder of the Bonds nor will gains derived from the disposal of the Bonds be subject to British Virgin Islands income or corporation tax, provided that the payments are made to persons who are not resident in the British Virgin Islands.

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

There are currently no withholding taxes or exchange control regulations in the British Virgin Islands applicable to payments the Issuer may make under the transaction documents relating to the Bonds or under the Guarantee.

If neither the Issuer nor any subsidiary holds an interest in real estate in the British Virgin Islands, no stamp duty is payable in respect of the issue of the Bonds or on an instrument of transfer in respect of the Bonds.

HONG KONG

Withholding tax

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

Profits tax

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

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

- (a) Interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;
- (b) Interest on the Bonds is derived from Hong Kong and is received by or accrues to a person other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of the trade, profession or business;

- (c) Interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap.112) of Hong Kong (the “IRO”)) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- (d) Interest on the Bonds is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of the Bonds will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of the Bonds will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of the Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a 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 Bonds are acquired and disposed of.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisers to ascertain the applicability of any exemptions to their individual position.

Stamp duty

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

PRC

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

Income Tax

Pursuant to the EIT Law and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose “de facto management body” 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. Although the rules are not entirely clear, dividends from a PRC tax resident enterprise should be excluded from the taxable income of a recipient that is also a PRC tax resident enterprise. In addition, a circular issued by SAT on April 22, 2009 specifies that certain offshore enterprises controlled by a PRC company or a PRC company group will be classified as resident enterprises if the following are located or resident in the PRC: senior management personnel and departments that are responsible for daily production, operation and management; financial and personnel decision-making bodies; key properties, accounting books, the company seal, and minutes of board meetings and shareholders meetings; and half or more of the senior management or directors having voting rights. 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 enterprise income tax at the rate of 25 per cent. in respect of its income sourced from both within and outside PRC.

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, there can be no assurance 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 the IIT Law and their respective implementation regulations, any non-resident enterprise and individual must pay income tax on income sourced within the PRC, and such income tax must be withheld at source by the PRC payer. Accordingly, if the Issuer is treated as a PRC tax resident enterprise by the PRC tax authorities, the Issuer may be required to withhold income tax from the payments of interest in respect of the Bonds to any non-PRC Bondholder, if the income is treated as PRC-source. The tax rate is generally 10 per cent. for non-resident enterprise Bondholders and 20 per cent. in the case of non-resident individuals, subject to the provisions of an applicable tax treaty. In addition, as the Guarantor is currently regarded as a PRC tax resident enterprise, if the Issuer is not able to make payments under the Bonds and the Guarantor fulfils the payment obligations under the Guarantee, the Guarantor must withhold PRC income tax on payments with respect to the interest accrued on the Bonds to non-resident enterprise holders generally at the rate of 10 per cent. (and possibly at a rate of 20 per cent. in the case of payments to non-resident individual holders), subject to the provisions of any applicable tax treaty.

In addition, as the Guarantor is currently regarded as a PRC tax resident enterprise, if the Issuer is not able to make payments under the Bonds and the Guarantor fulfils the payment obligations under the Guarantee, the Guarantor must withhold PRC income tax on payments with respect to the interest accrued on the Bonds to non-resident enterprise holders generally at the rate of 10 per cent. (and possibly at a rate of 20 per cent. in the case of payments to non-resident individual holders), unless any applicable tax treaty provides otherwise.

However, the tax so charged on interests paid on the Bonds to non-resident Bondholders who or which are residents of Hong Kong (including enterprise holders and individual holders) as defined under the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) which was promulgated on 21 August 2006 (the “**Tax Arrangement**”) for the purpose of the avoidance of double taxation will be 7 per cent. of the gross amount of the interest pursuant to the Tax Arrangement and relevant interpretation of the Tax Arrangement formulated by the State Administration of Taxation of China.

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

VAT

In addition, pursuant to Circular 36 which took effect on 1 May 2016, entities and individuals providing services within the PRC are subject to VAT. The services are treated as being sold within the PRC where either the service provider or the service recipient is located in the PRC. The services subject to VAT include the provision of financial services such as the provision of loans. Circular 36 further clarifies that “loans” refer to the activity of lending capital for another’s use and receiving interest income thereon. Based on the definition of “loans” under Circular 36, the issuance of the Bonds is likely to be treated as a “loan” provided by the Bondholders to the Issuer or the Guarantor, which thus shall be regarded as financial services for VAT purposes. In general, the income derived from the provision of loans will not be subject to VAT in the PRC if none of the Issuer, the Guarantor or the Bondholders is within the PRC. However, it is uncertain whether a foreign incorporated company which is deemed to be a PRC resident enterprise would be regarded as being within the PRC. In the event that the Issuer or the Guarantor is deemed to be a PRC resident enterprise and is deemed to be within the PRC by the PRC tax authorities, the Bondholders may be deemed to be providing financial services to the Issuer or the Guarantor within the PRC and consequently, the amount of interest on the Bonds payable by the Issuer or the Guarantor to any non-resident Bondholders may be subject to withholding VAT at the rate of 6 per cent. plus related surcharges.

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 neither the Issuer nor the Guarantor has 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.

The interpretation and enforcement of Circular 36 and other applicable laws and regulations pertaining to PRC VAT involve uncertainties, and the above statements may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of Circular 36.

Pursuant to the Enterprise Income Tax Law, the PRC Individual Income Tax Law and the VAT reform detailed above, if the Issuer or the Guarantor is regarded as a PRC tax resident enterprise, it shall withhold income tax (should such tax apply) from the payments of interest in respect of the Bonds for any non-resident Bondholder and the Issuer or the Guarantor shall withhold VAT (should such tax apply) from the payments of interest in respect of the Bonds for any Bondholder located outside of the PRC. However, in the event that the Issuer or the Guarantor is required to make such a deduction or withholding (whether by way of income tax, VAT or otherwise), the Issuer and the Guarantor have agreed to pay such additional amounts as will result in receipt by the Bondholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required, as further set out in the *“Terms and Conditions of the Bonds”*.

Stamp Duty

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

THE PROPOSED FINANCIAL TRANSACTIONS TAX (“FTT”)

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

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Bonds (including secondary market transactions) in certain circumstances.

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

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Bonds are advised to seek their own professional advice in relation to the FTT.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the PRC) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register, and Bonds characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. However, if additional Bonds (as described under "Terms and Conditions – Further Issues") that are not distinguishable from previously issued Bonds are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Bonds, including the Bonds offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Bonds.

DESCRIPTION OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS

The Guarantor's Audited Consolidated Financial Statements 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 which reflect China's unique circumstances and environment. The following is a general summary of certain differences between PRC GAAP and IFRS on recognition and presentation as applicable to the Guarantor. The differences identified below are limited to those significant differences that are appropriate to the Guarantor's Audited Consolidated Financial Statements included in this Offering Circular. Since the summary is not meant to be exhaustive, there can be no assurance that the summary below is complete. The Guarantor 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 Guarantor, other potentially significant accounting and disclosure differences may have been required that are not identified below. Additionally, no attempt has been made to identify possible future differences between PRC GAAP and IFRS as a result of prescribed changes in accounting standards. Regulatory bodies that promulgate PRC GAAP and IFRS have significant projects ongoing that could affect future comparisons such as this one. Finally, no attempt has been made to identify future differences between PRC GAAP and IFRS that may affect the financial information as a result of transactions or events that may occur in the future. Accordingly, no assurance is provided that the following summary of differences between PRC GAAP and IFRS is complete. In making an investment decision, each investor must rely upon its own examination of the Guarantor, the terms of the offering and other disclosure contained herein. Each investor should consult its own professional advisers for an understanding of the differences between PRC GAAP and IFRS and/or between PRC GAAP and other generally accepted accounting principles, and how those differences might affect the financial information contained herein.

REVERSAL OF AN IMPAIRMENT LOSS

Under PRC GAAP, once an impairment loss is recognised for a long-term asset (including investment property valued under cost model, long-term equity investments, 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. The increased carrying amount due to reversal should not be more than what the depreciated historical cost would have been if the impairment had not been recognised.

FIXED ASSETS AND INTANGIBLE ASSETS

Under PRC GAAP, only the cost model is allowed. Under IFRS, an entity can choose either the cost model or the revaluation model as its accounting policy.

SUBSCRIPTION AND SALE

The Issuer and the Guarantor have entered into a subscription agreement with the Managers with effect from 11 November 2021 (the “**Subscription Agreement**”), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to issue, and the Managers have agreed to severally, but not jointly, subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Bonds set forth opposite its name below:

Managers	Principal amount of the Bonds to be subscribed
	<i>U.S.\$</i>
China Industrial Securities International Brokerage Limited	60,000,000
Bank of China Limited.	60,000,000
China International Capital Corporation Hong Kong Securities Limited.	60,000,000
Haitong Bank, S.A.	60,000,000
Industrial Bank Co., Ltd. Hong Kong Branch	10,000,000
Shenwan Hongyuan Securities (H.K.) Limited	10,000,000
Central Wealth Securities Investment Limited	10,000,000
Haitong International Securities Company Limited	10,000,000
TFI Securities and Futures Limited	10,000,000
Zhongtai International Securities Limited	10,000,000
Total	<u>300,000,000</u>

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

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

In connection with the Offering of the Bonds, the Managers and/or their respective affiliates, or affiliates of the Issuer or the Guarantor, may place orders, receive allocations and purchase the Bonds for their own account (without a view to distributing such Bonds) and such orders and/or allocations of the Bonds may be material. Such entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any other securities of the Issuer or the Guarantor, and therefore, they may offer or sell the Bonds or other securities otherwise than in connection with the offering. Accordingly, references herein to the Bonds being “offered” should be read as including any offering of the Bonds to the Managers and/or their respective affiliates or affiliates of the Issuer or the Guarantor, for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so. Furthermore, it is possible that only a limited number of investors may subscribe for a significant proportion of the Bonds. If this is the case, liquidity of trading in the Bonds may be constrained (see “*Risk Factors – Risks Relating to the Bonds and the Guarantee – The liquidity and price of the Bonds following this offering may be volatile*”). The Issuer, the Guarantor and the Managers are under no obligation to disclose the extent of the distribution of the Bonds amongst individual investors.

In the ordinary course of their various business activities, the 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 Bonds and could adversely affect the trading prices of the Bonds. The Managers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Bonds or other financial instruments of the Issuer or the Guarantor and may recommend to their clients that they acquire long and/or short positions in the Bonds or other financial instruments.

In connection with the issue of the Bonds, any of the Managers appointed or acting as Stabilisation Manager or any person acting on behalf of the Stabilisation Manager may, subject to all applicable laws, over-allot the Bonds or effect transactions with a view to supporting the market price(s) of the Bonds at a level above that which might otherwise prevail, but in so doing, the Stabilisation Manager or any person acting on behalf of the Stabilisation Managers shall act as principal and not as agent of the Issuer. However, there can be no assurance that the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Bonds and 60 days after the date of allotment of the Bonds. Such stabilisation shall be in compliance with all applicable laws, regulations and rules. Any loss or profit sustained as a consequence of any such overallotment or stabilisation shall be for the account of the Managers.

GENERAL

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds 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 the Managers that would, or is intended to permit a public offering, or any other offering under circumstances not permitted by applicable law, of the Bonds, or possession or distribution of this Offering Circular, any amendment or supplement thereto issued in connection with the proposed resale of the Bonds or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required. Accordingly, the Bonds may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Bonds may be distributed or published, by the Issuer, the Guarantor or the Managers, in or from any country or jurisdiction, except in circumstances which will result in compliance with all applicable rules and regulations of any such country or jurisdiction and will not impose any obligations on the Issuer, the Guarantor or the Managers. Persons into whose hands this Offering Circular comes are required by the Issuer, the Guarantor and the Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver the Bonds or have in their possession, distribute or publish this Offering Circular or any other offering material relating to the Bonds, in all cases at their own expense.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Managers or any of their respective affiliates is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Managers or such affiliate on behalf of the Issuer in such jurisdiction.

UNITED STATES

The Bonds and the Guarantee have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds and the Guarantee are being offered and sold outside of the United States in reliance on Regulation S. In

addition, until 40 days after the commencement of the offering of the Bonds and the Guarantee, an offer or sale of the Bonds or the Guarantee within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

UNITED KINGDOM

Each of the Managers has represented, warranted and agreed that:

- (i) 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 the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

BRITISH VIRGIN ISLANDS

Each of the Managers has represented, warranted and agreed that no invitation whether directly or indirectly has been or may be made to the public in the British Virgin Islands or any natural person resident or citizen in the British Virgin Islands to subscribe for or purchase any of the Bonds. This Offering Circular does not constitute, and will not be, an offering of the Bonds to any person in the British Virgin Islands to subscribe for or purchase any of the Bonds and the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the British Virgin Islands as otherwise permitted by British Virgin Islands laws.

HONG KONG

Each of the Managers has represented, warranted and agreed that:

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

SINGAPORE

Each of the Managers has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Managers has represented, warranted and agreed that it has not offered or sold any Bonds or caused such Bonds to

be made the subject of an invitation for subscription or purchase and will not offer or sell such Bonds or cause such Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

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

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

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

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

THE PRC

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

JAPAN

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”). Accordingly, each 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 Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

GENERAL INFORMATION

CLEARING SYSTEM AND SETTLEMENT

The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code number 239541739 and the International Securities Identification Number for the Bonds is XS2395417392.

LISTING OF BONDS

Application will be made to the Hong Kong Stock Exchange for the listing of the Bonds by way of debt issues to Professional Investors only and such permission is expected to become effective on or about 19 November 2021.

AUTHORISATIONS

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Bonds, the Trust Deed and the Agency Agreement. The issue of the Bonds was authorised by written resolutions of the sole director of the Issuer dated 17 August 2021. The Guarantor has obtained all necessary consents, approvals and authorisations in connection with the giving of the Guarantee and performance of its obligations under the Deed of Guarantee, the Trust Deed and the Agency Agreement. The giving of the Guarantee was authorised by resolutions of the board of directors of the Guarantor dated 15 July 2021.

LITIGATION

Except as otherwise disclosed in this Offering Circular, none of the Issuer, the Guarantor or any member of the Group is involved in any litigation or arbitration proceedings as at the date of this Offering Circular which are material in the context of the Bonds or could have a material adverse effect on the Group's business, results of operations and financial condition nor is the Issuer or the Guarantor aware that any such proceedings are pending or threatened as at the date of this Offering Circular. Each of the Issuer and the Guarantor may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of its business.

NO MATERIAL ADVERSE CHANGE

Except as disclosed in this Offering Circular, there has been no material adverse change, or any development or event involving a prospective change in the condition in the financial or trading position or prospects of the Issuer, the Guarantor or the Group, which is material and adverse in the context of the issue and offering of the Bonds since 31 December 2020.

DOCUMENTS AVAILABLE

So long as any of the Bonds is outstanding, copies of the following documents (provided that copies of (i) are provided to the Principal Paying Agent) will be available for inspection during normal business hours (being between 9.00 a.m. (Hong Kong time) and 3.00 p.m. (Hong Kong time), from Monday to Friday (excluding public holidays)) at the specified office of the Principal Paying Agent following prior written request and proof of holding and identity to the satisfaction of the Principal Paying Agent:

- (i) copies of the Guarantor's Audited Consolidated Financial Statements;
- (ii) the Trust Deed;

(iii) the Agency Agreement; and

(iv) the Deed of Guarantee.

FINANCIAL STATEMENTS

The consolidated financial information of the Guarantor as at and for the years ended 31 December 2018, 2019 and 2020 included in this Offering Circular has been extracted from the Guarantor's Audited Consolidated Financial Statements, which are included elsewhere in this Offering Circular. The Guarantor's consolidated financial statements as at and for the years ended 31 December 2019 and 2020 have been audited by Grant Thornton, the independent auditors of the Guarantor. The Guarantor's Audited Consolidated Financial Statements were prepared and presented in accordance with PRC GAAP.

According to the Circular 706, any Public Assets cannot be counted towards the Group's assets for the purposes of issuing medium and long-term foreign debts. Please see "*Risk Factors – Risks relating to the Group in general – Any public assets of the Group should not be taken into account when the Groups business, financial condition, results of operations and prospects are assessed*" for further information.

LEGAL ENTITY IDENTIFIER

The Issuer's Legal Entity Identifier number is 6556008FWKQHEEO8BU53.

INDEX TO FINANCIAL STATEMENTS

**The audited consolidated financial statements of the Guarantor as at and for the years ended
31 December 2018, 2019 and 2020**

Auditor's Report	F-4
Consolidated and Company Balance Sheets	F-7
Consolidated and Company Income Statements	F-9
Consolidated and Company Cash Flows Statements	F-10
Consolidated and Company Statements of Changes in Owners' Equity	F-11
Notes to the Financial Statements	F-17

**TAIAN TAISHAN FINANCE INVESTMENT
GROUP CO., LTD.
FOR THE YEARS ENDED 31 DECEMBER
2018, 2019 AND 2020
AUDIT RPEORT**

Grant Thornton

CONTENTS

Auditor's Report	1-3
Consolidated and Company Balance Sheets	1-2
Consolidated and Company Income Statements	3
Consolidated and Company Cash Flows Statements	4
Consolidated and Company Statements of Changes in Owners' Equity	5-10
Notes to the Financial Statements	11-80

Auditor's Report

GTCSZ (2021) No. 371A013778

To Taian Taishan Finance Investment Group Co., Ltd.:

I. Opinion

We have audited the financial statements of Taian Taishan Finance Investment Group Co., Ltd. (hereinafter "the Company"), which comprise the consolidated and Company balance sheets as at 31 December 2018, 2019 and 2020, and the consolidated and Company income statements, consolidated and Company cash flows statements and consolidated and Company statements of changes in owners' equity for the years then ended and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and Company financial positions as at 31 December 2018, 2019 and 2020, and their financial performance and their cash flows for the years then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

II. Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and have fulfilled our other ethical responsibilities in accordance with the China Code of Ethics for Certified Public Accountants. 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 Financial Statements

Management of the Company is responsible for the preparation of the financial statements to achieve fair presentation in accordance with Accounting Standards for Business Enterprises, and for the design, implementation and maintenance of such internal control as management determine is necessary to enable the preparation of 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 intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

IV. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards 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 auditing standards, 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 of expressing an opinion on the effectiveness of the internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, auditing standards require us to draw attention to users of the financial statements in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of

our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

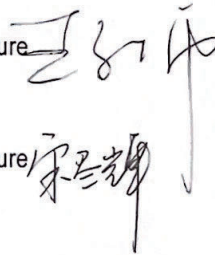
(5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

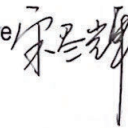
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton

Auditor's signature



Auditor's signature



China · Beijing

23 April 2021

Consolidated and Company Balance Sheets

Prepared by: Taian Taishan Finance Investment Group Co., Ltd.

Expressed in RMB

Item	Note	2020/12/31		2019/12/31		2018/12/31	
		Consolidated	Company	Consolidated	Company	Consolidated	Company
Current assets:							
Cash and bank balances	VIII.1	12,138,863,793.11	78,914,496.00	12,316,830,578.74	114,170,283.34	10,762,000,303.82	93,829,132.49
Financial assets at fair value through profit or loss		-	-	-	-	-	-
Derivative financial assets		-	-	-	-	-	-
Bills receivable	VIII.2	27,009,703.67	-	30,216,017.96	-	54,455,941.59	-
Accounts receivable	VIII.3	597,777,090.11	-	452,831,559.98	-	865,492,812.82	-
Prepayments	VIII.4	5,306,670,953.90	1,023,708.64	4,898,107,014.96	23,101.67	4,990,542,908.71	-
Other receivables	VIII.5	21,676,165,216.49	2,991,472,368.73	15,810,808,421.16	3,022,279,284.00	18,347,717,542.93	1,270,864,302.40
Including: Dividends receivable		33,000,000.00	-	33,000,000.00	-	-	-
Inventories	VIII.6	64,184,338,497.27	-	58,225,105,022.00	-	41,109,967,323.50	-
Include: Raw materials		52,526,012.68	-	72,211,503.70	-	12,432,217.07	-
Goods on hand (finished goods)		335,785,394.79	-	103,625,834.50	-	40,243,253.01	-
Assets held for sale		-	-	-	-	-	-
Non-current assets due within		-	-	-	-	-	-
Other current assets	VIII.7	1,736,106,551.36	183,861.07	1,571,720,860.03	-	1,310,327,021.71	-
Total current assets		105,666,931,805.91	3,071,594,434.44	93,305,619,474.83	3,136,472,669.01	77,440,503,855.08	1,364,693,434.89
Non-current assets:							
Available-for-sale financial assets	VIII.8	7,443,175,099.00	-	6,702,259,831.23	-	3,842,465,910.18	-
Held-to-maturity investments		-	-	-	-	-	-
Long-term receivables	VIII.9	4,380,033,942.17	-	4,452,310,981.72	-	2,992,644,261.62	-
Long-term equity investments	VIII.10	3,920,938,534.32	26,277,442,489.88	3,341,176,008.36	26,126,942,489.88	2,478,385,426.91	25,785,473,770.27
Investment properties	VIII.11	615,369,141.57	-	70,731,945.33	-	76,064,068.41	-
Fixed assets	VIII.12	4,134,199,081.93	726,255.68	4,011,697,577.77	908,574.21	3,441,109,168.74	467,592.70
Including: Fixed assets - cost		6,001,441,094.11	1,271,335.45	5,581,356,106.03	1,158,098.52	4,783,395,447.08	480,024.00
Accumulated depreciation		1,860,310,826.90	545,079.77	1,569,663,433.92	249,524.31	1,342,296,228.17	12,431.30
Fixed assets - provision for impairment		7,079,205.28	-	-	-	-	-
Construction in progress	VIII.13	15,575,057,860.94	1,662,719.94	13,181,282,534.74	-	17,326,735,471.06	-
Productive biological assets	VIII.14	11,843,174.71	-	13,091,410.54	-	-	-
Oil and gas assets		-	-	-	-	-	-
Intangible assets	VIII.15	1,952,319,780.49	-	2,012,200,557.89	-	2,017,430,923.93	-
Development costs		-	-	-	-	-	-
Goodwill		-	-	-	-	-	-
Long-term deferred expenses	VIII.16	134,730,006.26	696,593.87	122,541,155.17	927,908.72	94,804,025.73	667,333.33
Deferred tax assets	VIII.17	47,761,024.05	-	23,387,209.46	-	9,266,807.92	-
Other non-current assets	VIII.18	36,089,970.00	-	93,587,770.00	-	3,471,870.00	-
Including: Special reserve materials							
Total non-current assets		38,251,517,615.44	26,280,528,059.37	34,024,266,982.21	26,128,778,972.81	32,282,377,934.50	25,786,608,696.30
TOTAL ASSETS		143,918,449,421.35	29,352,122,493.81	127,329,886,457.04	29,265,251,641.82	109,722,881,789.58	27,151,302,131.19

Consolidated and Company Balance Sheets (Continued)

Prepared by: Taian Taishan Finance Investment Group Co., Ltd.

Expressed in RMB

Item	Note	2020/12/31		2019/12/31		2018/12/31	
		Consolidated	Company	Consolidated	Company	Consolidated	Company
Current Liabilities:							
Short-term borrowings	VIII.19	5,076,968,000.00	700,000,000.00	4,438,653,303.86	1,500,000,000.00	1,733,850,000.00	500,000,000.00
Financial liabilities at fair value through profit or loss		-	-	-	-	-	-
Derivative financial liabilities		-	-	-	-	-	-
Bills payable	VIII.20	2,762,280,000.00	-	1,681,601,655.65	-	695,447,500.00	-
Accounts payable	VIII.21	1,167,182,876.41	-	1,241,090,577.64	-	1,063,452,001.04	-
Advance from customers	VIII.22	11,049,065,544.27	-	9,416,553,900.52	-	7,820,923,728.22	-
Employee benefits payable	VIII.23	53,431,502.19	252,769.63	47,668,162.10	129,552.81	32,991,925.71	86,874.66
Include: Salary payable		14,260,923.49	252,769.63	28,128,617.22	129,552.81	433,885.96	86,874.66
Welfare payable		1,566,781.42	-	1,551,751.58	-	-	-
#Include: Staff award & welfare fund							
Taxes payable	VIII.24	497,204,234.59	111,664.46	366,622,292.07	176,183.99	318,493,401.58	112,370.01
Include: Tax payable		40,124,706.70	-	7,420,031.19	-	3,991,564.27	-
Other payables	VIII.25	19,656,400,892.52	1,360,677,395.45	14,857,841,638.49	22,163,124.85	11,653,619,495.12	1,125,536.80
Including: Dividends payable		43,058,950.07	-	34,893,305.59	-	208,436.79	-
Liabilities held for sale		-	-	-	-	-	-
Non-current liabilities due within one year	VIII.26	5,396,694,197.60	-	8,020,941,771.50	650,000,000.00	3,374,690,882.23	-
Other current liabilities	VIII.27	50,730,256.71	-	42,408,352.01	-	51,381,946.27	-
Total current liabilities		45,709,957,504.29	2,061,041,829.54	40,113,381,653.84	2,172,468,861.65	26,744,850,880.17	501,324,781.47
Non-current liabilities:							
Long-term loans	VIII.28	9,351,918,969.89	450,000,000.00	9,195,104,773.33	398,000,000.00	11,834,664,700.76	200,000,000.00
Bonds payable	VIII.29	10,671,378,240.64	-	2,500,000,000.00	-	1,860,000,000.00	-
Include: Preferred shares							
Perpetual debts							
Long-term payables	VIII.30	29,616,765,126.72	-	32,778,904,278.46	-	30,956,213,102.61	-
Long-term employee benefits payable		-	-	-	-	-	-
Provisions		-	-	-	-	-	-
Deferred income	VIII.31	3,171,629,936.49	-	2,807,399,229.42	-	2,535,733,104.34	-
Deferred tax liabilities		216,641,013.66	-	219,982,306.81	-	17,044,538.20	-
Other non-current liabilities		-	-	-	-	-	-
Including: Special reserve funds							
Total non-current liabilities		53,028,333,287.40	450,000,000.00	47,501,390,588.02	398,000,000.00	47,203,655,445.91	200,000,000.00
TOTAL LIABILITIES		98,738,290,791.69	2,511,041,829.54	87,614,772,241.86	2,570,468,861.65	73,948,506,326.08	701,324,781.47
Owners' equity:							
Paid-in capital	VIII.32	10,000,000,000.00	10,000,000,000.00	10,000,000,000.00	10,000,000,000.00	10,000,000,000.00	10,000,000,000.00
State-owned capital		10,000,000,000.00	10,000,000,000.00	10,000,000,000.00	10,000,000,000.00	10,000,000,000.00	10,000,000,000.00
State-owned Corporation capital							
Paid-in capital- Net		10,000,000,000.00	10,000,000,000.00	10,000,000,000.00	10,000,000,000.00	10,000,000,000.00	10,000,000,000.00
Other equity instruments		-	-	-	-	-	-
Include: Preferred shares							
Perpetual debts							
Capital reserves	VIII.33	28,726,559,511.74	17,019,363,734.02	23,472,289,325.98	16,780,363,734.02	20,393,066,559.34	16,440,573,770.27
Less: Treasury shares							
Other comprehensive income		616,936,696.67	-	632,538,933.77	-	11,637,273.57	-
Include: Foreign exchange translation difference		14,056,584.43	-		-		-
Special reserves	VIII.34	20,063,154.25	-	4,567,623.53	-	7,198,314.46	-
Surplus reserves	VIII.35	902,773.18	902,773.18	902,773.18	902,773.18	902,773.18	902,773.18
Include: Statutory surplus reserve							
Discretionary surplus reserve							
△General risk reserve		7,610,045.58	-	7,093,997.11	-	6,109,801.91	-
Undistributed profits	VIII.36	3,477,157,303.22	-179,185,842.93	3,307,107,338.29	-86,483,727.03	3,125,394,917.37	8,500,806.27
Total owners' equity attributable to the parent		42,849,229,484.64	26,841,080,664.27	37,424,499,991.86	26,694,782,780.17	33,544,309,639.83	26,449,977,349.72
Minority interests		2,330,929,145.02	-	2,290,614,223.32	-	2,230,065,823.67	-
TOTAL OWNER'S EQUITY		45,180,158,629.66	26,841,080,664.27	39,715,114,215.18	26,694,782,780.17	35,774,375,463.50	26,449,977,349.72
TOTAL LIABILITIES AND OWNERS' EQUITY		143,918,449,421.35	29,352,122,493.81	127,329,886,457.04	29,265,251,641.82	109,722,881,789.58	27,151,302,131.19

Legal representative:

Principal in charge of accounting:

Head of accounting department:

Consolidated and Company Income Statements

Prepared by: Taian Taishan Finance Investment Group Co., Ltd.

Expressed in RMB

Item	Note	Year ended 31/12/2020		Year ended 31/12/2019		Year ended 31/12/2018	
		Consolidated	Company	Consolidated	Company	Consolidated	Company
I. Total operating income		9,787,869,274.84	-	8,271,693,036.41	-	5,345,691,639.58	-
Include: Operating income	VIII.37	9,787,869,274.84	-	8,271,693,036.41	-	5,345,691,639.58	-
II. Total operating costs		9,696,885,100.11	92,828,401.24	8,242,272,409.35	92,313,893.96	5,162,511,931.82	-10,965,031.83
Include: Operating costs	VIII.37	8,234,936,031.01	-	7,111,733,282.93	-	4,566,279,672.96	-
Taxes and surcharges		148,470,154.25	28,590.81	134,156,573.68	215,436.83	77,033,817.19	350,000.00
Selling expenses	VIII.38	219,567,449.94	-	144,236,866.59	-	130,407,097.05	-
Administrative expenses	VIII.39	585,757,689.83	11,507,443.12	531,562,105.01	10,429,294.63	476,746,549.46	7,177,469.76
Research and development expenses	VIII.40	-	-	29,445.92	-	44,781.31	-
Financial expenses	VIII.41	508,153,775.08	81,292,367.31	320,554,135.22	81,669,162.50	-87,999,986.15	-18,492,501.59
Include: Interest expenses		1,593,564,243.25	164,614,860.52	1,218,869,900.41	112,935,656.90	803,161,771.77	812,500.00
Interest income		1,214,376,897.74	-83,328,548.41	959,818,176.06	-31,328,737.72	894,568,227.89	-19,306,606.59
Net exchange loss ("-" for gain)							
Others							
Add: Other income	VIII.42	291,734,621.59	100,000.00	220,628,033.44	-	205,576,292.29	-
Investment income ("-" for loss)	VIII.43	422,076,234.64	270,000,000.00	285,506,489.42	65,120,973.66	198,598,838.83	-
Include: Gains from investments in associates and joint ventures		104,490,551.22	-	115,156,467.63	-	138,840,950.43	-
Gains from changes of fair value ("-" for loss)		-	-	-	-	-	-
Assets impairment loss ("-" for loss)	VIII.44	-84,341,978.11	-	-109,970,017.30	-	-33,277,764.32	-
Gain from disposal of assets ("-" for loss)	VIII.45	4,561,634.45	-	706,392.55	-	14,579,909.68	-
III. Operating profit ("-" for loss)		725,014,687.30	177,271,598.76	426,291,525.17	-27,192,920.30	568,656,984.24	10,965,031.83
Add: Non-operating income	VIII.46	78,734,124.31	26,285.34	124,386,651.15	-	92,936,618.66	-
Include: Government grants							
Less: Non-operating expenses	VIII.47	28,973,378.63	-	28,619,951.35	452.88	20,475,293.55	79.25
IV. Total profit ("-" for loss)		774,775,432.98	177,297,884.10	522,058,224.97	-27,193,373.18	641,118,309.35	10,964,952.58
Less: Income tax expenses	VIII.48	261,414,044.77	-	155,570,806.63	2,670,186.46	115,065,129.92	-
V. Net profit ("-" for loss)		513,361,388.21	177,297,884.10	366,487,418.34	-29,863,559.64	526,053,179.43	10,964,952.58
(I) Classified by attribution to ownership							
1. Net profit attributable to owners of the parent		493,768,185.78	177,297,884.10	340,175,940.27	-29,863,559.64	511,718,469.49	10,964,952.58
2. Net profit attributable to minority interests		19,593,202.43	-	26,311,478.07	-	14,334,709.94	-
(II) Classified by continuity of operations							
1. Net profit from continuing operations ("-" for loss)		513,361,388.21	177,297,884.10	366,487,418.34	-29,863,559.64	526,053,179.43	10,964,952.58
2. Net profit from discontinued operations ("-" for loss)							
VI. Other comprehensive income - after tax		-15,602,237.10	-	620,901,660.20	-	-201,736,337.17	-
Other comprehensive income - after tax attributable to owners of the parent	VIII.49	-15,602,237.10	-	620,901,660.20	-	-201,736,337.17	-
(I) Other comprehensive income not reclassified into profit or loss subsequently		-	-	-	-	-	-
Include: 1.Changes in remeasurement of defined benefit plan							
2.Other comprehensive income not reclassified into profit or loss accounted for using equity							
3.Others							
(II) Other comprehensive income that will be reclassified into profit or loss subsequently		-15,602,237.10	-	620,901,660.20	-	-201,736,337.17	-
Include: 1.Other comprehensive income that will be reclassified into profit or loss accounted for using equity method		-19,634,942.08	-	12,088,354.39	-	12,285,080.04	-
2.Changes in fair value of available-for-sale financial assets		-10,023,879.45	-	608,813,305.81	-	-214,021,417.21	-
3.Gain or loss on reclassification of held-to-maturity investments to available-for-sale financial assets							
4.Gain or loss on effective part of cash flow hedge							
5.Translation differences on foreign currency financial statements		14,056,584.43					
6.Others							
Other comprehensive income - after tax attributable to minority interests							
VII. Total comprehensive income		497,759,151.11	177,297,884.10	987,389,078.54	-29,863,559.64	324,316,842.26	10,964,952.58
Total comprehensive income attributable to owners of the parent		478,165,948.68	177,297,884.10	961,077,600.47	-29,863,559.64	309,982,132.32	10,964,952.58
Total comprehensive income attributable to minority interests		19,593,202.43	-	26,311,478.07	-	14,334,709.94	-
VIII. Earnings per share							
Basic earnings per share							
Diluted earnings per share							

Legal representative:

Principal in charge of accounting:

Head of accounting department:

Consolidated and Company Cash Flow Statements

Prepared by: Taian Taishan Finance Investment Group Co., Ltd.

Expressed in RMB

Item	Note	Year ended 31/12/2020		Year ended 31/12/2019		Year ended 31/12/2018	
		Consolidated	Company	Consolidated	Company	Consolidated	Company
I. Cash flows from operating activities:							
Cash received from sales of goods or rendering of services		13,004,427,002.68	-	12,609,649,614.79	-	7,934,051,205.89	-
Refund of taxes and surcharges		53,806,869.82	-	91,404,050.41	-	2,032,361.56	-
Cash received relating to other operating activities		17,139,570,325.14	260,682.37	13,022,924,043.50	23,116,934.66	8,490,396,074.36	1,125,536.80
Sub-total of cash inflows in operating activities		30,197,804,197.64	260,682.37	25,723,977,708.70	23,116,934.66	16,426,479,641.81	1,125,536.80
Cash paid for goods and services		15,185,370,512.79	-	14,245,513,427.12	2,400.00	12,834,943,056.21	-
Cash paid to and on behalf of employees		606,893,617.53	5,364,610.58	555,011,781.74	3,916,066.33	449,462,270.23	1,930,548.00
Payments of taxes and levies		700,911,657.32	476,022.68	626,400,082.51	6,191,233.11	557,555,093.40	-
Cash paid relating to other operating activities		22,436,958,022.17	7,958,132.84	13,198,627,013.93	6,418,656.12	5,865,389,282.09	5,796,472.45
Sub-total of cash outflows in operating activities		38,930,133,809.81	13,798,766.10	28,625,552,305.30	16,528,355.56	19,707,349,701.93	7,727,020.45
Net cash flows from operating activities		-8,732,329,612.17	-13,538,083.73	-2,901,574,596.60	6,588,579.10	-3,280,870,060.12	-6,601,483.65
II. Cash flows from investing activities:							
Cash received from disposal of investments		3,715,069,636.62	-	1,171,207,566.86	-	1,652,714,476.65	-
Cash received from returns on investments		324,724,128.53	270,000,000.00	64,480,314.09	65,120,973.66	46,873,820.95	-
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		14,238,432.42	-	4,369,370.03	-	14,049,065.79	-
other business units		-	-	-	-	285,309,787.75	-
Net cash received from acquisition of subsidiaries		163,661,159.33	-	152,970,000.00	-	131,209,386.61	-
Sub-total of cash inflows in investing activities		4,217,693,356.90	270,000,000.00	1,393,027,250.98	65,120,973.66	2,130,156,537.75	-
Cash paid to acquire fixed assets, intangible assets and other long-term assets		3,295,724,484.36	1,876,256.76	1,301,117,488.77	1,246,525.07	1,230,931,595.26	480,024.00
Cash paid to acquire investments		6,194,691,502.43	150,500,000.00	4,806,546,327.00	48,000,000.00	2,870,587,515.00	44,900,000.00
Net cash paid to acquire subsidiaries and other business units		-	-	-	-	40,250,000.00	-
Cash paid relating to other investing activities		11,548,520.00	-	17,537,804.35	-	147,000,000.00	-
Sub-total of cash outflows in investing activities		9,501,964,506.79	152,376,256.76	6,125,201,620.12	49,246,525.07	4,288,769,110.26	45,380,024.00
Net cash flows from investing activities		-5,284,271,149.89	117,623,743.24	-4,732,174,369.14	15,874,448.59	-2,158,612,572.51	-45,380,024.00
III. Cash flows from financing activities:							
Cash received from capital contributions		2,898,893,122.00	239,000,000.00	2,044,963,340.18	48,000,000.00	3,684,250,842.83	400,000,000.00
Including: Cash received from capital contributions by minority shareholders of subsidiaries		359,600,263.00	-	66,300,000.00	-	12,614,800.00	-
Cash received from borrowings		26,922,261,834.61	1,480,000,000.00	16,288,715,619.42	2,400,000,000.00	10,888,631,862.48	700,000,000.00
Cash received relating to other financing activities		1,786,118,094.00	5,599,071,163.68	2,080,614,812.97	2,521,578,737.72	576,233,004.43	19,306,606.59
Sub-total of cash inflows in financing activities		31,607,273,050.61	7,318,071,163.68	20,414,293,772.57	4,969,578,737.72	15,149,115,709.74	1,119,306,606.59
Cash repayments of borrowings		16,299,444,940.14	2,878,000,000.00	9,190,160,025.78	552,000,000.00	7,322,812,172.42	-
Cash payments for interest expenses and distribution of dividends or profits		2,334,742,492.71	430,412,610.53	2,152,017,981.82	178,056,630.56	2,096,036,705.40	814,105.00
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		-	-	2,788,133.60	-	-	-
Cash payments relating to other financing activities		722,378,262.01	4,149,000,000.00	170,423,790.44	4,241,643,984.00	-	1,270,861,000.00
Sub-total of cash outflows in financing activities		19,356,565,694.86	7,457,412,610.53	11,512,601,798.04	4,971,700,614.56	9,418,848,877.82	1,271,675,105.00
Net cash flows from financing activities		12,250,707,355.75	-139,341,446.85	8,901,691,974.53	-2,121,876.84	5,730,266,831.92	-152,368,498.41
IV. Effect of foreign exchange rate changes on cash and cash equivalents		12,313,462.00	-	-	-	-	-
V. Net increase in cash and cash equivalents		-1,753,579,944.31	-35,255,787.34	1,267,943,008.79	20,341,150.85	290,784,199.29	-204,350,006.06
Add: Cash and cash equivalents as at beginning of year	VIII.50	11,147,695,179.26	114,170,283.34	9,879,752,170.47	93,829,132.49	9,588,967,971.18	298,179,138.55
VI. Cash and cash equivalent as at end of year		9,394,115,234.95	78,914,496.00	11,147,695,179.26	114,170,283.34	9,879,752,170.47	93,829,132.49

Legal representative:

Principal in charge of accounting:

Head of accounting department:

Consolidated Statement of Changes in Owners' Equity

Prepared by: Taian Taishan Finance Investment Group Co., Ltd.														Expressed in RMB		
		Year ended 31/12/2020														
Row	Item	Column	Equity attributable to owner's of the parent												Minority interests	Total owner's equity
			Paid-in capital	Preferred shares	Other equity instruments	Capital reserves	Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	△General risk reserve	Undistributed profits	Subtotal			
			1	2	3	4	5	6	7	8	9	10	11	12	13	14
1	I. Balance at end of previous year	Column	10,000,000,000.00	-	-	-	23,472,289,325.98	-	632,538,933.77	4,567,623.53	902,773.18	7,093,997.11	3,307,107,338.29	37,424,499,991.86	2,290,614,223.32	39,715,114,215.18
2	Add: Changes in accounting policies															
3	Correction of errors															
4	Others															
5	II. Balance in beginning of year		10,000,000,000.00	-	-	-	23,472,288,325.98	-	632,538,933.77	4,567,623.53	902,773.18	7,093,997.11	3,307,107,338.29	37,424,499,991.86	2,290,614,223.32	39,715,114,215.18
6	III. Movement over the year ("-" for decrease)															
7	(I) Total comprehensive income for the year			-	-	-	5,254,270,185.76	-	-15,602,237.10	15,495,530.72	-	516,048.47	170,049,964.93	5,424,729,492.78	403,14,921.70	5,465,044,414.48
8	(II) Owner's contributions and decrease of capital			-	-	-	5,254,270,185.76	-	-15,602,237.10	-	-	-	493,768,185.78	478,165,948.68	19,593,202.43	497,759,151.11
9	1.Capital contribution from owner			-	-	-	5,254,270,185.76	-	-	-	-	-	27,003,296.37	5,281,273,482.13	24,580,000.00	5,305,853,482.13
10	2. Increase in owner's equity resulted from other equity instruments			-	-	-	675,467,349.31	-	-	-	-	-	-	675,467,349.31	24,580,000.00	700,047,349.31
11	3. Increase in owner's equity resulted from share-based payments			-	-	-		-	-	-	-	-	-	-	-	-
12	4. Others			-	-	-	4,578,802,836.45	-	-	15,495,530.72	-	-	27,003,298.37	4,605,806,132.82	434,227.43	4,605,806,132.82
13	(III)Special Reserve			-	-	-		-	-	-	-	-	-	15,495,530.72	2,822,397.15	15,929,758.15
14	1. Provision for the year			-	-	-		-	-	-	-	-	-	17,567,577.69	2,822,397.15	20,389,974.84
15	2.Use for the year("-")			-	-	-		-	-	-2,072,046.97	-	-	-350,721,517.22	-350,205,468.75	-4,292,508.16	-4,460,216.69
16	(IV) Appropriation of profits			-	-	-		-	-	-	-	516,048.47	-	-	-	-354,497,976.91
17	1. Transfer to surplus reserves			-	-	-		-	-	-	-	-	-	-	-	-
18	Including: Statutory surplus reserve			-	-	-		-	-	-	-	-	-	-	-	-
19	Discretionary surplus reserve			-	-	-		-	-	-	-	-	-	-	-	-
20	2. Transfer to general risk reserve			-	-	-		-	-	-	-	516,048.47	-516,048.47	-350,205,468.75	-4,292,508.16	-354,497,976.91
21	3. Distributions to shareholders			-	-	-		-	-	-	-	-	-	-	-	-
22	4. Others			-	-	-		-	-	-	-	-	-	-	-	-
23	(V) Transfer within equity			-	-	-		-	-	-	-	-	-	-	-	-
24	1.Capital reserves converting into share capital			-	-	-		-	-	-	-	-	-	-	-	-
25	2.Surplus reserves converting into share capital			-	-	-		-	-	-	-	-	-	-	-	-
26	3.Surplus reserves cover the deficit			-	-	-		-	-	-	-	-	-	-	-	-
27	4. Changes of equity from fair valuation or adjustment of book value			-	-	-		-	-	-	-	-	-	-	-	-
28	5.Others			-	-	-		-	-	-	-	-	-	-	-	-
29	Balance at end of year		10,000,000,000.00	-	-	-	28,726,559,511.74	-	616,936,696.67	20,063,154.25	902,773.18	7,610,045.58	3,477,157,303.22	42,849,229,484.64	2,330,929,145.02	45,180,158,629.66

Legal representative:

Principal in charge of accounting:

Head of accounting department:

Consolidated Statement of Changes in Owners' Equity (Continued)

Prepared by: Taian Taishan Finance Investment Group Co., Ltd		Year ended 31/12/2019												Expressed in RMB	
Item	Row	Equity attributable to owners of the parent												Minority interests	Total owner's equity
		Paid-in capital	Preferred shares	Other equity instruments	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	△General risk reserve	Undistributed profits	Subtotal			
		15	16	17	18	19	20	21	22	23	24	25	26	27	28
I. Balance at end of previous year	1	10,000,000,000.00	-	-	-	20,393,066,559.34	-	11,637,273.57	7,198,314.46	902,773.18	6,109,801.91	3,125,394,917.37	33,544,309,639.83	2,230,065,823.67	35,774,375,463.50
Add: Changes in accounting policies	2														-
Correction of errors	3														-
Others	4														-
II. Balance in beginning of year	5	10,000,000,000.00	-	-	-	20,393,066,559.34	-	11,637,273.57	7,198,314.46	902,773.18	6,109,801.91	3,125,394,917.37	33,544,309,639.83	2,230,065,823.67	35,774,375,463.50
III. Movement over the year ("or decrease")	6														-
(I) Total comprehensive income for the year	7					3,079,222,766.64	-	620,901,660.20	-2,630,690.93	-	984,195.20	181,712,420.92	3,880,190,352.03	60,546,398.65	3,940,738,751.68
(Ii) Owner's contributions and decrease of capital	8											340,174,780.07	961,077,600.47	26,311,478.07	987,389,078.54
1. Capital contribution from owner	9											-530,312.24	3,078,692,454.40	39,485,071.43	3,118,177,525.63
2. Increase in owner's equity resulted from other equity instruments	10					352,799,426.46	-	-	-	-	-	-	352,799,426.46	39,994,587.11	392,794,013.57
3. Increase in owner's equity resulted from share-based payments	11														-
4. Others	12														-
(III) Special Reserve	13					2,726,423,340.18	-	-	-	-	-	-530,312.24	2,725,893,027.94	-593,515.68	2,725,383,512.26
1. Provision for the year	14								-2,630,690.93	-	-	-	-2,630,690.93	-2,628,472.94	-5,159,163.87
2. Use for the year ("or")	15								3,565,998.38	-	-	-	3,565,998.38	2,703,562.29	6,269,560.67
(IV) Appropriation of profits	16								-6,196,699.31	-	-	-	-6,196,699.31	-5,232,035.23	-11,428,724.54
1. Transfer to surplus reserves	17								-	-	-	-	-	-219,676.91	-159,668,688.82
Including: Statutory surplus reserve	18										984,195.20	-157,933,207.11	-156,949,011.91	-	-
Discretionary surplus reserve	19										-	-	-	-	-
2. Transfer to general risk reserve	23										984,195.20	-984,195.20	-156,949,011.91	-2,719,676.91	-
3. Distributors to shareholders	24										-156,949,011.91	-156,949,011.91	-	-	-
4. Others	25										-	-	-	-	-
(V) Transfer within equity	26										-	-	-	-	-
1. Capital reserves converting into share capital	27										-	-	-	-	-
2. Surplus reserves converting into share capital	28										-	-	-	-	-
3. Surplus reserves cover the deficit	29										-	-	-	-	-
4. Changes or equity from the revaluation or disposal of financial assets and liabilities	30										-	-	-	-	-
5. Others	31										-	-	-	-	-
Balance at end of year	32	10,000,000,000.00	-	-	-	23,472,289,325.98	-	632,538,933.77	4,567,623.53	902,773.18	7,093,997.11	3,307,107,338.29	37,424,499,991.86	2,290,614,223.32	39,715,114,215.18

Principal in charge of accounting:

Head of accounting department:

Legal representative:

Consolidated Statement of Changes in Owners' Equity (Continued)

Prepared by: Taian Taishan Finance Investment Group Co., Ltd		Year ended 31/12/2018											Expressed in RMB			
Item	Row	Equity attributable to owner's of the parent													Minority interests	Total owner's equity
		Paid-in capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	△General risk reserve	Undistributed profits	Subtotal			
			Preferred shares	Perpetual debts	Other											
Column		15	16	17	18	19	20	21	22	23	24	25	26	27	28	
I. Balance at end of previous year	1	300,000,000.00				23,254,031,459.73		213,373,610.74	5,230,685.41	-	5,099,759.72	2,758,769,864.30	26,536,505,379.90	1,540,080,892.36	28,076,586,272.26	
Add: Changes in accounting policies	2															
Correction of errors	3															
Others	4															
II. Balance in beginning of year	5	300,000,000.00	-	-	-	23,254,031,459.73	-	213,373,610.74	5,230,685.41	-	5,099,759.72	2,758,769,864.30	26,536,505,379.90	1,540,080,892.36	28,076,586,272.26	
III. Movement over the year ("+" for decrease)	6	9,700,000,000.00	-	-	-	-2,860,964,900.39	-	-201,736,337.17	1,967,629.05	902,773.18	1,010,042.19	386,623,053.07	7,007,804,259.93	689,984,931.31	7,697,789,191.24	
(I) Total comprehensive income for the year	7															
(II) Owner's contributions and decrease of capital	8	9,700,000,000.00	-	-	-	-2,860,964,900.39	-	-201,736,337.17			-	-	309,982,132.92	14,334,703.94	324,316,842.26	
1. Capital contribution from owner	9	9,700,000,000.00	-	-	-	-2,860,964,900.39	-	-201,736,337.17			-	-	6,849,479,587.53	686,946,701.68	7,536,426,269.21	
2. Increase in owner's equity resulted from other equity instruments	10					2,302,953,583.28					-	-	12,002,953,583.28	686,946,701.68	12,689,900,284.96	
3. Increase in owner's equity resulted from share-based payments	11														-	
4. Others	12					-5,163,918,483.67						10,444,467.92	-5,153,474,015.75		-5,153,474,015.75	
(III) Special Reserve	13								1,967,629.05				1,967,629.05		1,967,629.05	
1. Provision for the year	14								4,538,924.59				4,538,924.59		4,538,924.59	
2. Use for the year ("+")	15								-2,571,295.54				-2,571,295.54		-2,571,295.54	
(IV) Appropriation of profits	16															
1. Transfer to surplus reserves	17										1,010,042.19	-155,537,884.34	-153,625,068.97	-11,296,480.31	-164,921,549.28	
Including: Statutory surplus reserve	18											-902,773.18	0.00		0.00	
Discretionary surplus reserve	19															
2. Transfer to general risk reserve	23										1,010,042.19	-1,010,042.19	-153,625,068.97	-11,296,480.31	-164,921,549.28	
3. Distributions to shareholders	24															
4. Others	25															
(V) Transfer within equity	26															
1. Capital reserves converting into share capital	27															
2. Surplus reserves converting into share capital	28															
3. Surplus reserve cover the deficit	29															
4. Changes or equity from the revaluation or adjustment of book value	30															
5. Others	31															
Balance at end of year	32	10,000,000,000.00	-	-	-	20,393,066,559.34	-	11,637,273.57	7,198,314.46	902,773.18	6,109,801.91	3,125,394,917.37	33,544,309,639.83	2,230,065,823.67	35,774,375,463.50	

Legal representative:

Principal in charge of accounting:

Head of accounting department:

Company Statement of Changes in Owners' Equity

Prepared by: Taian Taishan Finance Investment Group Co., Ltd.

Expressed in RMB

Item	Row	Year ended 31/12/2020										
		Paid-in capital	Other equity instruments		Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	△General risk reserve	Undistributed profits	Total owner's equity
Column		1	Preferred shares	Perpetual debts	Other	5	6	7	8	9	11	12
I. Balance at end of previous year	1	10,000,000,000.00	2	3	4	16,780,363,734.02	6	-	902,773.18	-	-86,483,727.03	26,694,782,780.17
Add: Changes in accounting policies	2											-
Correction of errors	3											-
Others	4											-
II. Balance in beginning of year	5	10,000,000,000.00	-	-	-	16,780,363,734.02	-	-	902,773.18	-	-86,483,727.03	26,694,782,780.17
III. Movement over the year("+", "- for decrease)	6		-	-	-	239,000,000.00	-	-	-	-	-92,702,115.90	146,297,884.10
(I) Total comprehensive income for the year	7										177,297,884.10	177,297,884.10
(II) Owner's contributions and decrease of capital	8		-	-	-	239,000,000.00	-	-	-	-	-	239,000,000.00
1.Capital contribution from owner	9		-	-	-	239,000,000.00	-	-	-	-	-	239,000,000.00
2. Increase in owner's equity resulted from other equity instruments	10											-
3. Increase in owner's equity resulted from share-based payments	11											-
4. Others	12											-
(III) Special Reserve	13		-	-	-	-	-	-	-	-	-	-
1. Provision for the year	14											-
2.Use for the year("-")	15											-
(IV) Appropriation of profits	16		-	-	-	-	-	-	-	-270,000,000.00	-270,000,000.00	-270,000,000.00
1. Transfer to surplus reserves	17											-
Including: Statutory surplus reserve	18											-
Discretionary surplus reserve	19											-
2. Transfer to general risk reserve	23											-
3. Distributions to shareholders	24											-
4. Others	25											-
(V) Transfer within equity	26		-	-	-	-	-	-	-	-	-	-
1.Capital reserves converting into share capital	27											-
2.Surplus reserves converting into share capital	28											-
3.Surplus reserves cover the deficit	29											-
4. Changes of equity from the revaluation of defined benefit plan	30											-
5. Others	31											-
IV. Balance at end of year	32	10,000,000,000.00	-	-	-	17,019,363,734.02	-	-	902,773.18	-	-179,185,842.93	26,841,080,664.27

Legal representative:

Principal in charge of accounting:

Head of accounting department:

Company Statement of Changes in Owners' Equity (Continued)

Prepared by: Taian Taishan Finance Investment Group Co., Ltd.		Year ended 31/12/2019										Expressed in RMB	
Item	Row	Paid-in capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	△General risk reserve	Undistributed profits	Total owner's equity
		13	Preferred shares	Perpetual debts	Other	17	18	19	20	21	22	23	24
Column		10,000,000,000.00	14	15	16	16,440,573,770.27				902,773.18		8,500,806.27	26,449,977,349.72
I. Balance at end of previous year	1												
Add: Changes in accounting policies	2												-
Correction of errors	3												-
Others	4												-
II. Balance in beginning of year	5	10,000,000,000.00	-	-	-	16,440,573,770.27	-	-	-	902,773.18	-	8,500,806.27	26,449,977,349.72
III. Movement over the year ("-" for decrease)	6		-	-	-	339,789,963.75	-	-	-	-	-	-94,984,533.30	244,805,430.45
(I) Total comprehensive income for the year	7											-29,863,559.64	-29,863,559.64
(II) Owner's contributions and decrease of capital	8		-	-	-	339,789,963.75	-	-	-	-	-	-	339,789,963.75
1.Capital contribution from owner	9		-	-	-	339,789,963.75	-	-	-	-	-	-	339,789,963.75
2. Increase in owner's equity resulted from other equity instruments	10												-
3. Increase in owner's equity resulted from share-based payments	11												-
4. Others	12												-
(III)Special Reserve	13		-	-	-	-	-	-	-	-	-	-	-
1. Provision for the year	14												-
2.Use for the year ("+")	15												-
(IV) Appropriation of profits	16		-	-	-	-	-	-	-	-	-	-65,120,973.66	-65,120,973.66
1. Transfer to surplus reserves	17		-	-	-	-	-	-	-	-	-	-	-
Including: Statutory surplus reserve	18												-
Discretionary surplus reserve	19												-
2. Transfer to general risk reserve	23												-
3. Distributions to shareholders	24												-
4. Others	25												-
(V) Transfer within equity	26		-	-	-	-	-	-	-	-	-	-65,120,973.66	-65,120,973.66
1.Capital reserves converting into share capital	27												-
2.Surplus reserves converting into share capital	28												-
3.Surplus reserves cover the deficit	29												-
4. Changes of equity from the revaluation of defined benefit plan	30												-
5. Others	31		-	-	-	16,780,363,734.02	-	-	-	902,773.18		-86,483,727.03	26,694,782,780.17
IV. Balance at end of year	32	10,000,000,000.00											

Legal representative:

Principal in charge of accounting:

Head of accounting department:

Company Statement of Changes in Owners' Equity (Continued)

Prepared by: Taian Taishan Finance Investment Group Co., Ltd.

Expressed in RMB

Item	Row	Year ended 31/12/2018												Total owner's equity
		Paid-in capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	△General risk reserve	Undistributed profits		
			Preferred shares	Perpetual debts	Other									
Column	—	13	14	15	16	17	18	19	20	21	22	23	24	
I. Balance at end of previous year	1	300,000,000.00										-1,561,373.13	298,438,626.87	
Add: Changes in accounting policies	2												-	
Correction of errors	3												-	
Others	4												-	
II. Balance in beginning of year	5	300,000,000.00	-	-	-	-	-	-	-	-	-	-1,561,373.13	298,438,626.87	
III. Movement over the year ("+" for decrease)	6	9,700,000,000.00	-	-	-	16,440,573,770.27	-	-	-	902,773.18	-	10,062,179.40	26,151,538,722.85	
(I) Total comprehensive income for the year	7											10,964,952.58	10,964,952.58	
(II) Owner's contributions and decrease of capital	8	9,700,000,000.00	-	-	-	16,440,573,770.27	-	-	-	-	-	-	26,140,573,770.27	
1.Capital contribution from owner	9	9,700,000,000.00				25,740,573,770.27							35,440,573,770.27	
2. Increase in owner's equity resulted from other equity instruments	10												-	
3. Increase in owner's equity resulted from share-based payments	11												-	
4. Others	12												-	
(III) Special Reserve	13	-		-	-	-9,300,000,000.00	-	-	-	-	-	-	-9,300,000,000.00	
1. Provision for the year	14												-	
2.Use for the year("-")	15												-	
(IV) Appropriation of profits	16	-	-	-	-	-	-	-	-	902,773.18	-	-902,773.18	-	
1. Transfer to surplus reserves	17									902,773.18		-902,773.18	-	
Including: Statutory surplus reserve	18												-	
Discretionary surplus reserve	19												-	
2. Transfer to general risk reserve	23												-	
3. Distributions to shareholders	24												-	
4. Others	25												-	
(V) Transfer within equity	26	-		-	-	-	-	-	-	-	-	-	-	
1.Capital reserves converting into share capital	27												-	
2.Surplus reserves converting into share capital	28												-	
3.Surplus reserves cover the deficit	29												-	
4. Changes of equity from the revaluation of defined benefit plan	30												-	
5. Others	31												-	
Balance at end of year	32	10,000,000,000.00	-	-	-	16,440,573,770.27	-	-	-	902,773.18		8,500,806.27	26,449,977,349.72	

Legal representative:

Principal in charge of accounting:

Head of accounting department:

Notes to the Financial Statements

I. Company basic information

Taian Taishan Finance Investment Group Co., Ltd. (hereinafter referred to as the "Company"), a limited liability company funded and established by the Tai'an Finance Bureau, received the "Corporate Legal Person Business License" issued by the Taian Administration for Industry and Commerce on 18 August 2017 and the unified social credit code is 91370900MA3FEE5U82. Registered address is No. 566 Wenquan Road, Taishan District, Taian City, Shandong Province, with a corresponding registered capital of RMB 10 billion. The legal representative of the company is Qin Yuchang.

The company implements the general manager responsibility system under the leadership of the board of directors. According to the "Company Law of the People's Republic of China" and the Company's articles of association, the shareholders' meeting (shareholders' meeting) is the Company's highest authority, and shareholders exercise their voting rights in proportion to their capital contributions. The board of directors is composed of 3 directors and 1 chairman; the board of supervisors is composed of 5 supervisors, including 4 supervisors served by shareholder representatives and 1 supervisor served by employee representatives.

The Company has 1 general manager, 3 deputy general managers, and the following departments and branches: The Party Committee, the Board of Directors, the Board of Supervisors, and the management level consist of the General Department, Human Resources Department, Asset Finance Department, Capital Operation Department and Risk Control Department.

The Company has 5 secondary subsidiaries. Refer to Note VII. (1) Basic information of major subsidiaries in the consolidation for this period for details.

The Company's industry is the business service industry, and the nature of the business is: limited liability company. The major business activities include investment and development in key areas and key industries of the city's economic and social development, capital operations, and investment and financing businesses in accordance with the law. The main business segments include: equity investment, fund management, investment development, capital operation, financial leasing, project construction, etc. Business scope stipulated in enterprise legal person business license: foreign investment with its own funds, state-owned assets operation within the scope of government authorization, investment in urban and rural infrastructure and public service construction projects, land management services within the scope of government authorization, entrusted management of municipal government guidance funds and other financial funds.

The parent company and ultimate controlling party of the Company is the Finance Bureau of Taian City.

The financial statements and notes to the financial statements were approved by the Company's board of directors on 23 April 2021.

II. Basis of preparation of financial statements

The Company has applied the Accounting Standards for Business Enterprises and guidelines, interpretations and other related provisions promulgated by the Ministry of Finance for the preparation of the financial statements of the Company (collectively referred to as Accounting Standards for Business Enterprises).

The financial statements of the Company have been prepared on going concern basis.

III. Statement of compliance with Accounting Standards for Business Enterprises

The financial statements have been prepared in compliance with the Accounting Standard for Business Enterprises to truly and completely reflect the consolidated and Company's financial positions as at 31 December 2018, 2019 and 2020 and the consolidated and Company's operating results and cash flows for the years then ended.

Taishan Finance International Investment Company, a subsidiary included in the scope of consolidation, implemented the "Hong Kong Accounting Standards." The preparation of this financial statements has adjusted the financial statements of Taishan Finance International Investment Company that included in the scope of consolidation in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance and its application guidelines, interpretations and other relevant provisions.

IV. Significant accounting policies and accounting estimates

1. Accounting period

The financial year of the Company is from 1 January to 31 December of each calendar year.

2. Functional currency

The Company's functional and reporting currency is Renminbi ("RMB").

Taishan Finance International Investment Company, a subsidiary of the Company, operates in Hong Kong, and its reporting currency is US dollar ("US\$").

3. Basis of accounting and measurement basis

The Company's financial statements have been prepared on an accrual basis. Except for certain financial instruments, the financial statements are prepared under the historical cost convention. In the event that impairment of assets occurs, a provision for impairment is made accordingly in accordance with the relevant regulations.

4. Business Combination

(1) Business combinations involving enterprises under common control

For the business combinations involving enterprises under common control, assets and liabilities obtained by combining party in the business combination are recognized at their carrying amounts at the date of merger as recorded by the party being combined, except for the items that are adjusted being the accounting policies applied by the absorbing party are inconsistent with those adopted by the party being absorbed. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination is adjusted to capital reserves. If the capital reserve is not sufficient to absorb the difference, any excess is adjusted to retained earnings.

Costs that are directly attributable to the combination are charged to profit or loss when incurred by the combining party.

(2) Business combinations not involving enterprises under common control

For the business combinations not involving enterprises under common control, the combination costs shall be the fair value of the assets paid, the liabilities incurred or assumed and the equity instruments issued by the acquirer in exchange for the control over the acquiree on the acquisition date. Assets, liabilities and contingent liabilities of acquiree are measured at fair value on the acquisition date.

The overhead for the business combination of the combining party, including the expenses for audit, legal services, assessment, and other administrative expenses, shall be recorded in profit or loss for the current period when incurred. The transaction expenses of the equity securities or liability securities issued as the consideration for the combination shall be recorded as the initial recognition amount of the equity securities or liability securities.

For the difference that the combination cost is larger than the portion of fair value of net identifiable assets of acquiree acquired in combination, it is recognized as goodwill, and then measured at cost less accumulated impairment losses; For those with combination cost lower than the portion of fair value of net identifiable assets of acquiree acquired in combination, they are credited to profit or loss for the current period after reviewed.

If the business combination is implemented step-by-step through multiple transactions, the combination costs should be the sum of the consideration paid on the date of purchase and the fair value of the equity held before the date of purchase in the consolidated financial statements. For the shares of the acquiree held prior to the date of purchase, the Company should re-measure the fair value at the purchase date. The difference between the fair value and book value should be recorded in investment income in the current period. If the shares of the acquiree held prior to the date of purchase were related to other comprehensive income, other comprehensive income should be converted to current investment income at the date of purchase except for the other comprehensive income that generated as a result of the invested party remeasured net assets or liabilities changes in defined benefit plan.

Determination of the date of acquisition and disposal of entities not under common control is the day on which the Company obtains or loses the controlling right over the acquired entity.

Determination of fair value of relevant transactions on combination date is mainly relied on the results of assets valuation or other methods in establishing the fair value of relevant transactions at the combination date. The detail recognition method refers to Note IV.34.

5. Basis for preparation of consolidated financial statements

The scope of consolidation for consolidated financial statements includes the Company and all its subsidiaries.

The scope of consolidated financial statements is determined on the basis of control.

Consolidated financial statements shall be prepared by a parent company on the basis of the financial statements of the parent company and its subsidiaries and in accordance with other relevant data. Major accounting policies and accounting periods adopted by the subsidiaries are defined according to the standardized accounting policies and accounting periods stipulated by the Company. The significant transactions and balances between inter-companies should be eliminated.

Where a subsidiary or business has been acquired through a business combination involving enterprises under common control in the reporting period, the subsidiary or business is deemed to be included in the consolidated financial statements from the date they are controlled by the ultimate

controlling party. Their operating results and cash flows are included in the consolidated income statement and consolidated cash flow statement from the date they are controlled by the ultimate controlling party.

The portion of a subsidiary's equity that is not attributable to the parent is treated as minority interests and presented in the consolidated balance sheet within shareholders' equity. The portion of net profit or loss of subsidiaries for the period attributable to minority interests is presented in the consolidated income statement below the "net profit" line item as "minority interests". When the loss of the subsidiary attributable to minority interests is more than minority interests in that subsidiary at beginning of the period, the minority interest shall be reversed by the balance of the loss of the subsidiary attributable to minority interests.

For the transaction of acquiring minority interests of its subsidiaries or disposing part of its subsidiaries' equity without losing control, treated as equity transaction, the book value of shareholder's equity attributed the Company and that of minority interest should be adjusted to reflect the change in the Company's interest in the subsidiaries. Difference between the adjustment of minority interests and the fair value of consideration are adjusted to capital reserve. If the differences exceed capital reserve, retained earnings is adjusted.

When the Company loses control over subsidiary because of disposing part of equity investment or other reasons, the remaining part of the equity investment should be re-measured at fair value at the date when losing control over the subsidiary. A gain or loss is recognized in profit or loss and is calculated by the aggregate of the fair value of consideration received in disposal of the equity investment and the fair value of remaining part of the equity investment, and deduct the share of net assets in proportion to previous shareholding percentage in former subsidiary since acquisition date and the relating goodwill is derecognized.

Other comprehensive income related to the former subsidiary shall be transferred to profit or loss for the current period of disposal, except for those comprehensive incomes arising on the movement of net liabilities or assets in the former subsidiary's re-measurement of defined benefit plan.

If each of the multiple transactions forms part of a bundled transaction which eventually results in the loss of control in the subsidiary, these multiple transactions are accounted for as a single transaction. In the consolidated financial statements, the difference between the consideration received and the corresponding proportion of the subsidiary's net assets (calculated continuously from the acquisition date) in each transaction prior to the loss of control shall be recognized in other comprehensive income and transferred to profit or loss when the parent eventually loses control of the subsidiary.

6. Joint arrangement classification and accounting treatments

A joint arrangement is an arrangement of which two or more parties have joint control. The Company classifies joint arrangements into joint operations and joint ventures.

(1) Joint operations

A joint operation is a joint arrangement whereby the joint operators have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Company recognizes the following items in the relation to its interest in a joint operation, and account for them in accordance with relevant accounting standards:

A. its solely-held assets, and its share of any liabilities incurred jointly;

- B. its solely-assumed liabilities, and 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, and its share of any expenses incurred jointly.

(2) Joint ventures

A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement.

The Company adopts equity method under long-term equity investment in accounting for its investment in joint venture.

7. Cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

8. Foreign currency transactions and translation of foreign currency statement

(1) Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the Company, using the exchange rates prevailing at the dates of the transactions (spot exchange rate).

As at the balance sheet date, monetary items denominated in foreign currency are exchanged to Renminbi ("RMB") by adopting the prevailing exchange rate on that date. Foreign exchange difference arising from the difference between the prevailing exchange rate on that date and the prevailing exchange rate on initial recognition or on the previous balance sheet date are recognized in profit or loss for the current period. Non-monetary items denominated in foreign currency that are measured at historical cost are still measured at amount denominated in reporting currency exchanged at the prevailing exchange rate at the transaction date. Non-monetary items denominated in foreign currency that are measured at fair value are translated using the exchange rate at the date when fair value was determined and the difference between the translated functional currency amount and the prevailing exchange rate on initial recognition or on the previous balance sheet date are recognized in profit or loss for the current period.

(2) Translation of foreign currency statement

At the balance sheet date, when translating the foreign currency financial statements of overseas subsidiaries, the assets and liabilities of the balance sheet are translated to RMB using the spot exchange rate at the balance sheet date. Items of the shareholders' equity, except for "undistributed profits", are translated at the spot exchange rate at the dates on which such items arose.

The revenue and expenses in the income statement are translated using the spot exchange rate at the transaction date.

Items of the cash flow statement are translated using the spot exchange rate when it incurs. Effects arising from changes of exchange rates on cash and cash equivalents are presented separately as

“Effect of changes in exchange rates on cash and cash equivalents” in the cash flow statement.

Differences arising from the translation of financial statements are separately presented as “other comprehensive income” in the shareholders’ equity of the balance sheet.

When the control on foreign operation is lost due to the disposal of foreign operation, exchange differences of foreign currency statements attributable to the shareholders of the parent company related to such foreign operation and presented in the owner’s equity in balance sheet are transferred to profit or loss for the current period.

9. Financial instruments

Financial instruments refer to the contracts of forming enterprise financial assets and other entities’ financial liabilities or equity instruments.

(1) Recognition and measurement of financial instruments

Financial assets are, upon initial recognition, classified into the following four categories: financial assets at fair value through profit or loss (“FVTPL” financial assets), held-to-maturity investments, loans and receivables, available-for-sale financial assets (“AFS” financial assets). Financial assets are initially recognized at fair value. In the case of financial assets at fair value through profit or loss (“FVTPL” financial assets), the related transaction costs are recognized in profit or loss for the current period. For other financial assets, transaction costs that are attributable to the acquisition of the financial assets are included in the initial recognition amounts.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition as at fair value through profit or loss. This kind of financial assets are subsequently measured at fair value, all realized and unrealized gains and losses are recognized in profit or loss for the current period.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method. Gains and losses arising from derecognition, impairment or amortization is recognized in profit or loss for the current period.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market including Bills receivable, account receivables and other receivables (Note IV.11). Receivables are subsequently measured at amortized cost using the effective interest method. Gains and losses arising from derecognition, impairment or amortization is recognized in profit or loss for the current period.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as

available for sale and financial assets other than those above mentioned. AFS financial assets are subsequently measured at fair value, the discount or premium are amortized using the effective interest method and recognized as interest income. The gains and losses arising from changes in fair value of AFS financial assets (other than impairment losses and foreign exchange gains and losses resulted from foreign currency monetary assets which are recognized in profit or loss for the current period) are recognized as other comprehensive income, until the financial assets are derecognized, are transferred to profit or loss for the current period. Interest income and dividends related to the AFS financial assets are recognized as profit or loss for the current period.

(2) Classification and measurement of financial liabilities

On initial recognition, financial liabilities are classified as: financial liabilities at fair value through profit or loss (FVTPL) or other financial liabilities. For financial liabilities not classified as at fair value through profit or loss financial liabilities, the transaction costs are recognized in the initially recognized amount.

Financial liabilities at FVTPL

Financial liabilities at fair value through profit or loss include financial liabilities held for trade and financial liabilities designated as at fair value through profit or loss in the initial recognition. Such financial liabilities are subsequently measured at fair value, all realized and unrealized gains and losses are recognized in profit or loss for the current period.

Other financial liabilities

Derivative financial liabilities which are linked to equity instrument that is not quoted in an active market and its fair value cannot be reliably measured and settled by delivering the equity instrument are subsequently measured at cost. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains and losses arising from derecognition or amortization is recognized in profit or loss for the current period.

Distinction between financial liabilities and equity instruments

A financial liability is recognized if one of the following conditions is satisfied:

- (a) a contractual obligation to deliver cash or another financial asset to another entity;
- (b) a contractual obligation to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company;
- (c) a non-derivative contract that will or may be settled in the Company's own equity instruments and the Company is obliged to deliver a variable number of the Company's own equity instruments;
- (d) a derivative contract that will or may be settled in the Company's own equity instruments, except for a derivative contract that is settled by the exchange of a fixed number of the Company's own equity instruments for a fixed amount of cash or other financial assets.

An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle a contractual obligation, the obligation meets the definition of a financial liability.

If a financial instrument will or may be settled in the Company's own equity instruments, classification of

the instrument depends on whether the Company's own equity instruments work as the replacement of cash or other financial instrument, or represent the investor's residual interest in the Company's assets after deducting all its liabilities. In the former case, the instrument is classified as a financial liability; in the latter case, the instrument is classified as an equity instrument.

(3) Derivative financial instruments and embedded derivative instruments

The Company's derivative financial instrument are initially measured at the fair value of the date a derivative contract entered into and subsequently measured at their fair value. Derivative financial instruments of positive fair value are recognized as assets; those of negative fair value are recognized as liabilities. Any gains or losses arising from changes in fair value which do not meet the requirements of hedge accounting are directly recognized to profit or loss for the current period.

For hybrid instrument with embedded derivative, where financial assets or liabilities not designated as fair value through profit or loss, the economic features and risks of the embedded derivative are not closely related to that of the host contract, and a similar instrument with the same terms as the embedded derivative would meet the definition of a derivative, then embedded derivative is separated from hybrid instrument and accounted for as a derivative. If embedded derivative is unable to measure separately either at acquisition or subsequently at balance sheet date, hybrid instrument as a whole is designated as financial assets or liabilities at fair value through profit or loss.

(4) Impairment of financial assets

The carrying amounts of financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, an impairment loss is recognized. Objective evidence of impairment of financial assets are the matters that occurred after the initial recognition of financial assets which has impact on the expected future cash flows of financial assets, and can be reliably measured by the Company.

Financial asset measured at amortized cost

If there is objective evidence that the financial assets are impaired, then the carrying amount of financial assets are reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred), with the reduced amount recognized to profit or loss for the current period. The present value of estimated future cash flows is carried according to the financial asset's original effective interest rate, and considers the value of collateral.

For a financial asset that is individually significant, the Company assesses the asset individually for impairment, if there is objective evidence that it has been impaired, impairment loss is recognized in profit or loss for the current period. For a financial asset that is not individually significant, it is either assessed individually or included the asset in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. For financial assets not having been individually assessed as impaired (including financial assets no matter it is individually significant or not), the Company performs 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.

If, after an impairment loss has been recognized on financial assets measured at amortized cost, there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. A reversal of an impairment loss will not result in the asset's carrying

amount exceeding that which would have been determined had no impairment loss been recognized in prior years.

Available-for-sale financial assets

If there is objective evidence that AFS financial assets are impaired, accumulated losses due to decreases in fair value previously recognized directly in other comprehensive income are reversed and charged to profit or loss for the current period. The reversed accumulated losses are the asset's initial acquisition costs after deducting amounts recovered and amortized, current fair value and impairment losses previously recognized in profit or loss.

If, in a subsequent period, the fair value of financial assets increases and the increase can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment losses are reversed and charged to profit or loss for the current period. The impairment losses of AFS equity instruments shall not be reversed through profit or loss.

Financial assets measured at cost

If there is objective evidence that the financial assets are impaired, the difference between the carrying amount and the present value discounted at the market rate of return on future cash flows of the similar financial assets shall be recognized as impairment loss in profit or loss. The impairment loss recognized shall no longer be reversed.

(5) Basis for measuring gain or loss on financial assets and financial liabilities

A gain or loss on a financial asset or financial liability classified as at fair value through profit or loss shall be recognized in profit or loss. A gain or loss on an available-for-sale financial asset shall be recognized directly in equity, through the statement of changes in equity, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognized, at which time the cumulative gain or loss previously recognized in equity shall be recognized in profit or loss. However, interest calculated using the effective interest method is recognized in profit or loss. Dividends on an available-for-sale equity instrument are recognized in profit or loss when the entity's right to receive payment is established.

Determination of fair value of financial assets and financial liabilities refers to Note IV.28.

For financial assets and financial liabilities carried at amortized cost with effective interest rate, a gain or loss will be recognized when the financial asset or financial liability is derecognized or impaired. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash flows through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Company considers the future cash flows according to all contractual terms of the financial instrument (but shall not consider future credit losses). The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

On derecognition of a financial asset, the difference between the carrying amount and the consideration received and any cumulative gain or loss that had been recognized directly in other comprehensive income shall be recognized in profit or loss.

If part of a financial asset being considered meeting the conditions for derecognition, the carrying amount of the transferring financial asset shall be allocated based on the relative fair values. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized with other comprehensive income allocated shall be recognized in profit or loss.

(6) Transfer of financial instruments

Transfer of financial assets refers to the transference or deliverance of financial assets to the other party (the transferee) other than the issuer of financial assets.

The Company derecognizes a financial asset if it transfers substantially all the risks and rewards of ownership of the financial asset to the transferee. If substantially all the risks and rewards of ownership of the financial asset is retained, the financial asset is not derecognized.

The Company neither transfers nor retains substantially all the risks and rewards of ownership of financial assets, then accounting for the following circumstances: if control over the financial assets is surrendered, derecognize the financial assets and recognize any assets and liabilities arose; if the Company retains the control of the financial assets, recognize the financial assets to the extent of the continuing involvement in the transferred financial assets by the Company and recognize any relating liability.

(7) Recognition and derecognition of financial instruments

A financial asset or financial liability is recognized when the Company becomes one party of financial instrument contracts.

If one of the following conditions is met, the financial assets are terminated;

- The right of the contract to receive the cash flows of financial assets terminates;
- The financial asset has been transferred, and is in accordance with the following conditions for derecognition.

Transfer of financial assets refers to the transference or deliverance of financial assets to the other party (the transferee) other than the issuer of financial assets.

The Company derecognizes a financial asset if it transfers substantially all the risks and rewards of ownership of the financial asset to the transferee. If substantially all the risks and rewards of ownership of the financial asset is retained, the financial asset is not derecognized.

The Company neither transfers nor retains substantially all the risks and rewards of ownership of financial assets, then accounting for the following circumstances: if control over the financial assets is surrendered, derecognize the financial assets and recognize any assets and liabilities arose; if the Company retains the control of the financial assets, recognize the financial assets to the extent of the continuing involvement in the transferred financial assets by the Company and recognize any relating liability.

If the obligations of financial liability have been discharged in total or in part, derecognize all or part of it. If the Company (debtor) makes an agreement with the creditor to replace the current financial liability of assuming new financial liability which contract provisions are different in substance, derecognize the current financial liability and meanwhile recognize as the new financial liability.

If financial assets are traded in routine, they are recognized and de-recognized on trade date.

(8) Financial assets and financial liabilities offset

When the Company has the legal right to offset the recognized financial assets and financial liabilities, while the legal right is executable currently, and the Company intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, the financial assets and a financial liabilities are offset and the net amount is presented in the balance sheet. Otherwise, financial assets and financial liabilities should be presented separately in the balance sheet and offset is not allowed.

(9) Entrusted loan

The Company calculated the interest receivable in accordance with the entrusted loan principal and the nominal interest rate in the contract at the balance sheet date and the investment income is calculated based on the amortized cost of the entrust loan and effective interest rate (When the effective interest rate is not much different from the nominal interest rate, the nominal interest rate is used, the same in below), the variance is recorded in the entrust loan (Interest adjustment).

The Company performs comprehensive inspection at the balance sheet date whether there were signs of impairment for entrusted loans. If there was objective evidence that the book value of entrusted loan exceeds its recoverable amount, then the variance should be recognized as assets impairment loss and accrued of impairment provision; Calculation of Interest income is based on the amortized cost of entrust loan and the effective interest rate and recognized as investment income, and reduced the impairment provision of entrusted loans. At the same time, the Company registered the interest receivable in accordance with the principal and the nominal interest rate in the contract in off-balance sheet.

10. Receivables

Receivables include bills receivable, accounts receivable and other receivables.

(1) Individually significant receivable and provision for bad and doubtful debts individually

The Company recognizes receivables with an amount of more than RMB 10 million as receivables with individually significant.

Provision method of individual significant amount and separate provision for bad debts: Receivables that are individually significant are subject to separate impairment assessment, if there is objective evidence that the impairment occurred, the provision for bad and doubtful debts is recognized according to the shortfall between the present value of future cash flows and the carrying amount.

For receivables not having been individually assessed as impaired, the Company makes impairment assessment collectively.

- (2) Receivables that are individually insignificant but assessed individually for impairment:

Reasons for provision individually	Individual receivables with insignificant amounts but debtor has financial difficulties or receivables with known recoverability uncertainties are tested individually and provision for bad debts is made.
Method of provision	Individual identification method based on historical experience.

- (3) Receivables that are assessed for impairment by portfolio:

If receivables which are not impaired in individual test (including individually significant and insignificant receivables) and individually insignificant receivables which are not tested separately, provision for bad debts is recognized according to the following portfolios of receivables with similar credit risk characteristics.

Portfolio	Basis of portfolio	Method of provision for bad debts collectively
Ageing portfolio	Ageing status	Ageing analysis
Related party and government current accounts portfolio	Petty cash, deposits, transactions with related parties, receivables from government functional departments	No provision for bad debts

A. for ageing portfolio, the percentage of provision for bad debts in aging analysis method is as follows:

Ageing	Provision ratio for accounts receivable %	Provision ratio for other receivables %
Within 1 year (inclusive of 1 year)	0-5	0-5
1 to 2 years	5-10	5-10
2 to 3 years	20-30	20-30
Over 3 years	50-100	50-100

- (4) For bills receivable, in combination with the credit risk of acceptors, endorsers, drawers and other debtors, bank acceptance bills do not provide for any provision for bad debts. Commercial acceptance bills are provided for provision for bad debts based on the difference between the present value of its future cash flow and its carrying amount. Overdue bills receivable are transferred to accounts receivable, and bad debts shall be accrued according to the policy of accounts receivable.

11. Inventories

- (1) Classification of inventories

Inventories include raw materials, semi-finished goods and work in progress, finished goods, construction engineering, consumptive biological assets, developed products, development cost, low-value consumables and others.

(2) Method for calculating value and amortization of inventories

The Company adopts perpetual inventory system. Inventories are determined at the actual cost when acquired. Raw materials and finished goods are calculated in first-in-first-out method. Low value consumables are expensed when taken for use. Reusable packaging materials are amortized by number of usage and recognized as cost.

Actual cost of developed products includes land-transferring fees, infrastructure and affiliated spending, construction and installation expenditure, the borrowing cost before the completion of property development and other related expenditures. When the completed properties are transferred, the Company uses the specific identification of their individual costs.

Construction contract is measured on actual costs, including both direct and indirect expenses, that attributable to the contract execution, incurred from the date of contract to the date of completion. Presentation of construction contract in balance sheet is being the net amount of cumulative costs incurred and cumulative gross margin (loss) recognized deducting the amount of billings. When the total of cumulative costs incurred and cumulative gross margin (loss) recognized in construction contract is exceeding the amount of billings, the net amount is presented in inventories. When the amount of billings in construction contract is exceeding the total of cumulative costs incurred and cumulative gross margin (loss) recognized, the net amount is presented in advance from customers.

For those travelling expenses and bidding fees arising for obtaining the contract, if the cost can be distinguished and reliable measured and the contract is likely to be concluded, they are included in the contract cost when the contract concluded.

(3) Recognition of provision for decline in value of inventories

If the cost of closing inventory of the Company exceeds its net realizable value at balance sheet date, recognize provision for decline in value of inventories. The Company usually recognizes provision for decline in value of inventories by a single inventory item. 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.

(4) Recognition of the net realizable value for decline in value of inventories

Net realizable value is the estimated selling price less estimated costs to be incurred upon completion, estimated selling expenses and related taxes. When determining the net realizable value of inventory, basis is relied on the actual evidences obtained while the objectives of inventories holding and the impact of post balance sheet date event are also considered.

12. Long-term equity investments

Long-term equity investments refer to equity investments where the Company has control of, or significant influence over, an investee, as well as equity investments in joint ventures. Where the Company can exercise significant influence over the investee, the investee is an associate.

(1) Determination of initial investment cost

Long-term equity investment by merger: For a business combination involving enterprises under common control, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the carrying amount of the owners' equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party at the date of combination; For a

business combination not involving enterprises under common control, the initial investment cost of the long-term equity investment acquired shall be the cost of acquisition. If the business combination is implemented step-by-step through multiple transactions, the cost of the long-term equity investment is the sum of book value of the equity investment of acquiree held before the purchased date and the new investment cost of purchased date.

Long-term equity investment by other method instead of merger: For a long-term equity investment acquired by paying cash, the initial investment cost shall be the actual purchase price paid; For a long-term equity investment acquired by the issue of equity securities, the initial investment cost shall be the fair value of the equity securities issued.

(2) Subsequent measurement and recognition of profit or loss

Where the Company is able to exercise control over an investee, the long-term equity investment is accounted for using the cost method; Where the Company has investment in associates and joint ventures, the long-term equity investment is accounted for using the equity method.

For long-term equity investment which is accounted for using the cost method, investment income is recognized in profit or loss for the current period as the cash dividend or profit announced and distributed, except for those cash dividend or profit which have already included in the actual payment or consideration of offer when the investment was made.

For long-term equity investment which is accounted for using the equity method, where the initial investment cost of a long-term equity investment exceeds the Company's interest in the fair values of the investee's identifiable net assets, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Company's interest in the fair values of the investee's identifiable net assets, the difference is charged to profit or loss for the current period, and the carrying amount of the long-term equity investment is adjusted accordingly.

Under the equity method, the Company shall recognize its share of the investee's net profit or losses, as well as its share of the investee's other comprehensive income, as investment income or losses and other comprehensive income, and adjust the carrying amount of the investment accordingly. The carrying amount of the investment shall be reduced by the portion of any profit distributions or cash dividends declared by the investee that is attributable to the Company. The Company's share of the investee's owners' equity changes, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution, shall be recognized in the Company's equity, and the carrying amount of the long-term equity investment shall be adjusted accordingly. The Company recognizes its share of the investee's net profits or losses based on the fair values of the investee's individual separately identifiable assets at the time of acquisition, after making appropriate adjustments thereto in conformity with the accounting policies and accounting periods of the Company.

When the Company becomes capable of exercising joint control or significant influence (but not control) over an investee due to additional investment or other reasons, the Company shall change to the equity method and use the fair value of the previously-held equity investment, together with additional investment cost, as the initial investment cost under the equity method. Where the previously-held equity investment is classified as available-for-sale financial assets, the differences between the fair value and carrying amount and the accumulated changes in fair value included in other comprehensive income shall be transferred to profit or loss for the current period upon commencement of the equity method.

The unrealized profit or loss from internal transactions entered into between the Company and its associate or joint venture is offset according to the shareholding percentage held by the Company and recognizes as investment income or loss according to such basis. However, the unrealized loss from internal transactions entered into between the Company and its investee is not offset if it belongs to impairment loss from assets transferred.

(3) Basis for recognition of joint control or significant influence over an investee

Control is the Company held the rights in investee and enjoys the changeable return through the participation relevant activities in the investee and has the ability to use the investee's rights to influence the return amount. Subsidiary refers to controlled by the Company (including enterprise, separable parts in investee and structuring bodies controlled by the enterprise, etc.).

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. In assessing whether an enterprise has joint control of an arrangement, the Company shall first assess whether all the parties, a group of the parties, control the arrangement collectively. All the parties, or a group of the parties, control the arrangement collectively when they must act together to direct the relevant activities. Then assess whether decisions about the relevant activities require the unanimous consent of those parties that control the arrangement collectively. When more than one combination of the parties can control an arrangement collectively, joint control does not exist. A party that holds only protective rights does not have joint control of the arrangement.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. When determining whether an investor can exercise significant influence over an investee, the effect of potential voting rights (for example, warrants, share options and convertible bonds) held by the investors or other parties that are currently exercisable or convertible shall be considered.

When the Company, directly or indirectly through subsidiaries, owns 20% of the investee (including 20%) or more but less than 50% of the voting shares, it has significant influence on the investee unless there is clear evidence to show that in this case the Company cannot participate in the production and business decisions of the investee, and cannot form a significant influence. When the Company owns less than 20% of the voting shares, generally it isn't considered to have a significant influence on the investee, unless there is clear evidence to show that in this case the Company can participate in the production and business decisions of the investee so as to form a significant influence.

(4) Disposal of long-term equity investments

On disposal of a long-term investment, the difference between the carrying amount of the investment and the actual consideration paid is recognized in current profit or loss. For a long-term equity investments accounted for using the equity method, when dispose of the investment, same basis shall be adopted as if the investee is dispose relevant assets or liabilities, other comprehensive income shall be accounted for on a pro-rata basis according to the proportion of disposed investment.

When the joint control or significant influence over the invested unit are lost due to disposal of partial equity investment etc., the residual equity after disposal shall be recognized in current profit or loss as the variance between the fair value on the date of joint control or significant influence is lost and book value. Other comprehensive income for the original equity investment confirmed by equity method should, when equity method is terminated for accounting, adopt the same accounting treatment as the investee directly dispose relevant assets or liabilities; the change of other owners' equity related to the

original equity investment shall be transferred into current profit and loss.

When the control over the investee are lost due to disposal of partial equity investment etc., if the residual equity after disposal could exert common control or important influence over the investee, equity method shall be adopted for the accounting, and adjustment shall be made on this partial equity deemed that equity method has been used for accounting since the acquisition; when the residual equity after disposal could not exert common control or important influence over the investee, accounting treatment shall be made according to relevant regulations in Accounting Standard for Business Enterprises No.22-The recognition and measurement of financial instruments, and the difference between the fair value and book value on the date when the control right is lost shall be recorded in the current profit and loss.

(5) Method of impairment testing and impairment provision

For investment of subsidiaries, associates and joint ventures, refer to Note IV.20 for the Company's method of asset impairment.

13. Investment property

Investment property is a property held to earn rentals or for capital appreciation or both. The Company's investment property includes leased land use rights, land use right held for sell after capital appreciation and leased building and construction.

The Company's investment property is initially measured at acquisition cost, and is depreciated or amortized using the according policy as that for fixed assets or intangible assets.

Asset impairment method of investment property subsequently measured using the cost model refers to Note IV.20.

When an investment property is sold, transferred, retired or damaged, the amount of proceeds on disposal of the property net of the carrying amount and related taxes and surcharges is recognized in profit or loss for the current period.

14. Fixed assets

(1) Recognition of fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of services, for rental to others, or for administrative purposes and have useful lives more than one accounting year.

Fixed assets are only recognized when its related economic benefits are likely to flow to the Company and its cost can be reliably measured.

Fixed asset are initially measured at cost.

(2) Fixed assets category and depreciation methods

The Company uses the straight line method for depreciation. Fixed assets begin to be depreciated from the state of intended use, and stop being depreciated when derecognized or classified as held for sale non-current assets. Without considering impairment provision, the Company's annual depreciation rates are shown as follows according to the category, expected useful lives and estimated net residual values rates:

Category	Useful lives	Residual percentage%	Annual depreciation rates%
Houses and buildings	40 years	5	2.38
Machinery and equipment	5-10 years	5	9.50-19.00
Transportation tools	10 years	5	9.50
Electronic equipment and others	5 years	5	19.00

Of which, the impaired fixed assets are deducted the cumulative amount of impairment provision in determination of the depreciation rate.

(3) Impairment testing and the impairment provision of fixed assets refer to Note IV.20.

(4) Determination and measurement of fixed assets under financing lease

A lease that meets one or more of the following criteria shall be recognized as a financial lease:

- a) the lease transfers ownership of the asset to the lessee by the end of the lease term;
- b) the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- c) the lease term is for the major part of the economic life of the asset even if title is not transferred;
- d) at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.
- e) the leased assets are of such a specialized nature that only the lessee can use them without major modifications.

In finance leases, at the commencement of the lease, the Company will recognize the lower of the fair value of leased asset or the present value of minimum lease payments as the book value of the leased asset. Present value of minimum lease payments is recognized as long-term payables. The difference between fair value of lease asset and the present value of minimum lease payments is recognized as future finance charge. For the initial direct costs attributable to the lease incurred by the Company in lease negotiation and signing of the lease contract, such as stamp duty, commission, attorney fee, travelling expenses, negotiation fee, etc. are recognized in the cost of leased assets. Future finance charge is amortized over the lease period by effective interest method and finance expenses are recognized in profit or loss for the current period.

Depreciation of leased assets is based on depreciation policies consistent with their own fixed assets. Where it is possible to reasonably determine that the ownership of the leased assets is obtained at the end of the lease term, depreciation is charged over the life of the leased assets, and if the ownership of the leased assets cannot reasonably be determined when lease expire, the depreciation is charged on the shorter period of the lease term and the life of the leased assets.

(5) The Company reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least at the end of each financial year.

Useful lives of fixed assets are adjusted if they are different with the initial estimates. Estimated net

residual values are adjusted if they are different with the initial estimates.

(6) Overhaul costs

The overhaul costs occurred in regular inspection of fixed assets are recognized in the cost of fixed assets if there is undoubted evidence to confirm that this part meets the recognition criteria of fixed assets, otherwise, the overhaul costs are recognized in profit or loss for the current period. Depreciation continues during the period of regular overhaul.

15. Construction in progress

Construction in progress is recognized based on the actual construction cost, including all expenditures incurred for construction projects, capitalized borrowing costs for the construction in progress before it has reached the working condition for its intended use and other related expenses during the construction period.

Construction in progress is transferred to fixed assets when it has reached the working condition for its intended use.

Provision for impairment of construction in progress refers to Note IV.20.

16. Borrowing costs

(1) Recognition of borrowing costs capitalization

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, they shall be capitalized and included in the cost of related assets. Other borrowing costs are recognized as expenses and recorded in profit or loss for the current period when incurred. Capitalization of such borrowing costs commenced only when all of the following conditions are satisfied:

- ① Expenditures for the asset are being incurred, capital expenditure includes the expenditure in the form of cash payment, transfer of non-cash assets or interest bearing liabilities for the purpose of acquiring or constructing assets eligible for capitalization;
- ② Borrowing costs are being incurred; and
- ③ Activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced.

(2) Borrowing costs capitalization period

Capitalization of such borrowing costs ceases when the qualifying assets being acquired, constructed or produced become ready for their intended use or sale. Borrowing cost incurred after the qualifying assets became ready for their intended use or sale is recognized as an expense when incurred and recorded in profit or loss for the current period.

Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally and when the suspension is for a continuous period of more than 3 months. Borrowing costs continues to be capitalized during the normal suspension period.

17. Biological assets

(1) Criteria of recognition of the biological assets

Biological assets refer to the assets constituted by living animals and plants. Biological assets are recognized only when the Company can satisfy all of the following conditions:

- ① The Company owns or controls the biological asset due to past transactions or events.
- ② The associated economic benefits are likely to flow into the Company ;
- ③ The costs of biological assets can be measured reliably.

(2) Classification of biological assets

Biological assets include Consumable biological assets and productive biological assets.

① Consumable biological assets

Consumable biological assets include biological assets held for sale, or harvested in the future as agricultural products, such as growing landscape tree. Consumable biological assets are initially measured at cost. The cost of consumable biological assets by self-cultivating, constructing, breeding or planting is the necessary expenditure directly attributable to the Consumable biological assets incurred before sell, and including qualifying borrowing costs. The subsequent expenditure for managing, protecting and feeding the consumptive biological assets after is recognized in profit or loss.

When consumptive biological assets are harvested or sold, the cost of consumptive biological assets being harvested or sold is measured by specific identification method.

② Productive biological assets

Productive biological assets include biological assets held for the purpose of producing agricultural products, rendering labor services, renting etc., consisting of the grape vines, cherry trees, etc. Productive biological assets are initially measured at cost. The cost of productive biological assets by self-growing or breeding is the necessary expenditure directly attributable to the productive biological assets incurred before achieving the expected objective of production and operation including qualifying borrowing costs.

The subsequent expenditure for managing, protecting and feeding the productive biological assets after crown closure or achieving the expected objective of production and operation is recognized in profit or loss.

Productive biological assets are depreciated in straight-line method and the Group's annual depreciation rates are shown as follows according to the category, expected useful lives and estimated net residual values rates.

Type of productive biological asset	Useful life(year)	Residual rate%	Annual depreciation rate%
Planting			
① Fruit trees	10	0	10.00

The Company reviews the useful lives, estimated net residual value and depreciation method of biological assets at the end of each year. Any changes are dealt with changes in accounting estimate.

When productive biological asset is sold, shortage, dead or damaged, the amount of proceeds on disposal of the asset deducting the carrying amount and related taxes and surcharges is recognized in profit or loss for the current period.

(3) Impairment of biological assets

If the net realizable value of consumptive biological assets is less than the carrying amount, the difference is recognized as provision for diminution in value and recorded in profit or loss for the current period. When the factors causing the impairment of consumptive biological assets no longer exist, the provision for diminution in value previously made is reversed and the amount being reversed is recognized in profit or loss for the current period.

For the impairment policy of productive biological assets, refer to Note IV.20.

Public welfare biological assets are not impaired.

18. Intangible assets

Intangible assets include land use right, mining rights, franchise rights, software and others, etc.

The Company initially measures the intangible asset at cost, and analyzes and judges its service life when obtained. An intangible asset with a finite useful life is amortized using the method which can reflect the expected realization of economic benefits related to the asset over its expected useful life from when the asset is available for use; an intangible asset whose expected realization can't be reliably determined is amortized using straight-line amortization. An intangible asset with an indefinite useful life is not amortized.

Amortisation method for intangible assets with finite useful lives is as follows:

Category	Useful lives	Amortization method	Note
Land use rights	20-50 years	Straight-line method	To the extend of period in land certificates
Mining rights	30 years	Straight-line method	
Franchise rights	20 years	Straight-line method	
Software and others	2-10 years	Straight-line method	

The Company reviews the finite useful life of an intangible asset and the amortization method at the end of each financial year. A change in the useful life or amortization method used is accounted for as a change in accounting estimate.

If an intangible asset is expected no longer in generating future economic benefits to the Company at the balance sheet date, the carrying amount of the asset is charged to profit or loss for the current period.

Impairment method of intangible assets refers to Note IV.20.

19. Long-term deferred expenses

The company's long-term deferred expenses include: leasehold improvement of fixed assets, renewal of

mining rights, and other temporary facilities.

Long-term deferred expenses are recorded at the actual cost, and amortized evenly over the expected benefit period. For the long-term deferred expense that cannot benefit in future accounting period, their amortized value is recognized in profit or loss for the current period.

20. Impairment of assets

The impairment of subsidiaries, associates and joint ventures in the long-term equity investments, investment property subsequently measured at cost model, fixed assets, construction in progress, productive biological assets, intangible assets and goodwill (excluding inventories, deferred tax assets and financial assets) are determined as follows:

At each balance sheet date, the Company determines whether there may be indication of impairment of the assets, if there is any, the Company will estimate the recoverable amount of the asset, and perform test for impairment. For goodwill arising from a business combination, intangible assets with indefinite useful life and intangible assets that have not reached the usable condition are tested for impairment annually regardless of whether such indication exists.

The recoverable amount of an asset is determined by the higher of the net amount after deducting the disposal costs from the asset's fair value and the present value of the asset's estimated future cash flow. The recoverable amount is estimated of the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company determines the recoverable amount of the asset group to which the asset belongs. The identification of the asset group is based on whether the cash flow generated from the asset group is independent of the major cash inflows from other assets or asset groups.

When the asset or asset group's recoverable amount is lower than its carrying amount, the Company reduces its carrying amount to its recoverable amount, the reduced amount is recorded in profit or loss for the current period and the provision for impairment of assets is recognized.

For tests of goodwill impairment, 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 asset portfolio. Asset group or portfolio of asset group is asset group or portfolio of asset group which can be benefit from synergies of a business combination and is not greater than the reportable segment of the Company.

In impairment testing, if indication of impairment exists in asset group or portfolio of asset group containing allocated goodwill, impairment test is first conducted on 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 asset group or portfolio of asset group containing goodwill is conducted impairment test by comparing its carrying amount and its recoverable amount. If the recoverable amount is less than the carrying amount, impairment loss of goodwill is recognized.

An impairment loss once recognized is not be reversed in subsequent period.

21. Employee benefits

(1) Scope of 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. Benefits provided to the employee's spouse, children, dependents, family members of deceased employees, or other beneficiaries are also employee benefits.

(2) Short-term employee benefits

In the accounting period in which employees have rendered services, the Company recognized the employee wages, bonus, social security contributions according to regulations such as medical insurance, work injury insurance and maternity insurance as well as housing funds as liability, and charged to profit or loss for the current period or cost of relevant assets. If the liability is not expected to be settled wholly in twelve months after the balance sheet date, and the amount is significant, the liability is measured at the discounted amount.

(3) Post-employment benefits

Post-employment benefit plan includes defined contribution plans and defined benefit plans. Defined contribution plans are post-employment benefit plans under which a corporate pays fixed contributions into an escrow fund and will have no further obligation. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The Company only involves in defined contributions plan.

Defined contribution plans

Defined contribution plans include basic pension insurance, unemployment insurance and corporate pension plans etc.

Besides of basic pension insurance, the Group establishes corporate pension plans in accordance with the related policies of corporate pension regulations. Employees can join the pension plan voluntarily. The Group has no other significant commitment of employees' social security.

In the accounting periods which employees rendered services, the amount of defined contribution plan is recognized as liability and charged to profit or loss for the current period or cost of relevant assets.

Defined benefit plan

For defined benefit plans, at annual balance sheet date, independent actuaries use actuarial techniques to make a reliable estimate of the amount of benefit that employees have earned in return for their service in the current and prior periods to determine provided welfare costs for anticipated cumulative unit. Employee compensation costs resulted from the Company's defined benefit plan include the following:

- a) Service costs include current service costs, past service costs and settlement gains or losses. Among them, the current service cost is increase amount of the present value of benefit plan obligations caused by current services that workers provide; the service costs in the past refers to the current value increase or reduced due to the defined benefit plans' modification.
- b) The net amount of interest of defined benefit plan net liabilities or net assets include interest income of plan assets, interest expense of defined benefit plan and the interest impacted by asset limit.
- c) Changes in arising from re-measured net liabilities or net assets of defined benefit plans.

Unless required or permitted by other accounting standards that employee benefits costs are recorded in the cost of assets, a) and b) are recorded in current profit or loss; c) is recorded in other comprehensive income and shall not be reversed to profit or loss in a subsequent accounting period, but the amount recognized in other comprehensive income can be transferred within the scope of equity.

(4) Termination benefits

Termination benefits provided by the Company to employees are recognized as an employee benefits liability and charged to profit or loss for the current period at the earlier of the following dates: the Company can no longer withdraw the offer of those benefits; and the Company recognize costs for a restructuring and involves the payment of termination benefits.

When early retirement scheme is implemented, the financial compensation before the official retirement date belongs to termination benefits. During the date when the employees stop providing services until their normal retirement date, the early retirement wages and social insurance proposed to pay are recorded into current profit and loss at one lump. The financial compensation (such as basic pensions) after the official retirement date are disposed according to post-employment benefits.

(5) Other long-term employee benefits

Other long-term employee benefits provided by the Company to the employees satisfied the conditions for classifying as a defined contributions plan; those benefits are accounted for in accordance with the above requirements relating to defined contribution plan. When the benefits satisfied a defined benefits plan, it is accounted for in accordance with the above requirements relating to defined benefits plan, but the movement of net liabilities or assets in re-measurement of defined benefit plan is recorded in profit or loss for the current period or cost of relevant assets.

22. Bonds payable

The bonds issued by the Company is initially measured at the amount of fair value after deducting transaction costs, and is subsequently measured according to the amortized cost using the effective interest rate method during the life of the bonds.

Interest expenses is directly included in the profit or loss for the current period, except when the conditions for capitalization of borrowing expenses are met.

23. Provisions

A provision is recognized as a liability when an obligation related to a contingency satisfied all of the following conditions:

- (1) The obligation is a present obligation of the Company;
- (2) It is probable that an outflow of economic benefits will be required to settle the obligation;
- (3) The amount of the obligation can be measured reliably.

Provisions are initially measured at the best estimate of the payment to settle the associated obligations and consider the relevant risk, uncertainty and time value of money. If the impact of time value of money is significant, the best estimate is determined as its present value of future cash outflow. The Company reviews the carrying amount of provisions at the balance sheet date and adjusts the carrying amount to

reflect the best estimate.

If all or part of the expenses necessary for settling the provision is expected to be compensated by a third party, the amount of compensation is separately recognized as an asset when it is basically certain to be received. The recognized compensation amount does not exceed the Carrying amount of the provision.

24. Revenue Recognition

(1) Sale of goods

Revenue from the sale of goods is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, the Company retains neither continuing managerial involvement nor effective control over the goods sold, and related income can be measured reliably and the economic benefits are likely to flow to the Company, and the associated costs can be measured reliably.

① Developed products

Sales revenue is recognised when it has been completed and passed the inspection and acceptance, signed a sales contract and fulfilled the obligations stipulated in the contract, that is, the major risks and rewards of the ownership of the developed product are transferred to the purchaser; the company no longer retains the right to continue management that is usually associated with ownership, and no longer exercises effective control over goods sold; the Amount of income can be reliably measured; relevant economic benefits are likely to flow in; and the project costs has incurred or will incurred can be reliably measured,.

② Installment sales

Revenue is recognised on the fair value of receivables of price in contract or agreement, when the developed product has been completed and passed the inspection and acceptance, the installment sales contract has been signed and the obligations stipulated in the contract have been fulfilled, the relevant economic benefits are likely to flow in, and the cost of the developed product can be reliably measured. The difference between the price receivable of contract or agreement and its fair value are amortized using the effective interest method during the contract or agreement period and included in the profit or loss for the current period.

③ Agent construction and engineering business

Revenue is recognised on percentage of completion method when there are irrevocable agent construction contracts signed for the house and project, the economic benefits related to the agent house and project can flow into the enterprise, the completion schedule of the agent house and project can be reliably determined, and the cost of the agent house and project can be determined. When it is reliably measured, the percentage of completion method is used to confirm the realization of operating income.

④ Recognition method of rental income

Rental income is recognised when the relevant rent has been received or evidence of receipt of the payment has been obtained in according to the lease date agreed in the lease contract or agreement (the rent-free period is considered if there is a rent-free period) and the rent amount.

⑤ Recognition method of other revenue

According to the relevant contracts and agreements, the economic benefits related to the transaction are likely to flow into the Company, the amount of revenue can be reliably measured, and the cost incurred or to be incurred related to the revenue can be reliably measured.

(2) Rendering of services

When the result of rendering of services can be measured reliably, the Company recognizes related revenue from services in accordance with the percentage of completion as at the balance sheet date.

The completion progress of rendering service is recognized by service cost incurred as a percentage of estimated total cost.

The result of rendering of services can be estimated reliably when all of the following conditions are satisfied: A) The amount of revenue can be measured reliably; B) The associated economic benefits are likely to flow into the Company; C) The completion progress of the transaction can be measured reliably; D) The costs incurred and to be incurred in the transaction can be measured reliably.

If the result of rendering of service transaction cannot be estimated reliably, revenue from rendering of services is recognized only to the extent of service cost incurred that is recoverable probably, and service cost incurred is charged to profit or loss for the current period. If the service cost incurred is not expected to be recoverable, no revenue is recognized.

(3) Transfer of the right to use assets

Revenue is recognized when the economic benefits related to transfer of the right to use assets can flow in and the amount of revenue can be measured reliably.

(4) Construction contracts

Where the outcome of a construction contract can be estimated reliably at the balance sheet date, revenues and expenses associated are recognized using the percentage of completion method. Where the outcome of a construction contract cannot be estimated reliably, it is treated either: if contract cost is recoverable, contract revenue is recognized on actual contract costs that can be recovered and contract costs incurred is regarded as expenses in the current period. If the contract cost incurred is not recoverable, the contract cost is regarded as expenses and no revenue is recognized.

If the estimated total cost exceeds contract revenue, the Company recognizes estimated loss in profit or loss for the current period.

The completion progress of construction work is recognized by contract cost incurred as a percentage of estimated total contract cost of work performed.

The outcome of a construction contract can be estimated reliably when all of the following conditions are satisfied: a) The amount of contract revenue can be measured reliably; b) The associated economic benefits are likely to flow to the Company; c) The actual contract costs incurred can be distinguished clearly and measured reliably; d) The completion progress of the contract and the costs need to be incurred to complete the contract can be measured reliably.

25. Government grants

Government grant is recognized when prescribed conditions are satisfied and they will be received

without uncertainties.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in form of a transfer of a non-monetary asset, it is measured at fair value. If fair value cannot be reliably determined, it is measured at a nominal amount of RMB 1.

A government grant related to an asset is a grant obtained by the Company for purchase, construction or formation of long-term assets. The grant not related to an asset is classified as government grant related to income.

For government grant with unspecified purpose, the amount of grant used to form a long-term asset or related to an asset is regarded as government grant related to an asset, the remaining amount of grant is regarded as government grant related to income. If it is not possible to distinguish, the amount of grant is treated as government grant related to income.

A government grant related to an asset is recognized as deferred income and amortized to profit or loss over the useful life of the related asset on a reasonable and systematic basis. For a government grant related to income, if the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss for the current period. If the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income, and recognized in profit or loss over the periods in which the related expenses or losses are recognized. Government grants measured at nominal amounts are directly recognized in profit or loss for the period. The Company adopts same treatment for those transactions of similar government grants.

Government grants relating to daily activities, according to the substance of business transaction, it is recorded as other income. If it is not relating to daily activities, it is recorded as non-operating income.

Repayment of a government grant related to an asset, that initially deducted the carrying amount of the asset, is recognized by increasing the carrying amount of the asset; if there exists of the related deferred income balance, then the deferred income balance is reduced by the amount repayable, any excess is charged to profit or loss for the current period. Repayment of a government grant related to other situation, it is directly charged to profit or loss for the current period.

26. Deferred tax assets and deferred tax liabilities

Income tax comprises of current income tax and deferred income tax. Current tax and deferred tax are included in profit or loss for the current period as income tax, other than deferred tax related to transactions or events that are directly recognized in shareholders' equity and arising from business combination should adjust the carrying amount of goodwill.

Temporary differences arising from the difference between the carrying amount of an asset or liability and its tax base are recognized as deferred tax using the balance sheet liability method.

All the taxable temporary differences are recognized as deferred tax liabilities except for those incurred in the following transactions:

(1) Initial recognition of goodwill or initial recognition of an asset or liability in a transaction which is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) when the transaction occurs;

(2) The taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, and the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The Company recognizes a deferred tax asset for the carry forward of deductible temporary differences, deductible losses and tax credits to subsequent periods, to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, deductible losses and tax credits can be utilized, except for those incurred in the following transactions:

(1) The transaction is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) when the transaction occurs;

(2) The deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, the corresponding deferred tax asset is recognized when both of the following conditions are satisfied: it is probable that the temporary difference will reverse in the foreseeable future and it is probable that taxable profits will be available in the future against which the temporary difference can be utilized.

At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, and their tax effect is reflected.

At the balance sheet date, the Company reviews the carrying amount of a deferred tax asset. If it is probable that sufficient taxable profits will not be available in future periods to allow the benefit of the deferred tax asset to be utilized, the carrying amount of the deferred tax asset is reduced. Any such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

27. Leases

(1) Category of Leases

A finance lease is a lease that transfers in substance all the risks and rewards incidental to ownership of an asset (No matter the ownership finally transfer or not). An operating lease is a lease other than a finance lease.

A lease that meets one or more of the following criteria shall be recognized as a financial lease:

a) the lease transfers ownership of the asset to the lessee by the end of the lease term;

b) the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;

c) the lease term is for the major part of the economic life of the asset even if title is not transferred;

d) at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.

e) the leased assets are of such a specialized nature that only the lessee can use them without major modifications.

(2) Accounting treatment for the operating lease as lessee

Rental paid for operating leases is recognized as related asset cost or profit or loss for the current period using the straight-line method over the lease term;

The initial direct costs incurred are recognized in profit or loss for the current period.

The contingent rental is recognized in profit or loss for the current period when it is actually incurred.

(3) Accounting treatment for the finance lease as lessee

In finance leases, at the commencement of the lease, the Company will recognize the lower of the fair value of leased asset or the present value of minimum lease payments as the book value of the leased asset. Present value of minimum lease payments is recognized as long-term payables. The difference between fair value of lease asset and the present value of minimum lease payments is recognized as future finance charge.

For the initial direct costs attributable to the lease incurred by the Company in lease negotiation and signing of the lease contract, such as stamp duty, commission, attorney fee, travelling expenses, negotiation fee, etc. are recognized in the cost of leased assets.

Future finance charge is amortized over the lease period by effective interest method and finance expenses are recognized in profit or loss for the current period.

Depreciation of leased assets is based on depreciation policies consistent with their own fixed assets. Where it is possible to reasonably determine that the ownership of the leased assets is obtained at the end of the lease term, depreciation is charged over the life of the leased assets, and if the ownership of the leased assets cannot reasonably be determined when lease expire, the depreciation is charged on the shorter period of the lease term and the life of the leased assets.

The contingent rental is recognized in profit or loss for the current period when it is actually incurred.

(4) Accounting treatment for the operating lease as lessor

Rental receipt from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

For large amount of initial direct costs incurred, they shall be capitalized and be distributed within the same basic period as the recognized lease income period; for smaller amounts of initial direct costs, they shall be accounted in the current profit or loss when incurring.

The contingent rental is recognized in profit or loss for the current period when it is actually incurred.

Assets leased out under operating leases included in the balance sheet items according to the nature. The depreciation of fixed assets under operating leases is accordance with the depreciation policies on the similar assets of The Company; if another basis is more systematic and rational, that basis may be used.

(5) Accounting treatment for the financing lease as lessor

At the commencement of the lease, the Company will recognize the sum of minimum lease receipt amount and initial direct costs as the recognized amount of finance leases receivable and also recognized the unguaranteed residual value. The difference of carrying amount and the sum of minimum lease receipt amount, initial direct costs and unguaranteed residual value is treated as unrealized financing income. Unrealized financing income is amortized over the lease period by

effective interest method and finance income is recognized in profit or loss for the current period.

Contingent rents are recognized in the profits and losses for current period when they actually arise.

28. Fair value measurement

Fair value is the amount 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 assets and liabilities measured by the Company at fair value include financial assets at fair value through profit or loss and available-for-sale financial assets.

For financial assets or financial liabilities in active markets, the Company uses the quoted prices in active markets as their fair value. If there is no active market, the Company uses valuation technique to determine their fair value. Valuation techniques mainly include the discount cash flow approach and the market approach, etc. Valuation techniques input mainly include the risk-free interest rate, the benchmark interest rate, exchange rate, credit spreads, liquidity premium, lack of liquidity discount, etc.

A fair value measurement of a non-financial asset takes 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 uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs. If the observable inputs are not available or impractical, then unobservable inputs are used.

Financial assets or financial liabilities fair value changes generate the gains or loss, except for hedging, it should follow the below rules:

- a) the realized gains or losses of financial assets or financial liabilities at fair value through profit or loss, should recognize in profit or loss for the current period;
- b) the gains and losses arising from changes in fair value of available-for-sale financial assets, except for impairment loss and exchange difference of foreign currency financial assets, should directly recognize in owner's equity and recognize in profit or loss for the current period when the financial assets disposed.

For assets and liabilities measured or disclosed at fair value in the financial statements, the level in which fair value measurement is categorized is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and Level 3 inputs are unobservable inputs for the asset or liability.

At each balance sheet date, the Company evaluates for assets and liabilities that are measured at fair value on a recurring basis so as to determine any transfer between fair value hierarchies is necessary.

V. Changes in accounting policies, accounting estimates and correction of errors in prior periods

(1) Changes in accounting policies

In December 2019, the Ministry of Finance issued the Accounting Standards for Business Enterprises Interpretation No. 13 (Cai Kuai [2019] No. 21) (hereinafter referred to as the "Interpretation No. 13").

The Interpretation No. 13 modified the three factors constituting a business, specified the determining conditions for businesses, and introduced “concentration test” for purchasers in business combinations under common control when determining whether the operating activities or asset portfolio acquired constitutes a business.

The Interpretation No. 13 clarified that the related parties of an enterprise include the associates and joint ventures of other common member units, including parent companies and subsidiaries, of the group, as well as the associates and joint ventures of investors in joint control of the enterprise.

The Interpretation No. 13 came into effect on 1 January 2020. The Group has applied the prospective application method for the accounting treatment of the above change in accounting policies.

The adoption of Interpretation No. 13 did not have a significant impact on the Company's financial position, operating results and related party disclosures.

(2) Changes in accounting estimates

There is no significant change of accounting estimates during the reporting period.

(3) Correction of prior year errors

There is no correction of prior year error.

VI. TAXATION

(1) Major taxes and rates

Taxes	Tax Basis	Statutory Tax Rates%
Value-added tax	Taxable income	13, 9, 6, 5
Urban maintenance and construction tax	Subject to turnover tax	7
Education surcharge	Subject to turnover tax	3
Local education surcharge	Subject to turnover tax	2
Local water conservancy construction fund	Subject to turnover tax	1
Enterprise income tax	Subject to taxable profit	25

(2) Tax incentives and approval

According to the "Notice of the Ministry of Finance and the State Administration of Taxation on Preferential Tax Policies for Urban and State-Owned Industrial and Mining Shantytown Reconstruction Projects" (Caishui [2010] No. 42), the Company and its subsidiaries are exempted from urban land use tax and stamp duty for certain community reconstruction projects.

VII. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

(1) Basic information of major subsidiaries in the consolidation for this period

No.	Names	Level	Type	Registered place	Place of operation	Business nature	Paid-in capital	Shareholding percentage (%)	Voting right (%)	Investment amount ('0000)	Acquisition method
1	Taian Taishan Investment Co., Ltd.	2	1	Taian	Taian	Infrastructure construction	50000	100.00	100.00	2478880	2
2	Taian Dongyue Financial Investment Co., Ltd.	2	1	Taian	Taian	Investment project management	50000	100.00	100.00	83669	2
3	Shandong Taishan Financial Medical Industry Investment Development Co., Ltd.	2	1	Taian	Taian	Medical industry investment	23119	100.00	100.00	23485	2
4	Taian Dongyue Wealth Equity Investment Fund Co., Ltd.	2	1	Taian	Taian	Stock equity investment	26610	100.00	100.00	41788	2
5	Taian Finance International Investment Company	2	3	Hong Kong	Hong Kong	Overseas investment and financing		100.00	100.00		1

(Note: Enterprise type: 1. Domestic non-financial subsidiary; 2. Domestic financial subsidiary; 3. Overseas subsidiary; 4. Government-affiliated institutions; 5. Capital construction subsidiary)

Acquisition method: 1. Established by incorporation; 2. Business combinations involving enterprises under common control; 3. Business combinations not involving enterprises under common control; 4. Others)

(2) New entities included in the scope of consolidation in the current period

Taishan Finance International Investment Co., Limited was newly established in Hong Kong this year.

Company name	Net assets at year end	Net profit for the year
Taishan Finance International Investment Company	10,461,936.86	-1,851,525.57

VIII. Notes to significant items of the consolidated financial statements

Unless otherwise specified, the amount of the items in the following notes is in RMB; "Beginning of the year" refers to 1 January 2020, "Closing of the year" refers to December 31, 2020, "Prior year" refers to the year 2019, and "Current year" Refers to 2020.

1. Cash and bank balances

Item	Closing balance	Beginning balance
Cash in hand	4,304,809.92	1,325,780.54
Bank balances	9,599,810,425.07	11,146,369,398.96
Other monetary funds	2,534,748,558.12	1,169,135,399.24
Total	12,138,863,793.11	12,316,830,578.74

For details of restricted cash and bank balances, refers to Note VIII. 51 Assets with restricted ownership and use rights.

2. Bills receivable

Category	Closing balance			Beginning balance		
	Book balance	Provision for bad debts	Carrying amount	Book balance	Provision for bad debts	Carrying amount
Bank acceptance bills	27,009,703.67		27,009,703.67	30,216,017.96		30,216,017.96
Total	27,009,703.67		27,009,703.67	30,216,017.96		30,216,017.96

3. Accounts receivable

Category	Closing balance			
	Book balance	Ratio %	Provision for bad debts	Ratio %
Individually significant and subject to separate provision of accounts receivable				
Provision for bad debts collectively as a group based on credit risk characteristics				
Including: Ageing group	394,680,680.69	57.01	92,205,520.47	32.09
Related party and government current account group	288,406,750.03	41.65		
Subtotal	683,087,430.72	98.66	92,205,520.47	
Individually insignificant but provision for bad debts individually	9,288,178.36	1.34	2,392,998.50	25.76
Total	692,375,609.08	100.00	94,598,518.97	

Accounts receivable by category (Continued)

Category	Book balance	Beginning balance		
		Ratio %	Provision for bad debts	Ratio %
Individually significant and subject to separate provision of accounts receivable	-			
Provision for bad debts collectively as a group based on credit risk characteristics	-			
Including: Ageing group	442,520,703.99	83.85	74,919,820.96	16.93
Related party and government current account group	85,230,676.95	16.15		
Subtotal	527,751,380.94	100.00	74,919,820.96	
Individually insignificant but provision for bad debts individually				
Total	527,751,380.94		74,919,820.96	

(1) Provision for bad debts collectively as a group based on credit risk characteristics

a. Provision for bad debts of accounts receivable by ageing analysis method

Ageing	Closing balance			Beginning balance		
	Book balance		Provision for bad debts	Book balance		Provision for bad debts
	Amount	Ratio (%)		Amount	Ratio (%)	
Within 1 year (inclusive 1 year)	166,703,968.80	42.24	8,335,198.44	271,963,431.90	61.31	13,598,171.59
1 to 2 years	136,461,239.53	34.58	13,646,123.96	105,258,639.12	22.86	10,525,863.92
2 to 3 years	26,614,092.87	6.74	5,322,818.58	18,128,559.40	3.51	3,625,711.88
Over 3 years	64,901,379.49	16.44	64,901,379.49	47,170,073.57	12.32	47,170,073.57
Total	394,680,680.69	100.00	92,205,520.47	442,520,703.99	100.00	74,919,820.96

(3) Accounts receivable due from the top 5 debtors at year end

Debtor	Book balance	Proportion to total accounts receivable (%)	Provision for bad debts
Taian City Tianze Investment Operation Group Co., Ltd.	125,552,473.90	18.11	
Shenyang Municipal Group Co., Ltd.	97,642,124.49	14.08	9,474,494.86
Taian City Culai Mountain Scenic Area Management Committee	20,386,692.96	2.94	
Jiangsu Baan Construction Engineering Co., Ltd.	40,000,000.00	5.77	2,000,000.00
Shandong Taishan Shenghua Kangyang Development Co., Ltd.	22,442,239.50	3.24	
Total	306,023,530.85	44.14	11,474,494.86

4. Prepayments

(1) Prepayments by ageing

Ageing	Closing balance		Provision for bad debts	Beginning balance		Provision for bad debts
	Book balance			Book balance		
	Amount	Ratio (%)		Amount	Ratio (%)	
Within 1 year (inclusive 1 year)	2,546,960,671.19	47.68	1,174,082,200.05	23.97		
1 to 2 years	387,438,219.42	9.39	626,354,431.61	12.79		
2 to 3 years	295,227,392.66	5.34	1,229,764,043.18	25.11		
Over 3 years	2,077,044,670.63	37.59	1,867,906,340.12	38.13		
Total	5,306,670,953.90	100.00	4,898,107,014.96	100.00		

(2) Prepayments with ageing over 1 year

Creditor	Debtor	Closing balance	Ageing	Reason of not yet settled
Shandong Taian Tianping Lake Tourism Investment Co., Ltd.	House Demolition Service Center, Daiyue District, Taian City	207,473,199.03	Over 3 years	Contact not finished
Taian City Development Investment Co., Ltd.	Shandong Guangsha Construction Group Co., Ltd.	184,735,272.40	Over 3 years	Contact not finished
Taian Dawenhe Comprehensive Development and Construction Co., Ltd.	Financial Management Center of Zulai Town, Daiyue District	120,926,200.00	Over 3 years	Contact not finished
Taian City Development Investment Co., Ltd.	Taian City Zhou Dian Construction and Installation Engineering Company	108,761,704.37	Over 3 years	Contact not finished
Taian Media Group Co., Ltd.	Shandong Taian Construction Engineering Group Co., Ltd.	55,735,377.57	1 to 2 years, 2 to 3 years, Over 3 years	Contact not finished
Total		677,631,753.37		—

(3) Prepayments due from the top five debtors at year end

Debtor	Book balance	Proportion to total prepayments (%)	Provision for bad debts
House Demolition Service Center, Daiyue District, Taian City	207,473,199.03	3.61	
Shandong Guangsha Construction Group Co., Ltd.	184,735,272.40	3.22	
Financial Management Center of Zulai Town, Daiyue District	120,926,200.00	2.19	
Taian City Zhou Dian Construction and Installation Engineering Company	108,761,704.37	1.89	
Shandong Taian Construction Engineering Group Co., Ltd.	55,735,377.57	3.81	
Total	677,631,753.37	14.72	—

5. Other receivables

Item	Closing balance	Beginning balance
Interest receivable	6,687,402.98	
Dividend receivable	33,000,000.00	33,000,000.00
Other receivables	21,636,477,813.51	15,777,808,421.16
Total	21,676,165,216.49	15,810,808,421.16

(1) Interest receivable

Item	Closing balance	Beginning balance
Loan interest	6,687,402.98	
Total	6,687,402.98	

(2) Dividend receivable

Item	Closing balance	Beginning balance
Dividends receivable with ageing in 1 year		33,000,000.00
Dividends receivable with ageing more than 1 year	33,000,000.00	
Total	33,000,000.00	33,000,000.00

(3) Other receivables

Category	Closing balance			
	Book balance	Ratio %	Provision for bad debts	Ratio %
Individually significant and subject to separate provision of other receivable				
Provision for bad debts collectively as a group based on credit risk characteristics	-		-	
Including: Ageing group	188,913,992.52	0.87	84,833,437.55	28.37
Related party and government current account group	21,458,429,927.52	98.56		
Subtotal	21,647,343,920.04	0.57	84,833,437.55	
Individually insignificant but provision for bad debts individually	123,520,553.31	0.57	49,553,222.29	40.12
Total	21,770,864,473.35	100.00	134,386,659.84	

Other receivables by nature (Continued)

Category	Beginning balance			
	Book balance	Ratio %	Provision for bad debts	Ratio %
Individually significant and subject to separate provision of other receivable				
Provision for bad debts collectively as a group based on credit risk characteristics	-		-	
Including: Ageing group	508,505,913.41	2.51	81,165,998.26	15.96
Related party and government current account group	15,288,662,116.58	96.95		
Subtotal	15,797,168,029.99	99.46	81,165,998.26	
Individually insignificant but provision for bad debts individually	108,255,210.61	0.54	46,448,821.18	42.91
Total	15,905,423,240.60	100.00	127,614,819.44	

① Other receivables that are individually insignificant but provision for bad debts individually

Debtor	Book balance	Provision for bad debts	Ageing	Provision ratio (%)	Reason of provision
Company 1	22,689,509.00	19,331,586.30	Over 3 years	85.20	Low recoverability
Company 2	2,871,363.00	2,871,363.00	Over 3 years	100.00	Low recoverability
Company 3	4,856,025.00	4,856,025.00	Over 3 years	100.00	Low recoverability
Company 4	4,346,025.00	4,346,025.00	Over 3 years	100.00	Low recoverability
Other	88,757,631.31	18,148,222.99	Over 3 years	20.45	Low recoverability
Total	123,520,553.31	49,553,222.29	--	--	--

② Provision for bad debts collectively as a group based on credit risk characteristics

a. Provision for bad debts of other receivables by ageing analysis method

Ageing	Closing balance			Beginning balance		
	Book balance		Provision for bad debts	Book balance		Provision for bad debts
	Amount	Ratio (%)		Amount	Ratio (%)	
Within 1 year (inclusive 1 year)	73,614,313.14	38.97	3,669,483.01	315,078,333.54	61.96	15,513,804.17
1 to 2 years	13,262,372.11	7.02	1,145,493.91	96,618,480.30	19.00	9,140,854.74
2 to 3 years	12,705,579.80	6.73	1,499,129.37	36,899,744.62	7.26	6,478,905.69
Over 3 years	89,331,727.47	47.29	78,519,331.26	59,909,354.95	11.78	50,032,433.66
Total	188,913,992.52	--	84,833,437.55	508,505,913.41	--	81,165,998.26

Other receivables due from the top five debtors at year end

Debtor	Nature	Book balance	Proportion to total other receivables (%)	Provision for bad debts
Taian Keyuan Basic Industry Investment and Construction Co., Ltd.	Current account	350,000,000.00	1.61	
Taian Dianshi Asset Management Co., Ltd.	Current account	300,000,000.00	1.38	
China Communications Fourth Highway Engineering Bureau Co., Ltd.	Current account	189,600,000.00	0.87	
Company 5	Current account	154,000,000.00	0.71	
Company 6	Current account	90,000,000.00	0.41	
Total		1,083,600,000.00	--	

6. Inventories

(1) Inventories by category

Item	Closing balance			Beginning balance		
	Book balance	Provision for decline in value	Carrying amount	Book balance	Provision for decline in value	Carrying amount
Raw materials	52,526,012.68		52,526,012.68	70,284,319.41		70,284,319.41
Semi-finished goods and work-in-process	2,364,408.91		2,364,408.91	2,353,375.44		2,353,375.44
Finished goods	335,785,394.79		335,785,394.79	103,625,834.50		103,625,834.50
Construction engineering	13,623,282,008.01		13,623,282,008.01	13,909,577,161.26		13,909,577,161.26
Consumptive biological assets	16,699,563.41		16,699,563.41	14,642,514.31		14,642,514.31
Developed products	334,662,047.89		334,662,047.89	659,552,632.93		659,552,632.93
Development costs	49,813,583,835.28		49,813,583,835.28	43,455,682,310.75	1,540,000.00	43,454,142,310.75
Low value consumables and others	5,435,226.30		5,435,226.30	10,926,873.40		10,926,873.40
Total	64,184,338,497.27		64,184,338,497.27	58,226,645,022.00	1,540,000.00	58,225,105,022.00

(2) Provision for decline in value of inventories

Category	Beginning balance	Increase			Decrease		Closing balance
		Provision	Other	Reversal	Write-off	Other	
Development costs	1,540,000.00				1,540,000.00		
Total	1,540,000.00				1,540,000.00		

7. Other current assets

Item	Closing balance	Beginning balance
------	-----------------	-------------------

Deductible input VAT	538,039,036.12	428,621,195.60
Prepaid taxes	567,172,808.26	560,831,781.15
Security deposits	242,667,532.73	206,975,069.28
Financial products and others	388,227,174.25	375,292,814.00
Total	1,736,106,551.36	1,571,720,860.03

8. Available-for-sale financial assets

(1) Information of available-for-sale financial assets

Item	Closing balance			Beginning balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Available-for-sale debt instruments	100,000,000.00		100,000,000.00	100,000,000.00		100,000,000.00
Available-for-sale equity instruments	7,343,175,099.00		7,343,175,099.00	6,602,259,831.23		6,602,259,831.23
measured at fair value	2,169,184,831.17		2,169,184,831.17	2,182,550,003.77		2,182,550,003.77
measured at cost	5,173,990,267.83		5,173,990,267.83	4,419,709,827.46		4,419,709,827.46
Other						
Total	7,443,175,099.00		7,443,175,099.00	6,702,259,831.23		6,702,259,831.23

9. Long-term receivables

Item	Closing balance			Beginning balance		
	Book balance	Provision for bad debts	Carrying amount	Book balance	Provision for bad debts	Carrying amount
Financing leases receivable	3,374,426,072.27	176,396,167.67	3,198,029,904.60	3,133,988,009.86	127,719,744.19	3,006,268,265.67
Others	1,182,004,037.57		1,182,004,037.57	1,446,042,716.05		1,446,042,716.05
Subtotal	4,556,430,109.84	176,396,167.67	4,380,033,942.17	4,580,030,725.91	127,719,744.19	4,452,310,981.72
Less: Long-term receivables due within 1 year						
Total	4,556,430,109.84	176,396,167.67	4,380,033,942.17	4,580,030,725.91	127,719,744.19	4,452,310,981.72

10. Long-term equity investment

(1) Long-term equity investment by category

Item	Beginning balance	Increase	Decrease	Closing balance
Investment in associates	3,341,176,008.36	920,543,886.66	340,781,360.70	3,920,938,534.32
Less: Provision for impairment of long-term equity investment				
Total	3,341,176,008.36	920,543,886.66	340,781,360.70	3,920,938,534.32

(2) Details of long-term equity investments

Investee	Investment cost	Beginning balance	Movement in the year						Closing balance	Closing balance of provision for impairment	
			Increase	Decrease	Investment gain or loss recognized under equity method	Adjustment for other comprehensive income	Other equity movement	Cash dividend or profit declared			Impairment
Associates											
Shandong Huistang Emergency On-lending Fund Co., Ltd.	99,900,000.00		99,900,000.00							99,900,000.00	
Taian Taiyue Tourism Technology Co., Ltd.	80,000,000.00	22,174,825.10			-22,174,825.10					0.00	
Taian Aerospace Special Vehicle Co., Ltd.	80,000,000.00	89,558,777.08			4,784,563.24			137,362.32		94,480,702.64	
Shandong Yuntian Security Big Data Technology Co., Ltd.	3,900,000.00	3,900,000.00			44,554.84			14,300,000.00		18,244,554.84	
Taian Bank Co., Ltd.	840,335,000.00	1,747,858,429.57			120,541,995.72		-19,634,942.08			1,848,765,483.21	
Shandong Cailin Technology Business Incubator Co., Ltd.	13,760,000.00		13,760,000.00		-214,420.41					13,545,579.59	
Jinan Pingyin Hong Kong and China Gas Co., Ltd.		326,050,156.46							-227,977,133.53	98,073,022.93	
Taian PetroChina Huaqi Natural Gas Utilization Co., Ltd.		6,000,000.00							8,700,000.00	14,700,000.00	
Taian Kunlun Knight Natural Gas Co., Ltd.		14,700,000.00							-4,500,000.00	10,200,000.00	
Taian Gangxin Gas Co., Ltd.		7,800,000.00							2,200,000.00	10,000,000.00	
Laiwu PetroChina Kunlun Gas Co., Ltd.		11,231,337.06								11,231,337.06	
Taian Kunlun LNG Co., Ltd.		10,000,000.00								10,000,000.00	

Investee	Investment cost	Beginning balance	Movement in the year						Closing balance	Closing balance of provision for impairment
			Increase	Decrease	Investment gain or loss recognized under equity method	Adjustment for other comprehensive income	Other equity movement	Cash dividend or profit declared	Impairment	Others
Wenchang CNPC Cathay Gas Co., Ltd.		3,067,723.27								2,932,276.73
Taian Aguis Pipeline Engineering Co., Ltd.		9,450,000.00								9,450,000.00
Lin Gaozhong Oil Cathay Pacific Gas Co., Ltd.		2,000,000.00								2,000,000.00
Feicheng Taixi Natural Gas Co., Ltd.		78,440,884.40								0.00
Taian Tongyu Private Capital Management Co., Ltd.		7,256,453.80					-7,256,453.80			0.00
Shandong Gangran Economic and Trade Co., Ltd.		500,000.00								500,000.00
Taian Aguis Pipeline Engineering Co., Ltd.										5,939,322.58
Ant Energy Service (Taian) Co., Ltd.			1,960,000.00							1,960,000.00
Taian Dongfeng Jitai Investment Development Co., Ltd.	6,000,000.00	4,875,718.37	15,098,660.00							19,974,378.37
Taian Taiwen Engineering Construction Co., Ltd.	80,275,000.00	80,275,000.00								80,275,000.00
Taian Huitong Engineering Management Service Co., Ltd.	4,000,000.00		4,000,000.00							4,000,000.00
Shandong Caijin Urban Development Investment Co., Ltd.	40,000,000.00		40,000,000.00							40,000,000.00
Shandong Huaining Mining Group Co., Ltd.	81,509,001.08	72,422,488.35								72,422,488.35

Investee	Investment cost	Beginning balance	Movement in the year						Closing balance	Closing balance of provision for impairment	
			Increase	Decrease	Investment gain or loss recognized under equity method	Adjustment for other comprehensive income	Other equity movement	Cash dividend or profit declared			Impairment
Shanxi Central and Southern Railway Construction Project	71,000,000.00	71,000,000.00								71,000,000.00	
Shandong Rongda Pharmaceutical Co., Ltd.	1,380,000.00	1,380,000.00								1,380,000.00	
Baosheng (Shandong) Cable Co., Ltd.	24,000,000.00	26,637,920.00								26,637,920.00	
Shandong Haijun Construction Engineering Co., Ltd.	24,000,000.00	24,000,000.00								24,000,000.00	
Shandong Luju Construction Development Co., Ltd.	40,000,000.00	40,000,000.00								40,000,000.00	
Ningyang County Huijin Emergency On-lending Fund Co., Ltd.	30,000,000.00		30,000,000.00							30,000,000.00	
Taian City Finance Construction Investment Co., Ltd.	40,000,000.00	40,000,000.00	5,000,000.00							45,000,000.00	
Shandong Taishan Finance Financial Leasing Co., Ltd.	206,780,000.00	206,780,000.00			2,928,392.49					209,708,392.49	
Litai Taishan Venture Dream Factory Investment Co., Ltd.	30,000,000.00	24,566,324.77			-246,474.10					24,319,850.67	
Zhongyin Taian Financial Leasing Co., Ltd.	478,000,000.00	332,909,762.20	178,000,000.00		1,858,633.97					512,768,396.17	
Taian Smart City Construction Co., Ltd.	4,900,000.00	4,900,000.00			-1,596,373.72					3,303,626.28	

Investee	Investment cost	Beginning balance	Movement in the year						Closing balance	Closing balance of provision for impairment
			Increase	Decrease	Investment gain or loss recognized under equity method	Adjustment for other comprehensive income	Other equity movement	Cash dividend or profit declared	Impairment	Others
Taian City Taoshangong Culture Communication Co., Ltd.	10,200,000.00	10,200,000.00			71,756.03					10,271,756.03
Shandong Taian Xinhuijin International Business Group Co., Ltd.	4,000,000.00	2,000,000.00	2,000,000.00		204,989.81					4,204,989.81
Shandong Baichuan Biopharmaceutical Co., Ltd.	336,000,000.00		336,000,000.00							336,000,000.00
Taian Beihang Science and Technology Park Information Technology Co., Ltd.	2,450,000.00	1,570,894.15								1,570,894.15
Taian Beisheng Kangan Equity Investment Fund Partnership (Limited Partnership)	55,000,000.00	10,503,501.03	74,500,000.00	30,000,000.00	-76,806.32					54,926,694.71
China Resources Taian Pharmaceutical Co., Ltd.	31,189,282.59	47,165,812.75	7,018,331.69							54,184,144.44
Total	2,718,578,283.67	3,341,176,008.36	807,236,991.69	30,000,000.00	106,125,986.45	-19,634,942.08	7,180,908.52		-291,146,418.62	3,920,938,534.32

(3) Principal financial information of significant joint ventures

Item	Taian Bank Co., Ltd.		Shandong Taishan Finance Financial Leasing Co., Ltd.		Taian Aerospace Special Vehicle Co., Ltd.	
	Closing balance	Beginning balance	Closing balance	Beginning balance	Closing balance	Beginning balance
Current assets	10,516,385,918.08	9,784,422,158.79	951,824,456.81	427,567,784.35	3,587,614,768.12	3,366,833,589.52
Non-current assets	71,164,030,342.49	55,948,588,524.37	163,275,707.54		799,528,803.53	823,958,465.56
Total assets	81,680,416,260.57	65,733,010,683.16	1,115,100,164.35	427,567,784.35	4,387,143,571.65	4,190,792,055.08
Current liabilities	73,693,610,579.16	58,999,916,036.27	637,149,207.15	6,000,000.00	2,992,627,521.61	2,901,109,521.83
Non-current liabilities	1,824,853,920.76	907,499,731.70	50,000,000.00		558,391,297.00	516,984,655.99
Total liabilities	75,518,464,499.92	59,907,415,767.97	687,149,207.15	6,000,000.00	3,551,018,818.61	3,418,094,177.82
Net assets	6,161,951,760.65	5,825,594,915.19	427,950,957.20	421,567,784.35	836,124,753.03	772,697,877.26
Share of net assets share calculated by shareholding ratio	1,848,585,528.20	1,748,261,034.05	209,695,969.03	206,568,214.33	64,883,280.84	59,961,355.28
Adjustment						
Carrying value of equity investment in joint venture	1,848,585,528.20	1,748,261,034.05	209,695,969.03	206,568,214.33	64,883,280.84	59,961,355.28
Fair value of equity investments with public quotations						

Continued:

Item	Taian Bank Co., Ltd.		Shandong Taishan Finance Financial Leasing Co., Ltd.		Taian Aerospace Special Vehicle Co., Ltd.	
	Current year	Prior year	Current year	Prior year	Current year	Prior year
Operating income	1,926,582,096.63	1,676,617,279.37	36,810,563.45		1,827,886,694.88	1,817,965,708.07
Net profit	401,806,652.40	509,874,516.56	6,383,172.85	-406,861.65	61,656,742.79	107,435,051.87
Other comprehensive income	-65,449,806.94	40,294,514.64				
Total comprehensive income	336,356,845.46	550,169,031.20	6,383,172.85	-406,861.65	-65,449,806.94	40,294,514.64
Dividends received by the Company from joint venture in the current period						

11. Investment properties

Item	Beginning balance	Increase		Decrease		Closing balance
		Purchase	Transfer from self-use property or inventories	Disposal	Transfer to self-use property	
1. Total book value	114,683,035.08	563,379,149.48		19,104,454.67		658,957,729.89
1. Houses and buildings	107,436,720.19	563,379,149.48		19,104,454.67		651,711,415.00

Item	Beginning balance	Increase		Decrease		Closing balance
		Purchase	Transfer from self-use property or inventories	Disposal	Transfer to self-use property	
2. Land use rights	7,246,314.89					7,246,314.89
2. Total accumulated depreciation and amortization Total	43,951,089.75	4,898,753.77		5,261,255.20		43,588,588.32
1. Houses and buildings	42,169,814.56	4,730,885.51		5,261,255.20		41,639,444.87
2. Land use rights	1,781,275.19	167,868.26				1,949,143.45
3. Total net book value	70,731,945.33	558,480,395.71		13,843,199.47		615,369,141.57
1. Houses and buildings	65,266,905.63					610,071,970.13
2. Land use rights	5,465,039.70					5,297,171.44
4. Total provision of impairment						
1. Houses and buildings						
2. Land use rights						
5. Total carrying amount	70,731,945.33					615,369,141.57
1. Houses and buildings	65,266,905.63					610,071,970.13
2. Land use rights	5,465,039.70					5,297,171.44

Note: ① The depreciation and amortization for the year is RMB 4,898,753.77.

② The carrying amount of the investment properties that has not completed the property right certificate is RMB 558,249,046.92. The reason is due to the final accounts have not been completed.

12. Fixed assets

Item	Carrying value at year end	Carrying value in beginning of year
Fixed assets	4,134,051,061.93	4,011,692,672.11
Fixed assets for disposal	148,020.00	4,905.66
Total	4,134,199,081.93	4,011,697,577.77

(1) Information of fixed assets

Item	Beginning balance	Increase	Decrease	Closing balance
1. Total book value	5,581,728,794.92	517,664,525.01	97,952,225.82	6,001,441,094.11
Include: Land and buildings	1,840,368,228.90	172,010,014.30	76,626,296.41	1,935,751,946.79
Machinery & equipment	3,475,394,333.82	299,602,398.81	17,234,382.89	3,757,762,349.74
Transportation tools	93,926,260.49	17,558,614.78	1,920,465.29	109,564,409.98
Electronic equipment and others	172,039,971.71	28,493,497.12	2,171,081.23	198,362,387.60
2. Total accumulated depreciation	1,570,036,122.81	310,981,580.95	20,706,876.86	1,860,310,826.90
Include: Land and buildings	275,112,898.73	68,772,873.26	694,221.69	343,191,550.30

Item	Beginning balance	Increase	Decrease	Closing balance
Machinery & equipment	1,149,567,896.11	198,252,586.03	16,213,349.69	1,331,607,132.45
Transportation tools	47,485,535.29	16,125,701.75	1,671,229.47	61,940,007.57
Electronic equipment and others	97,869,792.68	27,830,419.91	2,128,076.01	123,572,136.58
3. Total Net book value	4,011,692,672.11	206,682,944.06	77,245,348.96	4,141,130,267.21
Include: Land and buildings	1,565,255,330.17	--	--	1,592,560,396.49
Machinery & equipment	2,325,826,437.71	--	--	2,426,155,217.29
Transportation tools	46,440,725.20	--	--	47,624,402.41
Electronic equipment and others	74,170,179.03	--	--	74,790,251.02
4. Total provision of impairment		7,079,205.28		7,079,205.28
Include: Land and buildings		7,079,205.28		7,079,205.28
Machinery & equipment				
Transportation tools				
Electronic equipment and others				
5. Total carrying amount	4,011,692,672.11	--	--	4,134,051,061.93
Include: Land and buildings	1,565,255,330.17	--	--	1,585,481,191.21
Machinery & equipment	2,325,826,437.71	--	--	2,426,155,217.29
Transportation tools	46,440,725.20	--	--	47,624,402.41
Electronic equipment and others	74,170,179.03	--	--	74,790,251.02

Note: The carrying amount of fixed assets that has not completed the property right certificate is RMB 408,273,295.33, and the property right certificate is being processed.

(2) Fixed assets for disposal

Item	Carrying value at year end	Carrying value in beginning of year	Reason for transfer as disposal
Billboard	148,020.00		To be scrapped
Transportation tools		4,905.66	To be scrapped
Total	148,020.00	4,905.66	--

13. Construction in progress

Item	Closing balance			Beginning balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Construction in progress	15,554,120,972.72		15,554,120,972.72	12,948,199,073.24		12,948,199,073.24
Construction materials	20,936,888.22		20,936,888.22	233,083,461.50		233,083,461.50
Total	15,575,057,860.94		15,575,057,860.94	13,181,282,534.74		13,181,282,534.74

(1) Construction in progress

① Information of construction in progress

Item	Closing balance			Beginning balance		
	Book balance	Provi sion for impa irment	Carrying amount	Book balance	Provi sion for impa irment	Carrying amount
Urban infrastructure projects	6,991,032,092.99		6,991,032,092.99	6,991,032,092.99		6,991,032,092.99
Lingshan Street Treatment Project	364,230,232.37		364,230,232.37	364,230,232.37		364,230,232.37
Comprehensive renovation project of urban water network environment	929,137,284.50		929,137,284.50	929,137,284.50		929,137,284.50
Cultural and Art Center Construction Project	515,108,081.48		515,108,081.48	515,108,081.48		515,108,081.48
Tianping Lake Comprehensive Treatment Project	659,266,730.47		659,266,730.47	574,019,686.93		574,019,686.93
Urban road construction and renovation project	2,124,372,420.50		2,124,372,420.50	2,124,372,420.50		2,124,372,420.50
Five projects around Taishan Road, hiking trails, and supporting parking lots	332,587,077.19		332,587,077.19	332,587,077.19		332,587,077.19
Taian City Urban Water Pipe Network Project	367,927,220.01		367,927,220.01	199,187,772.60		199,187,772.60
Pipeline modification	310,521,994.08		310,521,994.08	328,383,460.33		328,383,460.33
Gas supporting project	239,378,810.75		239,378,810.75	193,598,434.00		193,598,434.00
Taishan Cultural Tourism Fitness Center	1,108,859,409.46		1,108,859,409.46			
Dongping Xutandong Building Stone Material Factory	40,420,556.63		40,420,556.63	57,766,043.01		57,766,043.01
Tourist Service Center	63,487,207.55		63,487,207.55	57,055,445.74		57,055,445.74
High Speed Rail Hospital Phase II	840,706,845.64		840,706,845.64	47,660,080.23		47,660,080.23
Shigandang Cultural Tourism Zone	247,036,794.64		247,036,794.64			
Others	420,048,214.46		420,048,214.46	234,060,961.37		234,060,961.37
Total	15,554,120,972.72		15,554,120,972.72	12,948,199,073.24		12,948,199,073.24

② Movement of significant construction in progress

Item	Budget	Beginning balance	Additions	Transfer to fixed assets	Other deduction	Closing balance
Urban infrastructure projects		6,991,032,092.99				6,991,032,092.99
Urban road construction and renovation project		2,124,372,420.50				2,124,372,420.50
Taishan Cultural Tourism Fitness Center			1,108,859,409.46			1,108,859,409.46
Tianping Lake Comprehensive Treatment Project		574,019,686.93	85,247,043.54			659,266,730.47

Item	Budget	Beginning balance	Additions	Transfer to fixed assets	Other deduction	Closing balance
Comprehensive renovation project of urban water network environment		929,137,284.50				929,137,284.50
Cultural and Art Center Construction Project		515,108,081.48				515,108,081.48
Taian City Urban Water Pipe Network Project		199,187,772.60	203,918,653.04	33,034,991.88	2,144,213.75	367,927,220.01
Total		11,332,857,339.00	1,398,025,106.04	33,034,991.88	2,144,213.75	12,695,703,239.41

(2) Construction materials

Item	Closing balance	Beginning balance
Special materials	20,936,888.22	233,083,461.50
Total	20,936,888.22	233,083,461.50

14. Productive biological assets

Item	Carrying value in beginning of year	Increase	Decrease	Carrying value at year end
1. Planting	13,091,410.54		1,248,235.83	11,843,174.71
2. Livestock breeding				
3. Forestry				
4. Aquatic industry				
Total	13,091,410.54		1,248,235.83	11,843,174.71

15. Intangible assets

Item	Beginning balance	Increase	Decrease	Closing balance
I. Total book amount	2,442,982,168.23	7,441,029.32	4,440,867.83	2,445,982,329.72
Including: Land use rights	1,029,299,734.57	3,924,300.00	4,440,867.83	1,028,783,166.74
Software use rights	51,829,900.77	1,252,942.76		53,082,843.53
Mining rights	519,605,508.55			519,605,508.55
Franchise rights	826,515,288.89			826,515,288.89
Others	15,731,735.45	2,263,786.56		17,995,522.01
II. Total accumulated amortization	430,781,610.34	63,106,373.88	225,434.99	493,662,549.23
Including: Land use rights	137,420,333.18	25,414,228.16	221,951.99	162,612,609.35
Software use rights	5,861,007.65	10,665,159.07	3,483.00	16,522,683.72
Mining rights	14,230,900.30	1,674,223.56		15,905,123.86
Franchise rights	262,404,988.70	23,854,760.00		286,259,748.70
Others	10,864,380.51	1,498,003.09		12,362,383.60

Item	Beginning balance	Increase	Decrease	Closing balance
III. Total provision for impairment				
Including: Land use rights				
Software use rights				
Mining rights				
Franchise rights				
Others				
IV. Total carrying amount	2,012,200,557.89			1,952,319,780.49
Including: Land use rights	891,879,401.39			866,170,557.39
Software use rights	45,968,893.12			36,560,159.81
Mining rights	505,374,608.25			503,700,384.69
Franchise rights	564,110,300.19			540,255,540.19
Others	4,867,354.94			5,633,138.41

16. Long-term deferred expenses

Item	Beginning balance	Increase	Amortization for the year	Others deduction	Closing balance	Reason of other decrease
Early stage cost of the mine	16,938,821.74	10,947,610.55	757,385.54		27,129,046.75	
Road amortization in mining area	22,866,564.32		5,838,271.74		17,028,292.58	
Heat supply related assets transformation	18,647,324.02	10,191,630.56	4,775,676.84		24,063,277.74	
Renovation costs	21,817,095.01	22,309,131.52	10,719,222.77		33,407,003.76	
Rental fees	32,160,614.19	591,964.17	7,430,572.90		25,322,005.46	
Others	10,110,735.89	1,497,992.67	3,828,348.59		7,780,379.97	
Total	122,541,155.17	45,538,329.47	33,349,478.38		134,730,006.26	

17. Deferred tax assets and deferred tax liabilities

Item	Closing balance		Beginning balance	
	Deferred tax assets or liabilities	Deductible or taxable timing differences	Deferred tax assets or liabilities	Deductible or taxable timing differences
I. Deferred tax assets				
Provisions for impairment of assets	47,761,024.05	191,044,096.20	23,387,209.46	93,548,837.79
Start-up costs				
Deductible tax loss				
Subtotal	47,761,024.05	191,044,096.20	23,387,209.46	93,548,837.79
II. Deferred tax liabilities				

Item	Closing balance		Beginning balance	
	Deferred tax assets or liabilities	Deductible or taxable timing differences	Deferred tax assets or liabilities	Deductible or taxable timing differences
Changes in fair value of available for sale financial assets accounted in other comprehensive income	216,641,013.66	866,564,054.64	219,982,306.81	879,929,227.24
Subtotal	216,641,013.66	866,564,054.64	219,982,306.81	879,929,227.24

18. Other non-current assets

Item	Closing balance	Beginning balance
Asset securitization	32,618,100.00	90,115,900.00
Foreclosed assets and others	3,471,870.00	3,471,870.00
Total	36,089,970.00	93,587,770.00

19. Short-term loans

(1) Short-term loans by category

Category	Closing balance	Beginning balance
Pledge loans	200,000,000.00	501,100,000.00
Mortgage loans	750,000,000.00	300,000,000.00
Guarantee loans	2,316,968,000.00	3,021,000,000.00
Unsecured loans	1,810,000,000.00	616,553,303.86
Total	5,076,968,000.00	4,438,653,303.86

20. Bills payable

Category	Closing balance	Beginning balance
Commercial acceptance bills	380,000,000.00	659,204,145.00
Bank acceptance bills	2,382,280,000.00	1,022,397,510.65
Total	2,762,280,000.00	1,681,601,655.65

21. Accounts payable

Ageing	Closing balance	Beginning balance
Construction fees	685,032,078.39	606,003,458.94
Service fees	39,543,021.20	22,037,385.21
Purchase of goods	396,724,695.73	422,018,551.87
Others	45,883,081.09	191,031,181.62
Total	1,167,182,876.41	1,241,090,577.64

Significant accounts payable for aging over 1 year

Creditor	Closing balance	Reason of outstanding
Taian Aguis Pipeline Engineering Co., Ltd.	23,728,506.39	Pending for settlement
Zhejiang Dongyang Third Construction Engineering Co., Ltd.	20,070,000.00	Project not finished
Fangcun Town Financial Management Center, Daiyue District, Taian City	15,000,000.00	Pending for settlement
Shandong Taishan Puhui Construction Engineering Co., Ltd.	14,130,000.00	Project not finished
China Metallurgical Communications Construction Group Co., Ltd.	13,158,187.00	Pending for settlement
Total	86,086,693.39	--

22. Advances from customers

Ageing	Closing balance	Beginning balance
Sale of goods	56,884,842.66	21,138,586.93
Construction fees	561,691,178.86	721,752,848.59
Sales of house	9,981,387,684.97	8,267,030,457.62
Others	449,101,837.78	406,632,007.38
Total	11,049,065,544.27	9,416,553,900.52

23. Employee benefits payable

(1) Employee benefits payable

Item	Beginning balance	Increase	Decrease	Closing balance
Short-term employee benefits	44,036,538.02	616,786,670.08	610,992,037.13	49,831,170.97
Post-employment benefits - Defined contribution plans	3,631,624.08	29,338,421.98	29,369,714.84	3,600,331.22
Termination benefits				
Other benefits due within one year				
Other				
Total	47,668,162.10	646,125,092.06	640,361,751.97	53,431,502.19

(2) Short-term employee benefits

Item	Beginning balance	Increase	Decrease	Closing balance
Salaries, bonus, and allowances	37,620,179.96	514,448,688.23	508,806,223.69	43,262,644.50
Staff welfare	1,914,223.87	26,158,926.51	26,456,360.12	1,616,790.26
Social insurances	43,566.94	28,647,545.07	28,646,874.13	44,237.88
Including: Medical insurance	35,876.18	27,289,739.48	27,286,091.94	39,523.72
Work injury insurance	3,669.09	487,416.47	488,475.32	2,610.24
Maternity insurance	4,021.67	526,699.81	528,617.56	2,103.92
Large-sum medical insurance		720.00	720.00	
Supplementary medical insurance		342,969.31	342,969.31	

Item	Beginning balance	Increase	Decrease	Closing balance
Housing Fund	69,466.20	38,415,421.00	38,438,809.00	46,078.20
Union funds and employee education	4,389,101.05	9,019,079.27	8,546,760.19	4,861,420.13
Pay vocation leave				
Short-term profit sharing				
Other short-term benefits		97,010.00	97,010.00	
Total	44,036,538.02	616,786,670.08	610,992,037.13	49,831,170.97

(3) Defined contribution plan

Item	Beginning balance	Increase	Decrease	Closing balance
Primary endowment insurance	105,575.13	23,828,796.64	23,858,790.27	75,581.50
Unemployment insurance	22,609.40	875,340.90	876,640.13	21,310.17
Corporate annuity	3,503,439.55	4,634,284.44	4,634,284.44	3,503,439.55
Total	3,631,624.08	29,338,421.98	29,369,714.84	3,600,331.22

24. Taxes payable

Item	Beginning balance	Accrued	Paid	Closing balance
Value-added tax	102,617,203.88	216,012,678.70	125,975,896.58	192,653,986.00
Enterprise income tax	228,381,828.85	255,526,514.37	255,207,062.13	228,701,281.09
Land appreciation tax	54,902.43	66,010,806.17	49,000,856.23	17,064,852.37
Urban maintenance and construction tax	10,162,138.25	13,630,547.39	8,556,925.55	15,235,760.09
Education surcharge	4,209,456.81	5,914,221.26	3,750,332.89	6,373,345.18
Local education surcharge	2,808,692.64	3,806,138.58	2,501,602.58	4,113,228.64
Local water conservancy construction fund	942,466.11	941,173.31	587,616.93	1,296,022.49
Individual income tax	3,212,260.99	7,817,397.83	6,420,242.64	4,609,416.18
Land use tax	5,835,248.83	14,357,601.03	13,579,972.98	6,612,876.88
Property tax	2,023,713.91	19,129,324.48	9,156,383.18	11,996,655.21
Stamp duty	1,368,652.53	3,867,714.38	2,624,027.41	2,612,339.50
Environmental tax	928.92	55,505.59	46,502.93	9,931.58
Resource tax	4,633,323.11	4,660,663.26	4,763,488.01	4,530,498.36
Consumption tax	10,848.00	24,000.00	34,848.00	
Vehicle tax		38,908.03	28,877.25	10,030.78
Cultural construction expenses	32,441.54	2,202,581.28	896,395.25	1,338,627.57
Disabled security payments		24,510.54	24,510.54	
Other taxes	328,185.27	328,185.28	610,987.88	45,382.67
Total	366,622,292.07	614,348,471.48	483,766,528.96	497,204,234.59

25. Other payables

Category	Closing balance	Beginning balance
Interest payables	206,799,916.44	38,801,567.11
Dividends payable	43,058,950.07	34,893,305.59
Other payables	19,406,542,026.01	14,784,146,765.79
Total	19,656,400,892.52	14,857,841,638.49

(1) Interest payables

Item	Closing balance	Beginning balance
Financing interest	206,799,916.44	38,801,567.11
Total	206,799,916.44	38,801,567.11

(2) Dividends payable

Item	Closing balance	Beginning balance
Common share dividend	43,058,950.07	34,893,305.59
Total	43,058,950.07	34,893,305.59

(3) Other payables

① Other payables by nature

Item	Closing balance	Beginning balance
Security deposits	1,092,624,570.03	731,989,046.49
Current account	16,441,327,053.09	12,665,722,098.30
Construction fees	123,674,407.41	39,389,153.38
Balance of operating fund	19,190,198.60	19,120,238.60
Financial capital	1,009,593,865.43	747,719,026.35
Withholding payments	97,526,887.41	83,644,484.21
Technology and Agricultural Development Support Fund	71,273,156.77	70,558,464.92
Other	551,331,887.27	426,004,253.54
Total	19,406,542,026.01	14,784,146,765.79

② Significant other payables aging over 1 year

Creditor	Closing balance	Reason of outstanding
Shandong Finance Development Co., Ltd.	385,000,000.00	To be settled
Zhou Dian Sub-district Office, Daiyue District, Taian City	322,761,878.83	To be settled
Management Committee of Taian Tourism Economic Development Zone	251,050,000.00	To be settled
Company 7	116,080,000.00	To be settled
Tianjin Great Wall Real Estate Development Co., Ltd.	103,308,300.00	To be settled
Total	1,178,200,178.83	--

26. Non-current liabilities due within 1 year

Item	Closing balance	Beginning balance
Long-term loans due within 1 year	2,995,777,634.50	4,812,869,426.54
Bonds payable due within 1 year	1,186,619,019.01	2,160,000,000.00
Long-term payables due within 1 year	1,214,297,544.09	1,048,072,344.96
Total	5,396,694,197.60	8,020,941,771.50

27. Other current liabilities

Item	Closing balance	Beginning balance
Output VAT	2,425,155.41	
Accrued expenses	1,988,776.60	1,988,776.60
Provision for guarantee compensation	27,421,996.98	20,674,443.17
Provision for unexpired liabilities	18,894,327.72	19,745,132.24
Total	50,730,256.71	42,408,352.01

28. Long-term loans

Category	Closing balance	Beginning balance	Range of interest rate at year end (%)
Pledge loans	1,706,291,578.86	2,865,500,000.00	4.18-8.02
Mortgage loans	1,755,000,000.00	1,864,529,839.62	5.56-7.00
Guarantee loans	8,353,005,025.53	8,762,944,360.25	2.95-8.50
Unsecured loans	533,400,000.00	515,000,000.00	4.35-6.00
Subtotal	12,347,696,604.39	14,007,974,199.87	
Less: Long-term loans due within one year	-2,995,777,634.50	4,812,869,426.54	
Total	9,351,918,969.89	9,195,104,773.33	

29. Bonds payable

(1) Bonds payable

Item	Closing balance	Beginning balance
Bank of Beijing 2020 Phase 1 debt	300,000,000.00	
20 Tai Shan 01	1,000,000,000.00	
20 Tai Shan 02	1,000,000,000.00	
20 Tai Shan 03	1,000,000,000.00	
20 Tai Shan Investment MTN001	1,900,000,000.00	
20 PPN	1,000,000,000.00	
19ABN	1,600,000,000.00	1,900,000,000.00
19 Tai Shan Investment MTN001	900,000,000.00	900,000,000.00
15 Tai Shan Investment MTN001		1,500,000,000.00
13 Tai Shan Debt		360,000,000.00
20Taian 01	495,314,968.71	
20 Tai An Urban and Rural MTN001	596,462,271.48	
20 Tai An Urban and Rural PPN001	892,356,421.15	
20 Tai An Urban and Rural MTN002	397,244,579.30	
Financial International Bond	776,619,019.01	
Subtotal	11,857,997,259.65	4,660,000,000.00
Less: Bonds payable due within one year	1,186,619,019.01	2,160,000,000.00
Total	10,671,378,240.64	2,500,000,000.00

(2) Movement of bonds payable (Excluding other financial instruments such as preferred shares and perpetual bonds classified as financial liabilities)

Bonds	Face value	Issue date	Bond term	Issued amount	Beginning balance
Bank of Beijing 2020 Phase 1 debt	300,000,000.00	2020/2/28	1 year	300,000,000.00	
20 Tai Shan 01	1,000,000,000.00	2020/3/13	5 year	1,000,000,000.00	
20 Tai Shan 02	1,000,000,000.00	2020/5/13	5 year	1,000,000,000.00	
20 Tai Shan 03	1,000,000,000.00	2020/8/31	5 year	1,000,000,000.00	
20 Tai Shan Investment MTN001	1,900,000,000.00	2020/11/2	5 year	1,900,000,000.00	
20 PPN	1,000,000,000.00	2020/12/4	5 year	1,000,000,000.00	
19ABN	2000,000,000.00	2019/7/9	895 days -1625 days	2,000,000,000.00	1,900,000,000.00
19 Tai Shan Investment MTN001	900,000,000.00	2019/7/4	5 year	900,000,000.00	900,000,000.00
15 Tai Shan Investment MTN001	1,500,000,000.00	2015/12/15	5 year	1,500,000,000.00	1,500,000,000.00
13 Tai Shan Debt	1,800,000,000.00	2013/01/25	7 year	1,800,000,000.00	360,000,000.00
20Taian 01	497,000,000.00	2020/3/19	3 year	497,000,000.00	

Bonds	Face value	Issue date	Bond term	Issued amount	Beginning balance
20 Tai An Urban and Rural MTN001	600,000,000.00	2020/4/28	5 year	600,000,000.00	
20 Tai An Urban and Rural PPN001	900,000,000.00	2020/7/9	5 year	900,000,000.00	
20 Tai An Urban and Rural MTN002	400,000,000.00	2020/9/24	5 year	400,000,000.00	
Financial International Bond	782,988,000.00	2020/12/1	1 year	782,988,000.00	
Total	15,579,988,000.00			15,579,988,000.00	4,660,000,000.00

Continued:

Bonds	Issue in the year	Interest on face value	Amortization of premium or discount	Repaid in the year	Closing balance
Bank of Beijing 2020 Phase 1 debt	300,000,000.00				300,000,000.00
20 Tai Shan 01	1,000,000,000.00				1,000,000,000.00
20 Tai Shan 02	1,000,000,000.00				1,000,000,000.00
20 Tai Shan 03	1,000,000,000.00				1,000,000,000.00
20 Tai Shan Investment MTN001	1,900,000,000.00				1,900,000,000.00
20 PPN	1,000,000,000.00				1,000,000,000.00
19 ABN				300,000,000.00	1,600,000,000.00
19 Tai Shan Investment MTN001					900,000,000.00
15 Tai Shan Investment MTN001				1,500,000,000.00	
13 Tai Shan Debt				360,000,000.00	
20Taian 01	497,000,000.00	23,447,506.85	1,685,031.29		495,314,968.71
20 Tai An Urban and Rural MTN001	600,000,000.00	17,277,534.25	3,537,728.52		596,462,271.48
20 Tai An Urban and Rural PPN001	900,000,000.00	21,323,342.47	7,643,578.85		892,356,421.15
20 Tai An Urban and Rural MTN002	400,000,000.00	5,078,575.34	2,755,420.70		397,244,579.30
Financial International Bond	782,988,000.00	3,066,703.00			776,619,019.01
Total	9,379,988,000.00	70,193,661.91	15,621,759.36	2,160,000,000.00	11,857,997,259.65

30. Long-term payables

Item	Beginning balance	Increase	Decrease	Closing balance
Long-term payables	30,803,905,110.42	4,234,177,586.21	7,374,881,176.76	27,663,201,519.87
Specific payables	1,974,999,168.04	640,412,293.94	661,847,855.13	1,953,563,606.85
Total	32,778,904,278.46	4,874,589,880.15	8,036,729,031.89	29,616,765,126.72

(1) Closing balance of top five creditors of long-term payables

Item	Closing balance	Beginning balance
Local government bond funds	13,544,150,569.35	19,441,460,000.00
Financial lease payable	4,183,296,594.78	863,743,195.43
Shed reform funds	4,321,350,000.00	4,524,230,000.00
Company 8	3,331,000,000.00	3,943,000,000.00
Company 9	1,700,000,000.00	1,700,000,000.00
Others	1,797,701,899.83	1,379,544,259.95
Subtotal	28,877,499,063.96	31,851,977,455.38
Less: Long-term payables due within one year	1,214,297,544.09	1,048,072,344.96
Total	27,663,201,519.87	30,803,905,110.42

(2) Closing balance of top five creditors of specific payables

Item	Beginning balance	Increase	Decrease	Closing balance
G104 project	556,430,000.00	104,397,000.00		660,827,000.00
Special supporting fees for water and heating (facilities)	198,695,342.75	54,253,888.94	26,084,439.75	226,864,791.94
Phase II Pumped Storage Power Station		194,005,305.00		194,005,305.00
Special funds for ecological protection and restoration of mountains, rivers, forests, fields, lakes and grasses	36,752,000.00	119,800,000.00		156,552,000.00
Special Funds for the Community of Zulai Center	112,000,000.00			112,000,000.00
Others	1,071,121,825.29	167,956,100.00	635,763,415.38	603,314,509.91
Total	1,974,999,168.04	640,412,293.94	661,847,855.13	1,953,563,606.85

31. Deferred income

Item	Beginning balance	Increase	Decrease	Closing balance
Government grants	2,567,912,759.24	532,401,195.38	170,013,718.78	2,930,300,235.84
Tap water matching funds	239,486,470.18	22,193,241.93	20,350,011.46	241,329,700.65
Total	2,807,399,229.42	554,594,437.31	190,363,730.24	3,171,629,936.49

Including: Deferred income-government grants

Subsidy	Beginning balance	Addition amount	Recognized in income statement in the year	Item presented in financial statements	Refund in the year	Other changes	Closing balance	Related to assets / income	Reasons for refund in this period
Special supporting funds for urban infrastructure construction	880,509,154.21	168,091,962.25	70,514,381.86	Other income			978,086,734.60	Related to assets	
Government allocate water supply supporting fee	788,312,236.38	130,092,477.48	70,356,200.80	Other income			848,048,513.06	Related to assets	
Jinan Mining Area Special Fund	520,910,000.00			Other income			520,910,000.00	Related to assets	
Wangjiayuan Reservoir Project Special Fund		229,200,000.00		Other income			229,200,000.00	Related to assets	
Taian mining area special fund allocation	76,125,051.57	16,755.65	2,183,534.55	Other income			73,958,272.67	Related to assets	
Fire protection construction funds	79,023,313.05		6,267,185.33	Other income			72,756,127.72	Related to assets	
Guodian Networking Pipeline Network Construction Fund	67,916,666.57		3,999,999.96	Other income			63,916,666.61	Related to assets	
Existing building energy-saving renovation incentive funds	46,764,858.30		6,394,700.04	Other income			40,370,158.26	Related to assets	
Financial rebate of water surcharge	22,093,385.55		2,013,296.88	Other income			20,080,088.67	Related to income	
Others	86,258,093.61	5,000,000.00	8,284,419.36	Other income			82,973,674.25	Related to assets	
Total	2,567,912,759.24	532,401,195.38	170,013,718.78				2,930,300,235.84		

32. Paid-in capital

Investor	Beginning balance		Increase	Decrease	Closing balance	
	Investment amount	Ratio (%)			Investment amount	Ratio (%)
Finance Bureau of Taian City	10,000,000,000.00	100.00			10,000,000,000.00	100.00
Total	10,000,000,000.00	100.00			10,000,000,000.00	100.00

33. Capital reserve

Item	Beginning balance	Increase	Decrease	Closing balance
Capital premium	20,745,865,985.80	675,467,349.31		21,421,333,335.11
Other capital reserve	2,726,423,340.18	4,578,802,836.45		7,305,226,176.63
Total	23,472,289,325.98	5,254,270,185.76		28,726,559,511.74

34. Specific reserve

Item	Beginning balance	Increase	Decrease	Closing balance	Note
Safety production fee	4,567,623.53	17,567,577.69	2,072,046.97	20,063,154.25	
Total	4,567,623.53	17,567,577.69	2,072,046.97	20,063,154.25	

35. Surplus reserve

Item	Beginning balance	Increase	Decrease	Closing balance
Statutory surplus reserve	902,773.18			902,773.18
Total	902,773.18			902,773.18

36. Undistributed profits

Item	Year ended 31/12/2020	Year ended 31/12/2019
Balance as at 31/12/2019	3,307,107,338.29	3,125,394,917.37
Increase	520,771,482.15	340,175,940.27
Including: Net profit for the year	493,768,185.78	340,175,940.27
Other adjustment	27,003,296.37	
Decrease	350,721,517.22	158,463,519.35
Including: Appropriation to surplus reserve		
Appropriation of general risk reserve	516,048.47	984,195.20
Appropriation of cash dividends	350,205,468.75	156,949,011.91
Conversion to capital		
Other decrease		530,312.24
Balance as at 31/12/2020	3,477,157,303.22	3,307,107,338.29

37. Operating income and operating costs

Item	Year ended 31/12/2020		Year ended 31/12/2019		Year ended 31/12/2018	
	Income	Cost	Income	Cost	Income	Cost
1. Primary operation	9,338,119,311.81	7,912,378,912.56	7,901,948,731.76	6,956,679,665.82	4,515,313,329.04	3,978,588,170.57
2. Other operation	449,749,963.03	322,557,118.45	369,744,304.65	155,053,617.11	830,378,310.54	587,691,502.39
Total	9,787,869,274.84	8,234,936,031.01	8,271,693,036.41	7,111,733,282.93	5,345,691,639.58	4,566,279,672.96

38. Selling expenses

Item	Year ended 31/12/2020	Year ended 31/12/2019	Year ended 31/12/2018
Employee salary	35,861,342.16	35,658,383.67	35,122,186.23
Business entertainment	2,006,506.39	292,562.73	221,745.51
Amortization and depreciation	8,444,083.39	5,229,692.38	6,946,458.46
Office expenses	65,630,397.97	17,872,372.98	14,451,398.48
Others	4,609,697.09	3,625,013.15	193,394.19
Transportation fee	15,741,584.37	10,123,879.22	13,381,400.22
Service charge	29,803,922.14	17,006,009.70	16,665,716.78
Various provisions	25,454,916.44	15,391,730.54	20,002,574.98
Fund usage fee	32,014,999.99	39,037,222.22	23,422,222.20
Total	219,567,449.94	144,236,866.59	130,407,097.05

39. Administrative expenses

Item	Year ended 31/12/2020	Year ended 31/12/2019	Year ended 31/12/2018
Employee salary	327,153,545.08	306,171,067.84	274,775,981.43
Depreciation and amortization	106,511,521.63	66,303,398.90	62,296,876.16
Office expenses	29,262,537.42	30,244,062.33	35,777,182.93
Business entertainment	3,457,999.54	3,606,524.89	3,848,055.87
Travel expenses	2,909,587.83	2,329,452.80	2,237,765.98
Transportation fee	4,693,977.81	4,647,297.44	10,144,711.49
Maintenance fees	4,073,893.42	2,470,848.95	3,178,631.69
Others	51,992,296.73	52,883,173.85	36,298,155.00
Service charges	51,109,782.35	58,080,385.99	43,534,643.53
Rental fees	4,592,548.02	4,825,892.02	4,654,545.38
Total	585,757,689.83	531,562,105.01	476,746,549.46

40. Research and development expenses

Item	Year ended 31/12/2020	Year ended 31/12/2019	Year ended 31/12/2018
------	-----------------------	-----------------------	-----------------------

Labor fee	29,445.92	44,781.31
Total	29,445.92	44,781.31

41. Financial expenses

Item	Year ended 31/12/2020	Year ended 31/12/2019	Year ended 31/12/2018
Interest expense	1,593,564,243.25	1,218,869,900.41	803,161,771.77
Less: Interest income	1,214,376,897.74	959,818,176.06	894,568,227.89
Exchange gains and losses			
Bank charges and others	1,289,664,29.57	61,502,410.87	3,406,469.97
Total	508,153,775.08	320,554,135.22	-87,999,986.15

42. Other income

Item	Year ended 31/12/2020	Year ended 31/12/2019	Year ended 31/12/2018
Government grants	289,073,463.76	220,247,650.35	205,483,331.92
Tax refund	2,661,157.83	380,383.09	92,960.37
Total	291,734,621.59	220,628,033.44	205,576,292.29

43. Investment income

Source	Year ended 31/12/2020	Year ended 31/12/2019	Year ended 31/12/2018
Income from long-term equity investment by equity method	104,490,551.22	115,156,467.63	138,840,950.43
Investment income from disposal of long-term equity investment	13,295,400.91		
Investment income from available-for-sale financial assets	281,150,072.42	83,207,686.98	37,372,612.61
Investment income from disposal of financial assets at fair value through profit or loss			31,430.56
Others	23,140,210.09	87,142,334.81	22,353,845.23
Total	422,076,234.64	285,506,489.42	198,598,838.83

44. Assets impairment loss

Item	Year ended 31/12/2020	Year ended 31/12/2019	Year ended 31/12/2018
Bad debts	77,262,772.83	109,970,017.30	33,277,764.32
Impairment loss of fixed assets	7,079,205.28		
Total	84,341,978.11	109,970,017.30	33,277,764.32

45. Gains from disposal of assets

Item	Year ended 31/12/2020	Year ended 31/12/2019	Year ended 31/12/2018	Amount included in non-recurring gain or loss
Gain from disposal of fixed assets ("-" for loss)	-7,329,541.44	706,392.55	14,579,909.68	-7,329,541.44
Gain from disposal of intangible assets ("-" for loss)	11,891,175.89			11,891,175.89
Total	4,561,634.45	706,392.55	14,579,909.68	4,561,634.45

46. Non-operating income

Item	Year ended 31/12/2020	Year ended 31/12/2019	Year ended 31/12/2018	Amount included in non-recurring gain or loss
Donation received	288,260.00	305,000.00		288,260.00
Government grants	2,959,060.00	30,500,000.00	40,800,000.00	2,959,060.00
Penalty income	14,833,698.87	1,656,820.24	1,885,533.80	14,833,698.87
Income from default damages and compensation	34,745,314.61	48,332,257.05	25,888,066.80	34,745,314.61
Financial B-share financial discount	4,049,100.00	1,100,000.00		4,049,100.00
Gain from disposal of non-current assets		215,986.13	4,074,257.35	
Debt income		23,858,839.25		
Others	21,858,690.83	18,417,748.48	20,288,760.71	21,858,690.83
Total	78,734,124.31	124,386,651.15	92,936,618.66	78,734,124.31

Included details of government grants:

Item	Year ended 31/12/2020	Year ended 31/12/2019	Year ended 31/12/2018	Related to assets/ Related to income	Note
New and old kinetic energy conversion funds	2,000,000.00			Related to income	
Sports Development Fund	840,000.00			Related to income	
Exhibition subsidy funds	100,000.00			Related to income	
Enterprise subsidies	19,060.00	40,000.00		Related to income	

Item	Year ended 31/12/2020	Year ended 31/12/2019	Year ended 31/12/2018	Related to assets/ Related to income	Note
Incentives for the introduction of foreign capital		300,000.00		Related to income	
Cultural city protection funds			800,000.00	Related to income	
Government support funds		30,160,000.00	40,000,000.00	Related to income	
Total	2,959,060.00	30,500,000.00	40,800,000.00		

47. Non-operating expense

Item	Year ended 31/12/2020	Year ended 31/12/2019	Year ended 31/12/2018	Amount included in non-recurring gain or loss
Damage loss on non-current assets	20,358.08	13,838,079.20	388,788.44	20,358.08
Donations	6,314,500.00	1,528,315.82	5,552,299.97	6,314,500.00
Abnormal loss	8,256,723.68	1,873,195.75	580,000.00	8,256,723.68
Default damages	11,151,723.34	7,075,151.85	11,580,358.61	11,151,723.34
Others	3,230,073.53	4,305,208.73	2,373,846.53	3,230,073.53
Total	28,973,378.63	28,619,951.35	20,475,293.55	28,973,378.63

48. Income tax expense

(1) Income tax expense

Item	Year ended 31/12/2020	Year ended 31/12/2019	Year ended 31/12/2018
Current income tax	286,001,696.27	165,507,746.87	115,894,614.67
Deferred income tax	-24,587,651.50	-9,936,940.24	-829,484.75
Total	261,414,044.77	155,570,806.63	115,065,129.92

(2) Reconciliation of accounting profit to income tax expenses

Item	Year ended 31/12/2020	Year ended 31/12/2019	Year ended 31/12/2018
Profit before tax	774,775,432.98	522,058,224.97	641,118,309.35
Income tax calculated at the statutory tax rate	193,693,858.25	130,514,556.24	160,279,577.34
Tax effect of different tax rates in subsidiaries	424,556.86	-4,234.10	-1,153.69
Adjustment to income tax of the previous periods	17,642.46	4,254,576.50	2,271,506.41
Profits and losses of joint ventures and associates calculated by the equity method		-1,746,178.47	-1,427,525.44
Impact of non-taxable income	-32,421,869.60	-59,476,491.76	-69,021,802.91
Impact of non-deductible costs, expenses and losses	159,685,387.18	96,508,841.51	29,278,834.55
Effect of utilization of unrecognized deductible losses and deductible temporary differences of prior year	-48,522,039.79	-6,762,996.41	-5,770,493.84

Item	Year ended 31/12/2020	Year ended 31/12/2019	Year ended 31/12/2018
Effect of unrecognized deductible losses and deductible temporary differences for the year	-11,457,106.06	-7,716,826.32	-544,071.58
Others	-6,384.53	-440.56	259.08
Total	261,414,044.77	155,570,806.63	115,065,129.92

49. Other comprehensive income attributable to owners of the parent

(1) Other comprehensive income items, income tax impact and transfer to profit or loss in current year

Item	Year ended 31/12/2020		
	Amount before tax	Income tax	Amount after tax
I. Items that may be subsequently reclassified to profit or loss			
1. Share of other comprehensive income of associates and joint ventures under equity method	-19,634,942.08		-19,634,942.08
Less: Other comprehensive income which transferred to profit or loss in current period			
Subtotal	-19,634,942.08		-19,634,942.08
2. Changes in fair value of available-for-sale financial assets	-10,023,879.45		-10,023,879.45
Less: Other comprehensive income which transferred to profit or loss in current period			
Subtotal	-10,023,879.45		-10,023,879.45
3. Translation differences of foreign currency financial statements	14,056,584.43		14,056,584.43
Less: Other comprehensive income which transferred to profit or loss in current period			
Subtotal	14,056,584.43		14,056,584.43
II. Total other comprehensive income	-15,602,237.10		-15,602,237.10

Continued:

Item	Year ended 31/12/2019		
	Amount before tax	Income tax	Amount after tax
I. Items that may be subsequently reclassified to profit or loss			
1. Share of other comprehensive income of associates and joint ventures under equity method	12,088,354.39		12,088,354.39
Less: Other comprehensive income which transferred to profit or loss in current period			
Subtotal	12,088,354.39		12,088,354.39
2. Changes in fair value of available-for-sale financial assets	608,813,305.81		608,813,305.81
Less: Other comprehensive income which transferred to profit or loss in current period			
Subtotal	608,813,305.81		608,813,305.81
II. Total other comprehensive income	620,901,660.20		620,901,660.20

Continued:

Item	Year ended 31/12/2018		
	Amount before tax	Income tax	Amount after tax
I. Items that may be subsequently reclassified to profit or loss			
1. Share of other comprehensive income of associates and joint ventures under equity method	12,285,080.04		12,285,080.04
Less: Other comprehensive income which transferred to profit or loss in current period			
Subtotal	12,285,080.04		12,285,080.04
2. Changes in fair value of available-for-sale financial assets	-214,021,417.21		-214,021,417.21
Less: Other comprehensive income which transferred to profit or loss in current period			
Subtotal	-214,021,417.21		-214,021,417.21
II. Total other comprehensive income	-201,736,337.17		-201,736,337.17

50. Notes to consolidated cash flow statement

(1) Supplement to consolidated cash flow statement

Item	Year ended 31/12/2020	Year ended 31/12/2019	Year ended 31/12/2018
1. Reconciliation of net profit to cash flows from operating activities:			
Net profit	513,361,388.21	366,487,418.34	526,053,179.43
Add: Provisions for impairment of assets	84,341,978.11	109,970,017.30	33,277,764.32
Depreciation of fixed assets, depletion of oil and gas assets, and depreciation of productive biological assets	317,128,570.55	268,484,013.70	232,606,870.57
Amortization of intangible assets	63,106,373.88	55,381,449.57	49,272,446.09
Amortization of long-term deferred expenses	33,349,478.38	27,705,406.00	20,939,466.10
Losses from disposal of fixed assets, intangible assets, and other long-term assets ("-" for gains)	4,561,634.45	706,392.55	14,579,909.68
Loss from scrapping of fixed assets ("-" for gains)	20,358.08	13,622,093.07	-3,685,468.91
Losses from changes in fair value ("-" for gains)			
Financial expenses ("-" for income)	1,593,564,243.25	1,218,869,900.41	803,161,771.77
Losses arising from investment ("-" for gains)	-422,076,234.64	-285,506,489.42	-198,598,838.83
Decrease in deferred tax assets ("-" for increase)	-24,373,814.59	-14,120,401.54	-3,311,347.65
Increase in deferred tax liabilities ("-" for decrease)	-3,341,293.15	202,937,768.61	2,481,862.90
Decrease in gross inventories ("-" for increase)	-5,959,233,475.27	-17,115,137,698.50	-7,466,303,802.14
Decrease in operating receivables ("-" for increase)	-6,800,308,750.95	2,804,852,353.67	482,872,013.22
Increase in operating payables ("-" for decrease)	1,867,569,931.52	9,444,173,179.64	2,225,784,113.33
Others			
Net cash flows from operating activities	-8,732,329,612.17	-2,901,574,596.60	-3,280,870,060.12

Item	Year ended 31/12/2020	Year ended 31/12/2019	Year ended 31/12/2018
2. Investing and financing activities not requiring the use of cash:	—	—	
Conversion of debt into capital			
Convertible bonds due within one year			
Acquisition of fixed assets under finance leases			
3. Change in cash and cash equivalents:	—	—	
Cash as at 31/12/2020	9,394,115,234.95	11,147,695,179.26	9,879,752,170.47
Less: cash as at 31/12/2019	11,147,695,179.26	9,879,752,170.47	9,588,967,971.18
Add: cash equivalents as at 31/12/2020			
Less: cash equivalents as at 31/12/2019			
Net increase/decrease in cash and cash equivalents	-1,753,579,944.31	1,267,943,008.79	290,784,199.29

(2) Details of cash and cash equivalents

Item	Year ended 31/12/2020	Year ended 31/12/2019	Year ended 31/12/2018
1. Cash	9,394,115,234.95	11,147,695,179.26	9,879,752,170.47
Including: Cash on hand	4,304,809.92	1,325,780.54	1,081,786.64
Cash at bank readily available for payment	9,389,810,425.03	11,146,369,398.72	9,878,670,383.83
Other monetary funds readily available for payment			
Deposits in Central bank readily available for payment			
Deposits in bank and financial institutes			
Loans to bank and financial institutes			
2. Cash equivalents			
Including: Bond investments with a maturity of 3 months or less			
3. Cash and cash equivalents as at 31/12/2020	9,394,115,234.95	11,147,695,179.26	9,879,752,170.47
Including: Cash and cash equivalents held by the Company or subsidiaries of the Group with restriction of use			

51. Assets with restricted ownership and use rights

Item	Carrying amount at year end	Reason for restriction
Cash and bank balances	2,744,748,558.16	Entrusted loan deposit, bill deposit, time deposit, guarantee deposit
Inventories	1,595,253,540.63	Mortgage
Fixed assets	18,345,860.78	Mortgage
Intangible assets	19,061,879.43	Mortgage

IX. Contingencies

As of 31 December 2020, the Company has no pending litigation, external guarantees and other contingencies that should be disclosed.

X. Post balance sheet date event

As of 20 April 2021, the Company has no matters that should be disclosed after the balance sheet date.

XI. Related party and related party transactions

(Note: For state-owned listed companies, the identification of related parties should also comply with the Accounting Standards for Business Enterprises and the relevant regulations of the China Securities Regulatory Commission)

1. Parent company of the Company

Name of parent company	Registration place	Business nature	Registered capital (RMB0,000)	Shareholding percentage %	Percentage of voting rights %
Finance Bureau of Taian City	Taian			100	100

The ultimate controlling party of the Company is Finance Bureau of Taian City.

2. Subsidiaries of the Company

Details of subsidiaries refer to Note VII. 1.

3. Joint ventures and associates of the Company

For details about the Company's associates, please refer to this Note VIII. 10, Long-term Equity Investment.

XII. Notes to the parent company's financial statements

1. Other receivables

Item	Closing balance	Beginning balance
Interest receivable	60,117,384.73	
Other receivables	2,931,354,984.00	3,022,279,284.00
Total	2,991,472,368.73	3,022,279,284.00

(1) Interest receivable

Item	Closing balance	Beginning balance
Loan interest	60,117,384.73	
Total	60,117,384.73	

(2) Other receivables

Category	Book balance	Closing balance		
		Ratio %	Provision for bad debts	Ratio %
Individually significant and subject to separate provision of other receivable				
Provision for bad debts collectively as a group based on credit risk characteristics				
Including: Ageing group				
Risk-free group	2,931,354,984.00	100.00		
Subtotal	2,931,354,984.00	100.00		
Individually insignificant but provision for bad debts individually				
Total	2,931,354,984.00	100.00		

Other receivables by category (continued)

Category	Book balance	Beginning balance		
		Ratio %	Provision for bad debts	Ratio %
Individually significant and subject to separate provision of other receivable				
Provision for bad debts collectively as a group based on credit risk characteristics				
Including: Ageing group				
Risk-free group	3,022,279,284.00	100.00		
Subtotal	3,022,279,284.00	100.00		
Individually insignificant but provision for bad debts individually				
Total	3,022,279,284.00	100.00		

Other receivables due from the top five debtors at year end

Debtor	Nature	Book balance	Proportion to total other receivables (%)	Provision for bad debts
Taian Dongyue Financial Investment Co., Ltd.	Current account	519,361,000.00	22.69	
Taian City Development Investment Co., Ltd.	Current account	700,000,000.00	30.58	
Taian City Cuwen Investment Co., Ltd.	Current account	500,000,000.00	21.84	
Taian Dawenhe Comprehensive Development and Construction Co., Ltd.	Current account	300,000,000.00	13.11	
Taian Dongyue Wealth Equity Investment Fund Co., Ltd.	Current account	269,800,000.00	11.79	
Total		2,289,161,000.00		

2. Long-term equity investment

Item	Closing balance			Beginning balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investment in subsidiaries	26,277,442,489.88		26,277,442,489.88	26,126,942,489.88		26,126,942,489.88
Total	26,277,442,489.88		26,277,442,489.88	26,126,942,489.88		26,126,942,489.88

(1) Investment in subsidiaries

Investee	Beginning balance	Increase	Decrease	Closing balance	Provision for impairment in the year	Provision for impairment Closing balance
Taian Dongyue Financial Investment Co., Ltd.	836,717,592.30			836,717,592.30		
Taian Dongyue Wealth Equity Investment Fund Co., Ltd.	267,884,159.86	150,000,000.00		417,884,159.86		
Taian Taishan Investment Co., Ltd.	24,788,296,673.97	500,000.00		24,788,796,673.97		
Shandong Taishan Financial Medical Industry Investment Development Co., Ltd.	234,044,063.75			234,044,063.75		
Total	26,126,942,489.88	150,500,000.00		26,277,442,489.88		

3. Investment income

Source	Year ended 31/12/2020	Year ended 31/12/2019	Year ended 31/12/2018
--------	-----------------------	-----------------------	-----------------------

Source	Year ended 31/12/2020	Year ended 31/12/2019	Year ended 31/12/2018
Income from long-term equity investment by equity method			
Investment income from disposal of long-term equity investment			
Investment income from available-for-sale financial assets			
Investment income from disposal of financial assets at fair value through profit or loss			
Others	270,000,000.00	65,120,973.66	
Total	270,000,000.00	65,120,973.66	-

4. Supplement to cash flow statement

(1) Supplement to cash flow statement

Item	Year ended 31/12/2020	Year ended 31/12/2019	Year ended 31/12/2018
1. Reconciliation of net profit to cash flows from operating activities:			
Net profit	177,297,884.10	-29,863,559.64	10,964,952.58
Add: Provisions for impairment of assets			
Depreciation of fixed assets, depletion of oil and gas assets, and depreciation of productive biological assets	295,555.46	242,671.71	388,279.00
Amortization of intangible assets			
Amortization of long-term deferred expenses		329,525.16	60,666.67
Losses from disposal of fixed assets, intangible assets, and other long-term assets ("-" for gains)			
Loss from scrapping of fixed assets ("-" for gains)			
Losses from changes in fair value ("-" for gains)			
Financial expenses ("-" for income)	81,292,367.31	81,669,162.50	-18,492,501.59
Losses arising from investment ("-" for gains)	-270,000,000.00		
Decrease in deferred tax assets ("-" for increase)			
Increase in deferred tax liabilities ("-" for decrease)			
Decrease in gross inventories ("-" for increase)			
Decrease in operating receivables ("-" for increase)	90,023,693.03	-1,751,438,083.27	-1,225,199,978.08
Increase in operating payables ("-" for decrease)	-92,447,583.63	1,705,648,862.64	1,225,677,097.77
Others			
Net cash flows from operating activities	-13,538,083.73	6,588,579.10	-6,601,483.65

Item	Year ended 31/12/2020	Year ended 31/12/2019	Year ended 31/12/2018
2. Investing and financing activities not requiring the use of cash:			
Conversion of debt into capital			
Convertible bonds due within one year			
Acquisition of fixed assets under finance leases			
3. Change in cash and cash equivalents:			
Cash as at 31/12/2020	78,914,496.00	114,170,283.34	93,829,132.49
Less: cash as at 31/12/2019	114,170,283.34	93,829,132.49	298,179,138.55
Add: cash equivalents as at 31/12/2020			
Less: cash equivalents as at 31/12/2019			
Net increase/decrease in cash and cash equivalents	-35,255,787.34	20,341,150.85	-204,350,006.06

(2) Details of cash and cash equivalents

Item	Closing balance	Beginning balance
1. Cash	78,914,496.00	114,170,283.34
Including: Cash on hand	33,682.56	37,496.56
Cash at bank readily available for payment	78,880,813.44	114,132,786.78
Other monetary funds readily available for payment		
Deposits in Central bank readily available for payment		
Deposits in bank and financial institutes		
Loans to bank and financial institutes		
2. Cash equivalents		
Including: Bond investments with a maturity of 3 months or less		
3. Cash and cash equivalents as at 31/12/2020	78,914,496.00	114,170,283.34
Including: Cash and cash equivalents held by the Company or subsidiaries of the Group with restriction of use		

XIII. Approval of financial statements

The financial statements and notes to the financial statements have been approved by the Board of Directors of the Company.

Taian Taishan Finance Investment Group Co., Ltd.

23 April 2021

ISSUER

**Taishan Finance International Business
Co., Limited**
(泰山金融國際商務有限公司)*
Intershore Chambers
P.O. Box 4342
Road Town, Tortola, VG1110
British Virgin Islands

GUARANTOR

**Tai'an Municipality Taishan Finance and
Investment Group Co., Ltd.**
(泰安市泰山財金投資集團有限公司)
566 Wenquan Road, Taishan District
Tai'an City, Shandong Province
China

TRUSTEE

China Construction Bank (Asia) Corporation Limited
(中國建設銀行(亞洲)股份有限公司)
28/F, CCB Tower
3 Connaught Road Central
Central, Hong Kong

PRINCIPAL PAYING AGENT, TRANSFER AGENT AND REGISTRAR

China Construction Bank (Asia) Corporation Limited
(中國建設銀行(亞洲)股份有限公司)
28/F, CCB Tower
3 Connaught Road Central
Central, Hong Kong

LEGAL ADVISERS*To the Issuer as to English law*

Allen & Overy
9th Floor
Three Exchange Square
Central, Hong Kong

To the Issuer as to PRC law

DeHeng Law Offices
12th Floor Tower B, Focus Place
19 Finance Street
Beijing, China

*To the Issuer as to
British Virgin Islands law*

**Maples and Calder
(Hong Kong) LLP**
26th Floor, Central Plaza
18 Harbour Road, Wanchai
Hong Kong

To the Managers as to English law

Linklaters
11th Floor
Alexandra House
18 Charter Road Hong Kong

To the Managers as to PRC law

Jingtian & Gongcheng
34th Floor, Tower 3, China Central Place
77 Jianguo Road, Chaoyang District
Beijing, China

LEGAL ADVISER TO THE TRUSTEE

Linklaters
11th Floor
Alexandra House
18 Charter Road Hong Kong

INDEPENDENT AUDITOR TO THE GUARANTOR

Grant Thornton
Audit Department 6, 12th floor, Building 4
Huachuang viewing Center, Shunhai Road
High Tech Zone, Jinan City, Shandong Province, China

* Chinese name is for identification purpose only.

