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## **PUBLICATION OF INFORMATION MEMORANDUM**

### **BAOJI INVESTMENT (GROUP) CO., LTD.**

**(寶雞市投資(集團)有限公司)**

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

**U.S.\$60,000,000 3.35 per cent. Credit Enhanced Notes due 2024 (the “Notes”)**  
**(Stock Code: 40959)**



with the benefit of an irrevocable Standby Letter of Credit Issued by  
BANK OF XI'AN CO., LTD.

### **Placing Agents**

**Fosun Hani**  
**Wilson Securities**

**Donxing Securities (Hong Kong)**  
**TF International**

This announcement is issued pursuant to Rule 37.39A of the Listing Rules. Reference is made to the notice of the listing of the Notes on The Stock Exchange of Hong Kong Limited dated 9 December 2021, the Notes as described in the information memorandum dated 6 December 2021 (the “**Information Memorandum**”) (appended herewith) are issued to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) (the “**Professional Investors**”) only.

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

Hong Kong, 10 December 2021

*As at the date of this announcement, the directors of Baoji Investment (Group) Co., Ltd. are Mr. WANG Zhaoyuan, Mr. FENG Yanjun, Mr. ZHANG Hongke, Mr. FENG Guangke, Mr. WU Gaowan, Mr. CHENG Weixia, Mr. YANG Weidong, Mr. WANG Yufeng and Ms. CHENG Yang.*

## IMPORTANT NOTICE

**NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES. THIS PRIVATE PLACEMENT 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 information memorandum (the “**Information Memorandum**”). You are advised to read this disclaimer carefully before accessing, reading or making any other use of the attached Information Memorandum. In accessing the attached Information Memorandum, 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 as a result of such access. In order to be eligible to view the attached Information Memorandum or make an investment decision with respect to the securities, investors must be outside the United States.

**Confirmation of Your Representation:** This Information Memorandum is being sent to you at your request and by accepting the e-mail and accessing the attached Information Memorandum, you shall be deemed to represent to Baoji Investment (Group) Co., Ltd. (寶雞市投資(集團)有限公司) (the “**Company**” or the “**Issuer**”), Fosun Hani Securities Limited, Dongxing Securities (Hong Kong) Company Limited, Wilson Securities Limited and TFI Securities and Futures Limited (collectively, the “**Placing Agents**”) that (1) you and any customers you represent are outside the United States and that the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions, and (2) you consent to the delivery of the attached Information Memorandum and any amendments or supplements thereto by electronic transmission.

The attached Information Memorandum 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 Placing Agents, the Trustee (as defined in the attached Information Memorandum) or the Agents (as defined in the attached Information Memorandum), 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 and the Placing Agents.

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

**NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES 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 OF REGULATION S UNDER THE SECURITIES ACT.**

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

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**Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore** (the “**SFA**”) - In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 (the “**CMP Regulations 2018**”), the Issuer has determined the classification of the Notes as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

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## INFORMATION MEMORANDUM

## STRICTLY CONFIDENTIAL



**宝鸡市投资（集团）有限公司**  
BAOJI INVESTMENT (GROUP) CO., LTD.

**BAOJI INVESTMENT (GROUP) CO., LTD.**

**(寶雞市投資(集團)有限公司)**

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

**U.S.\$60,000,000 3.35 PER CENT. CREDIT ENHANCED NOTES DUE 2024**

**backed by an irrevocable Standby Letter of Credit issued by**

**BANK OF XI'AN CO., LTD.**

**ISSUE PRICE: 100.00 per cent.**

The U.S.\$60,000,000 3.35 per cent. credit enhanced notes due 2024 (the “Notes”) will be issued by Baoji Investment (Group) Co., Ltd. (寶雞市投資(集團)有限公司) (the “Issuer”), a company incorporated in the People's Republic of China (the “PRC”) with limited liability. Payments of principal and interest in respect of the Notes will have the benefit of an irrevocable standby letter of credit (the “Standby Letter of Credit”) denominated in U.S. dollars and issued by Bank of Xi'an Co., Ltd. (the “LC Bank”). See “Appendix A – Form of Irrevocable Standby Letter of Credit” for the form of the Standby Letter of Credit. The Notes will be issued through a private placement (the “Transaction”).

The Notes will bear interest on their outstanding principal amount from and including 9 December 2021 at the rate of 3.35 per cent. per annum. Interest on the Notes is payable semi-annually in arrear on 9 June and 9 December in each year, commencing on 9 June 2022. Payments on the Notes will be made free and clear of, and without set-off, counterclaim, 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 PRC or any political subdivision or authority therein or thereof having power to tax to the extent described under “Terms and Conditions of the Notes – Taxation”.

The Notes will constitute direct, unconditional, unsubordinated and (subject to Condition 5.1 of the terms and conditions of the Notes (the “Terms and Conditions”)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.

The Issuer undertakes that it will (a) within five PRC Business Days (as defined in the Terms and Conditions) after the Issue Date (as defined in the Terms and Conditions), submit or caused to be submitted an application for the registration of the Notes with SAFE or its local counterpart pursuant to the Administrative Measures for Foreign Debt Registration (外債登記管理辦法) issued by SAFE and which came into effect on 13 May 2013, and amended on 4 May 2015, and any implementation rules, reports, certificates or guidelines as issued by SAFE from time to time and the Notice on Issues Relating to the Macro-prudential Management of Overall Cross-border Financing (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知) promulgated by the People's Bank of China (“PBOC”) on 11 January 2017 and any implementation rules, reports, certificates or guidelines as issued by PBOC (together, the “SAFE Registrations”); and (b) use its best endeavours to complete the SAFE Registrations and/or filing and obtain a registration record from SAFE or its local counterpart on or before the Registration Deadline (as defined in the Terms and Conditions).

Pursuant to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) (the “NDRC Circular”) issued by the National Development and Reform Commission of the PRC or its local counterparts (“NDRC”) and which came into effect on 14 September 2015, and any implementation rules as issued by NDRC from time to time, the Issuer has registered the issuance of the Notes with NDRC and obtained a certificate from NDRC on 23 August 2021 evidencing such registration and intends to provide the requisite information on the issuance of the Notes to NDRC within 10 PRC Business Days after the Issue Date.

Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 9 December 2024. At any time, on giving not less than 30 nor more than 60 days' notice to each holder of Notes (each a “Noteholder”) in accordance with the Terms and Conditions and in writing to the Trustee and the Principal Paying Agent (each as defined below) (which notice shall be irrevocable), the Issuer may redeem the Notes in whole, but not in part, at their principal amount, together with interest accrued up to but excluding the date fixed for redemption but unpaid, if the Issuer satisfies the Trustee immediately prior to the giving of such notice, that: (a) the Issuer has or will become obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions) as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 6 December 2021; and (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it. See “Terms and Conditions of the Notes – Redemption and Purchase – Redemption for Taxation Reasons”. At any time following the occurrence of a Relevant Event (as defined in the Terms and Conditions), the holder of any Note will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Notes on the Put Settlement Date at 100 per cent. of their principal amount, together with accrued interest up to but excluding such Put Settlement Date. See “Terms and Conditions – Redemption and Purchase”.

For a more detailed description of the Notes, see “Terms and Conditions of the Notes” beginning on page 38.

The Notes has not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”), and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only outside the United States in offshore transactions in compliance with Regulation S under the Securities Act (“Regulation S”). For a description of these and certain further restrictions on offers and sales of the Notes and the distribution of this Information Memorandum, see the section entitled “Placement and Sale” on page 83.

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

Investing in the Notes involves risks. See “Risk Factors” beginning on page 8 for a discussion of certain factors to be considered in connection with an investment in the Notes.

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

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

**The Hong Kong Stock Exchange has not reviewed the contents of this Information Memorandum, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Information Memorandum to Professional Investors only have been reproduced in this Information Memorandum. Listing of the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Notes or the Issuer or the Group or quality of disclosure in this Information Memorandum. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Information Memorandum, 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 Information Memorandum.**

The Issuer has been assigned a corporate credit rating of “BB” with a stable outlook by Fitch Rating Services. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, qualification, suspension, reduction or withdrawal at any time by the assigning rating agency. Such ratings should be evaluated independently of any other rating of the other securities of the Issuer.

The Notes will be represented initially by interests in a global certificate (the “Global Certificate”) in registered form which will be registered in the name of a nominee of, and shall be deposited on or about 9 December 2021 (the “Issue Date”) 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 herein, certificates for Notes will not be issued in exchange for interests in the Global Certificate.

### Placing Agents

**Fosun Hani**

**Dongxing Securities (Hong Kong)**

**Wilson Securities**

**TF International**

Information Memorandum dated 6 December 2021

## NOTICE TO INVESTORS

This Information Memorandum 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 and the Group. The Issuer accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

The Issuer, having made all reasonable enquiries, confirms that (i) this Information Memorandum contains all information with respect to the Issuer and its subsidiaries (together with the Issuer, the “**Group**”), the Notes and the Standby Letter of Credit which is material in the context of the issue and offering of the Notes (including the information which is required by applicable laws and according to the particular nature of the Issuer, the Notes and the Standby Letter of Credit and is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and of the rights attaching to the Notes and the Standby Letter of Credit); (ii) the statements contained in this Information Memorandum are in every material particular true and accurate and not misleading; (iii) the opinions and intentions expressed in this Information Memorandum with regard to the Issuer and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the Issuer, the Group, the transaction documents in relation to the Notes or and the Standby Letter of Credit, the omission of which would, in the context of the issue and offering of the Notes make any statement in this Information Memorandum misleading; (v) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements in this Information Memorandum; (vi) this Information Memorandum does not include an untrue statement of a material fact, or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (vii) the statistical, industry and market-related data and forward looking statements included in this Information Memorandum, are based on or derived or extracted from sources which the Issuer believes to be accurate and reliable in all material respects.

This Information Memorandum has been prepared by the Issuer solely for information purposes. By accepting this document, you agree to maintain absolute confidentiality regarding the information disclosed in this document. This document may not be taken away, reproduced or redistributed, in whole or in part, to any other person without the prior written consent of each placing agent or financial institution participating, advising or otherwise involved in any proposed placement of the Notes of the Issuer or any of its subsidiaries or affiliates. This Information Memorandum does not constitute or form part of and should not be construed as, an offer to sell or issue or the solicitation of an offer to buy or acquire any Notes in any jurisdiction or an inducement to enter into investment activity. No part of this document, nor the fact of its distribution, should form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever. No representation, warranty or undertaking, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or the opinions contained herein. None of the Placing Agents, the Trustee or the Agents (as defined in the Terms and Conditions) or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers or any person who controls any of them, have independently verified any of the information herein, make any representation or warranty, expressed or implied, as to the accuracy or completeness of the information contained herein, nor shall they have any liability for such information. None of the Issuer, the Placing Agents, 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, shall have any liability whatsoever (in contract, tort, strict liability, negligence or otherwise) for any direct, indirect, incidental, consequential, punitive, special damages or loss howsoever arising from any use of this document or its contents or otherwise arising in connection with the document.

Any securities, financial instruments or strategies mentioned herein may not be suitable for all investors. Each potential purchaser of any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and its subsidiaries and affiliates. Recipients of this document are deemed to represent that they possess, either individually or through their advisers, sufficient investment expertise to understand the risks involved in dealing with any such Notes or financial instruments. The information contained in this Information Memorandum should be considered in the context of the circumstances prevailing at the time and has not been and will not be updated to reflect material developments which may occur after the date of this Information Memorandum. None of the Issuer or any of its subsidiaries or the Placing Agents, 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, intend or have any duty or obligation to supplement, amend, update or revise any statements contained in this document.

Any reference to particular proposed terms of any issue of Notes is intended as a summary and not a complete description. Terms or characteristics may change before closing and the issue of Notes may not proceed. No consideration has been given to particular investment objectives, finances or needs of any recipient. This Information Memorandum is not intended to provide and should not be relied upon for tax, legal or accounting advice, investment recommendations or a credit or other evaluation regarding the Notes. Any investment decision to purchase Notes in the context of a proposed placement, if any, should be made exclusively on the basis of the final terms and conditions of the Notes and each investor's own diligence in relation to such a placement and not on the basis of this Information Memorandum. Prospective investors should consult their tax, legal, accounting or other advisers.

## CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

In this Information Memorandum, unless otherwise specified or the context otherwise requires, all references to the “**PRC**” and “**China**” are to the People’s Republic of China (excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan); references to the “**United States**” and “**U.S.**” are to the United States of America; references to “**Hong Kong**” are to the Hong Kong Special Administrative Region of the People’s Republic of China; references to “**Renminbi**” and “**RMB**” are to the lawful currency of the PRC; and references to “**U.S.\$**” and “**U.S. dollars**” are to the lawful currency of the United States of America. 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.

This Information Memorandum contains translation of certain Renminbi amounts into U.S. dollars at a specified rate solely for the convenience of the reader. Unless otherwise specified, where financial information in relation to the Issuer has been translated into U.S. dollars, it has been so translated, for convenience only, at the rate of RMB6.5250 to U.S.\$1.00 (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). Further information regarding exchange rate is set forth in “*Exchange Rates*” in this Information Memorandum. No representation is made that the Renminbi amounts referred to in this Information Memorandum could have been or could be converted into U.S. dollars at any particular rate or at all.

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

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

In this Information Memorandum, unless otherwise indicated or the context otherwise requires, references to:

- the “**Baoji Government**” refers to the Baoji People’s Government;
- “**Baoji SASAC**” refers to the Baoji State-owned Assets Supervision and Administration Commission;
- “**MOF**” refers to the Ministry of Finance of the People’s Republic of China;
- “**MOFCOM**” refers to the Ministry of Commerce of the People’s Republic of China;
- “**NDRC**” refers to the National Development and Reform Commission of the People’s Republic of China or its local counterparts;
- “**PBOC**” refers to the People’s Bank of China, the central bank of the PRC;
- the “**PRC government**” refers to the central government of the PRC and its political subdivisions, including provincial, municipal and other regional or local government entities, and instrumentalities thereof, or where the context requires, any of them;
- “**SAFE**” refers to the State Administration of Foreign Exchange of the People’s Republic of China or its competent local counterpart;
- “**SASAC**” refers to the State-owned Assets Supervision and Administration Commission of the People’s Republic of China; and

“**State Council**” refers to the State Council of the People’s Republic of China.

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## THE ISSUE

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

<b>Issuer</b>	Baoji Investment (Group) Co., Ltd. (寶雞市投資(集團)有限公司).
<b>LC Bank</b>	Bank of Xi'an Co., Ltd.
<b>The Notes</b>	U.S.\$60,000,000 aggregate principal amount of 3.35 per cent. Notes due 2024.
<b>Issue Price</b>	100.00 per cent. of the principal amount.
<b>Form and Denomination</b>	The Notes will be issued in the specified denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.
<b>Interest</b>	The Notes will bear interest at a rate of 3.35 per cent. per annum.
<b>Interest Payment Dates</b>	The Notes bear interest from and including 9 December 2021, payable semi-annually in arrear on 9 June and 9 December in each year, commencing on 9 June 2022.
<b>Issue Date</b>	9 December 2021.
<b>Maturity Date</b>	9 December 2024.
<b>Standby Letter of Credit</b>	<p>The Notes will have the benefit of the irrevocable Standby Letter of Credit issued by Bank of Xi'an Co., Ltd. (the “<b>LC Bank</b>”) in favour of the Trustee, on behalf of itself and the holders of the Notes. The Standby Letter of Credit shall be drawable by the Trustee as beneficiary under the Standby Letter of Credit on behalf of itself and the holders of the Notes upon the presentation of a demand by authenticated SWIFT (or otherwise permitted under the Standby Letter of Credit) sent by or on behalf of the Trustee to the LC Bank in accordance with the Standby Letter of Credit (the “<b>Demand</b>”) stating that (i) the Issuer has failed to comply with Condition 4.2 (<i>Pre-funding</i>) of the Terms and Conditions in relation to pre-funding the amount that is required to be pre-funded under the Terms and Conditions of the Notes and/or failed to provide the Required Confirmations (as defined in the Terms and Conditions) in accordance with Condition 4.2 (<i>Pre-funding</i>) of the Terms and Conditions, or (ii) an Event of Default (as defined in Condition 10 (<i>Events of Default</i>) of the Terms and Conditions) has occurred and the beneficiary, as Trustee for itself and the Noteholders, has given notice to the Issuer that the Notes are immediately due and payable in accordance with Condition 10 (<i>Events of Default</i>) of the Terms and Conditions. Only one drawing is permitted under the Standby Letter of Credit.</p> <p>Such drawing on the Standby Letter of Credit will be payable in U.S. dollars to or to the order of the Trustee at the time and to the account specified in the Demand presented to the LC Bank. Payment received by the Trustee in respect of the Demand will be deposited into the LC Proceeds Account (as defined in Condition 4.2 (<i>Pre-funding</i>) of the Terms and Conditions).</p> <p>The payment made under the Standby Letter of Credit in respect of any amount payable under the Terms and Conditions or in connection with the</p>

## Pre-funding

Notes, the Trust Deed, the Agency Agreement, the Standby Letter of Credit and/or any other transaction document relating to the Notes shall, to the extent of the drawing paid to or to the order of the Trustee, satisfy the obligations of the Issuer in respect of such amount payable under the Terms and Conditions or in connection with the Notes, the Trust Deed, the Agency Agreement, the Standby Letter of Credit and/or any other transaction document relating to the Notes.

The LC Bank's liability under the Standby Letter of Credit shall be expressed and payable in U.S. dollars and shall not exceed U.S.\$61,805,000 (the "**Maximum Limit**"). The Standby Letter of Credit expires at 6:00 p.m. (Hong Kong time) on 9 January 2025.

See "*Terms and Conditions of the Notes — Standby Letter of Credit and Pre-funding*" and "*Appendix A — Form of Standby Letter of Credit*".

In order to provide for the payment of any amount in respect of the Notes (other than the amounts payable under Condition 7.4 (*Mandatory Redemption upon Pre-funding Failure*) of the Terms and Conditions) (the "**Relevant Amount**") as the same shall become due, the Issuer shall, in accordance with the Agency Agreement, by no later than the Business Day falling ten Business Days (the "**Pre-funding Date**") prior to the due date for such payment under the Terms and Conditions:

unconditionally pay or procure to be paid the Relevant Amount in immediately available and clear funds into the Pre-funding Account; and

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

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

as soon as reasonably practicable notify the LC Bank and the LC Proceeds Account Bank by facsimile or by SWIFT of the occurrence of the Pre-funding Failure; and

by no later than 6:00 p.m. (Hong Kong time) on the second Business Day following the Pre-funding Date, (x) give notice substantially in the form scheduled to the Trust Deed (the "**Pre-funding Failure Notice**") to the Noteholders of (I) the Pre-funding Failure and (II) the redemption of the Notes in accordance with Condition 7.4 (*Mandatory Redemption upon Pre-funding Failure*) of the Terms and Conditions to occur as a result of the Pre-funding Failure; and (y) issue a Demand to the LC Bank for the principal amount in respect of all the Notes then outstanding, together with interest accrued to but excluding the Mandatory Redemption Date (as defined in Condition 7.4 (*Mandatory Redemption upon Pre-funding Failure*) of the Terms and Conditions) and all fees, costs, expenses, indemnity payments and other amounts in connection with the Notes, the Trust Deed, the Agency Agreement, the Standby Letter of Credit and/or

any other transaction document relating to the Notes, provided that, in accordance with the Standby Letter of Credit, the Trustee need not physically present the Demand under the Standby Letter of Credit to the LC Bank and shall be entitled to submit the Demand by authenticated SWIFT (or, in certain limited circumstances set out in the Standby Letter of Credit, by way of such other means as permitted under the Standby Letter of Credit) to the LC Bank.

Following receipt by the LC Bank of such Demand by 6:00 p.m. (Hong Kong time) on a Business Day, the LC Bank shall on the fifth Business Day immediately following such Business Day, pay to or to the order of the Trustee the amount in U.S. dollars specified in the Demand in immediately available funds to the LC Proceeds Account.

The Pre-funding Account Bank shall notify the Trustee and the Principal Paying Agent as soon as reasonably practicable upon the failure by the Issuer to pay the Relevant Amount into the Pre-funding Account in accordance with the Terms and Conditions.

See “*Terms and Conditions of the Notes — Standby Letter of Credit and Pre-funding*” and “*Appendix A — Form of Standby Letter of Credit*”.

**Status of the Notes**

The Notes will constitute direct, unconditional, unsubordinated and (subject to Condition 5.1 of the Terms and Conditions) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all the Issuer’s other present and future unsecured and unsubordinated obligations.

**Events of Default**

Upon the occurrence of certain events described under “*Terms and Conditions of the Notes – Events of Default*”, the Trustee at its discretion may, and if so requested in writing by holders of at least 25 per cent. in the aggregate principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders, shall (provided that in either such case, the Trustee shall first have been indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer that the Notes are, and they shall immediately become, due and payable, at their principal amount together (if applicable) with any accrued interest.

**Taxation**

All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without set-off, counterclaim, 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 PRC or any political subdivision or authority therein or thereof having power to tax, unless such set-off, counterclaim, withholding or deduction is required by law, as further described in Condition 9 of the Terms and Conditions.

Where such withholding or deduction is made by the Issuer by or within the PRC up to and including the Applicable Rate (as defined in the Terms and Conditions), the Issuer will increase the amounts paid by it to the extent required, so that the net amount received by Noteholders equals the amount which would otherwise have been receivable by them had no such withholding or deduction been required.

If the Issuer is required to make a deduction or withholding by or within the PRC in excess of the Applicable Rate, the Issuer shall pay such additional amounts (“**Additional Tax Amounts**”) as will result in receipt

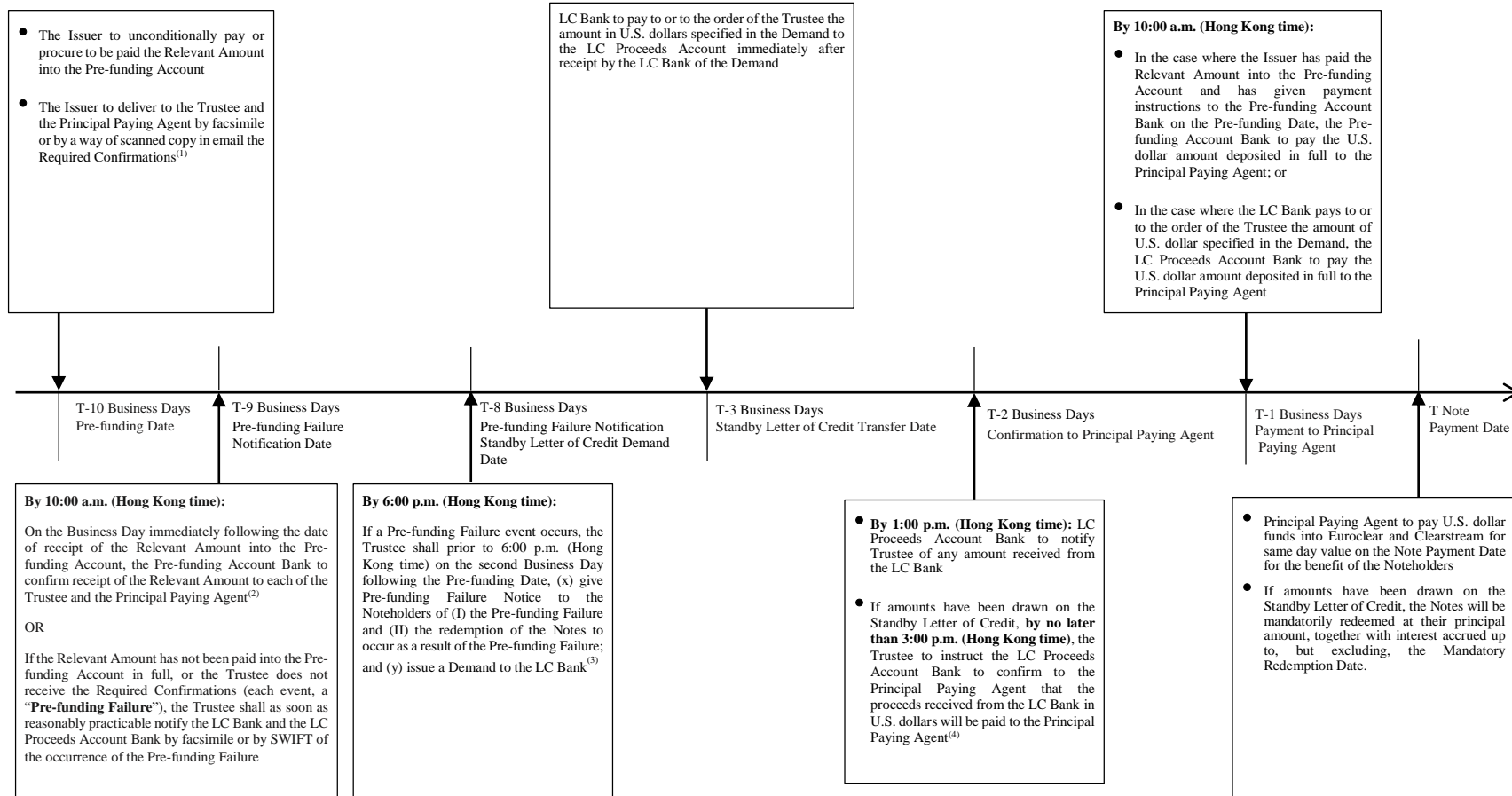
	by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required. See <i>“Terms and Conditions of the Notes – Taxation”</i> .
<b>Final Redemption</b>	Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 9 December 2024.
<b>Redemption for Taxation Reasons</b>	The Notes 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 Noteholders in accordance with Terms and Conditions and in writing to and the Trustee and the Principal Paying Agent (which notice shall be irrevocable) at their principal amount, together with interest accrued up to but excluding the date fixed for redemption, but unpaid, if the Issuer satisfies the Trustee immediately prior to the giving of such notice, that: (a) the Issuer has or will become obliged to pay Additional Tax Amounts as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 6 December 2021; and (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it. See <i>“Terms and Conditions of the Notes – Redemption and Purchase – Redemption for Taxation Reasons”</i> .
<b>Redemption for Relevant Events</b>	At any time following the occurrence of a Relevant Event, the holder of any Note will have the right, at such holder’s option, to require the Issuer to redeem all but not some only of that holder’s Notes on the Put Settlement Date 100 per cent. of their principal amount, together with accrued interest up to but excluding such Put Settlement Date. See <i>“Terms and Conditions of the Notes – Redemption and Purchase – Redemption for Relevant Events”</i> .
<b>Mandatory Redemption upon Pre-funding Failure</b>	The Notes shall be redeemed in whole, but not in part, at their principal amount on the Interest Payment Date immediately falling after the date the Pre-funding Failure Notice is given to the Noteholders in accordance with Condition 4.2 ( <i>Pre-funding</i> ) of the Terms and Conditions (the <b>“Mandatory Redemption Date”</b> ), together with interest accrued up to, but excluding, the Mandatory Redemption Date, as further described in Condition 7.4 ( <i>Mandatory Redemption upon Pre-funding Failure</i> ) of the Terms and Conditions.
<b>Further Issues</b>	The Issuer may from time to time without the consent of the Noteholders create and issue further securities having the same terms and conditions as the Notes in all respects (or in all respects except for the issue price, the issue date, the first payment of interest on them, the registration deadline for completion of the SAFE Registrations and the deadline for submission of the NDRC Post-issue Filing) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes). See <i>“Terms and Conditions of the Notes – Further Issues”</i> .
<b>Governing Law</b>	The Trust Deed, the Agency Agreement, the Standby Letter of Credit and the Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, Hong Kong law.

<b>Trustee</b>	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)
<b>Registrar and Transfer Agent</b>	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)
<b>Principal Paying Agent</b>	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)
<b>Clearing Systems</b>	The Notes will be represented by beneficial interests in the Global Certificate, which will be registered in the name of a nominee for, and deposited on the Issue Date with, a common depositary for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through records maintained by, Euroclear and Clearstream. Except in the limited circumstances described in the Global Certificate, certificates for Notes will not be issued in exchange for beneficial interests in the Global Certificate.
<b>Selling Restrictions</b>	The Notes 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>Placement and Sale</i> ”.
<b>Listing</b>	Application will be made to the Hong Kong Stock Exchange for the listing of the Notes by way of debt issues to Professional Investors only.
<b>Use of Proceeds</b>	See “ <i>Use of Proceeds</i> ”.
<b>ISIN</b>	XS2419745455.
<b>Common Code</b>	241974545.
<b>Legal Entity Identifier</b>	3003006BQYEEEXRWOR063.



## SUMMARY OF PAYMENT ARRANGEMENTS ON EACH SCHEDULED DUE DATE UNDER THE NOTES

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



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*Notes:*

- (1) The Required Confirmations consist of: (x) a Payment and Solvency Certificate signed by any Authorised Signatory of the Issuer; and (y) a copy of the irrevocable payment instruction from the Issuer to the Pre-funding Account Bank requesting the Pre-funding Account Bank to pay the Relevant Amount which was paid into the Pre-funding Account on the Pre-funding Date in full to the Principal Paying Agent by no later than 10:00 a.m. (Hong Kong time) on the Business Day immediately preceding the due date for such payment.
- (2) The confirmation from the Pre-funding Account Bank to each of the Trustee and the Principal Paying Agent shall be by authenticated SWIFT or other means of communication as the Principal Paying Agent or the Trustee may in its discretion agree with the Pre-funding Account Bank.
- (3) The Trustee need not physically present the Demand under the Standby Letter of Credit to the LC Bank and shall be entitled to submit the Demand by authenticated SWIFT.
- (4) The confirmation from the LC Proceeds Account Bank to the Principal Paying Agent shall be by authenticated SWIFT (or other means of communication as the Principal Paying Agent may in its discretion agree with the LC Proceeds Account Bank).

## RISK FACTORS

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

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

### RISKS RELATING TO THE GROUP'S BUSINESS

***The Group's business, financial condition, results of operations and prospects are heavily dependent on the level of economic development in Baoji.***

The Group's businesses and assets are highly concentrated in Baoji. Therefore, its business, financial condition, results of operations and prospects have been, and will continue to be, heavily dependent on the social conditions, local government policies and the level of economic activity in Baoji. For example, the growth of the Group's heat energy supply business segment depends on, among others, the development of the affordable housing market in Baoji. Baoji has experienced rapid economic growth in recent years.

However, in recent years, there was a slowdown in the overall growth of the PRC's economy. In particular, the outbreak of the novel coronavirus disease ("COVID-19") since early 2020 has adversely affected, and may continue to adversely affect, the level of economic development in Baoji and the PRC. See "*– The Group's business may be affected by natural disasters, epidemics and other acts of God, including the recent COVID-19 pandemic*". As such, there can be no assurance that the level of economic development in Baoji will continue to be maintained at the past rate of growth, if at all.

The Group may not be able to establish or invest in any new businesses outside Baoji in the future and the Group expects that its future business and operations will continue to be concentrated in Baoji. If economic growth slows, adverse changes in social conditions or local government policies arise or any severe natural disasters or catastrophic events occur in Baoji, the Group's business, financial condition, results of operations and prospects could be materially and adversely affected.

***The Group may not make decisions, take action or invest or operate in businesses or projects that are in the Group's best interest or that aim to maximise the Group's profits and the Baoji Government exerts significant influence on the Group.***

The Issuer acts as the primary platform via which the Baoji Government provides heat energy supply, water supply and public transportation services in Baoji. Given the Group's state-owned background and the strategic role the Group has towards the development of Baoji's economy, the Group may not make decisions, take action or invest or operate in businesses or projects that are in the Group's best interest or that aim to maximise the Group's profits.

As the Issuer is a state-owned company controlled by Baoji SASAC, the Baoji Government is in a position to exert significant influence on the Group's major business decisions and strategies, including the scope of its activities, investment decisions and dividend policy. There can be no assurance that the Baoji Government would always take action that is in the Group's best interests or that aims to maximise the Group's profits. The Baoji Government may use its ability to influence the Group's business and strategy in a manner which is beneficial to

Baoji as a whole but which may not necessarily be in the Group's best interests. The Baoji Government may also change its policies, intention, preferences, views, expectations, projections, forecasts and opinions, as a result of changes in the economic, political and social environment as well as its projections of population and employment growth in Baoji and any such change may have a material effect on the Group's business and prospects. Any amendment, modification or repeal of existing policies of the Baoji Government could result in a modification of the existing regulatory regime which in turn could have a material adverse effect on the Group's financial condition and results of operations.

In addition, the Group's business, financial condition and results of operations may be materially and adversely affected by any changes in the public budget of the Baoji Government, especially if the Baoji Government decreases or decides to decrease public spending on urban development and other public infrastructure. The nature, scale, location and timing of the Baoji Government's public investment plans in urban development and other public infrastructure may be affected by the PRC government's policies and priority relating to the development of different regions across the country and the Baoji Government's fiscal and monetary policies as to the availability of credit and funding for projects. The Baoji Government's public investment plans in urban development and other public infrastructure also depend on its financial condition and funding ability, which may be affected by changes in the economic conditions in the PRC generally and in Baoji.

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

In light of the strategic importance of some of the Group's businesses to Baoji, the Group has received support (but not including credit support) from the Baoji Government in the form of fiscal subsidies to support its investment in and operation of those businesses. For example, the Group has received subsidies from the Baoji Government for the Group's operation of its public transportation business segment.

There can be no assurance that the fiscal subsidies or other types of government support will not be adjusted or terminated due to changes in government policy or otherwise. If the favourable fiscal subsidies or other incentives which are currently available to the Group are reduced, eliminated or delayed in the future, the financial condition and results of operations of the Group will be materially and adversely affected.

***The PRC government (including Baoji Government) has no obligation to repay any amount under the Notes.***

The PRC government (including the Baoji Government) is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Notes. This position has been reinforced by the Circular of the Ministry of Finance on Issues relevant to the Regulation on the Financing Activities Conducted by Financial Institutions for Local Governments and State-owned Enterprises (財政部關於規範金融企業對地方政府和國有企業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, and the Joint Circular promulgated on 11 May 2018 and took effect on the same day.

The Baoji Government has no obligation to repay any amount under the Notes. Investments in the Notes are relying solely on the credit risk of the Issuer. In the event the Issuer does not fulfil its obligations under the Notes, investors will only be able to claim as an unsecured creditor against the Issuer and its assets, and not any other person including the Baoji Government or any other local or municipal government. As the MOF Circular and the Joint Circular are relatively new and given the limited volume of published decisions related to these circulars, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the controlling relationship between the Issuer and the Baoji SASAC, which is under the administration of the Baoji Government, does not correlate to, or provide any assurance as to the Issuer's financial conditions. The repayment obligations under the Notes remain the sole obligation of the Issuer.

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

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

that such amount of the Group's Public Interest Assets has not been audited by any auditor and as such potential investors must exercise caution when using or placing any reliance on such amount.

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

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

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

***The Group historically reported negative operating cash flows. If the Group continues to have negative operating cash flows in the future, the Group's liquidity and financial condition may be materially and adversely affected.***

Negative operating cash flows may reduce the Group's financial flexibility and its ability to obtain additional borrowings from banks. There can be no assurance that the Group will be able to record positive operating cash flow in the future. The Group's liquidity and financial condition may be materially and adversely affected should the Group's future operating cash flow remain negative, and there can be no assurance that it will have sufficient cash from other sources to fund its operations. If the Group resorts to other financing activities to generate additional cash, the Group will incur additional financing costs and there can be no assurance that the Group will be able to obtain the financing on terms acceptable to the Group or at all.

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

The Group needs to obtain or renew a number of approvals, certificates, licenses and permits from different governmental authorities and to comply with extensive procedural requirements in order to carry on its business activities under PRC laws and regulations. For example, the Group conducts its heat energy supply and water supply businesses pursuant to licenses granted by the Baoji Government. The Group is also required to obtain the project approval and environmental assessment approval at the outset of the project before it is permitted to commence construction of the relevant project. As the projects progress, it also needs to receive the construction land planning permit, construction project planning permit and construction permit. Some of the Group's members are in the process of applying for or will apply for the necessary qualifications that have not been obtained or have expired, and there can be no assurance that the Group is able to obtain or renew all necessary approvals, permits and licenses on a timely basis or at all. Failure to obtain such approvals could lead to fines and other consequences such as suspension of construction and could have a material adverse effect on the Group's business, results of operations and financial condition.

Some of the Group's members are in the process of applying for or will apply for land use right certificates or building ownership certificates which they have not obtained. The Group may not be able to obtain certificates



for all of these properties due to title defects or for other reasons, which may adversely affect the Group's ownership rights in respect of these properties. There are also defects in certain land use right certificates and building ownership certificates of some of the Group's members. In addition, there may be defects in the land use rights or building ownership of some of the Group's members in respect of their leased properties and a number of the Group's leases are not registered with the relevant PRC governmental authorities.

Property developers in the PRC must also obtain a valid qualification certificate in order to engage in property development in the PRC. Each of the Issuer's subsidiaries and associates that engages in property development in the PRC is responsible for submitting its own application. Formal qualification certificates are subject to renewal on an annual basis. Government regulations require developers to fulfil all statutory requirements before obtaining or renewing their qualification certificates. There can be no assurance that all of the Issuer's subsidiaries and associates will be able to pass the annual verification of the qualification certificates or that all of the Issuer's subsidiaries and associates will be able to obtain formal qualification certificates in a timely manner, or at all, as and when they expire. If any of the Issuer's subsidiaries and associates is unable to obtain or renew its qualification certificate, such company may not be permitted to continue its operation, which could materially and adversely affect the Group's business, prospects, financial condition and results of operations.

Non-compliance with the relevant laws and regulations or the failure to obtain the relevant approvals, permits and licenses could expose the Group to sanctions, fines, penalties, revocation of license or other punitive actions, including suspension of the Group's business operations or restriction or prohibition on certain business activities. In addition, the relevant government authorities may adopt new laws and regulations, or amend the interpretation of or enforcement of existing laws and regulations, or promulgate stricter laws and regulations, all of which may materially and adversely affect the Group's financial condition and results of operations.

***The Group has not obtained all of the required licenses and permits for some of its construction projects.***

Some construction projects that the Group is undertaking do not have all the required permits or licences, which are mandatory for such construction projects according to the relevant PRC laws and regulations. If required permits or licences were not obtained for certain construction projects, such project may be suspended by the relevant governmental authorities, the construction may not be able to proceed or complete until such missing permits or licences are obtained and the Group may be fined by the relevant governmental authorities. As a result, the Group's financial conditions and results of operations may be adversely affected.

***The Group's business is subject to general economic and business cycles and difficult conditions in the global economy may adversely affect the Group's business.***

Some of the industries in which the Group operates, such as the heat energy and public transportation industries, are cyclical industries. Please see “– Risks relating to the Group's Businesses – The Group's operating revenue from certain business segments is subject to seasonal fluctuations” for further information. The Group's activities and results are also substantially affected by general global economic conditions.

The outlook for the world economy and financial markets remains uncertain. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a result of liberal monetary policy or excessive foreign fund inflow, or both. The national referendum results whereby the United Kingdom voted to withdraw from the European Union have resulted in volatility in the global financial market, and are expected to cause mid-to long-term economic impacts to the economy in the United Kingdom and globally. Economic conditions in the PRC are sensitive to global economic conditions, and it is difficult to predict how the PRC economy will develop in the future and whether it may slow down due to a global crisis or experience a financial crisis.

Instability in the global economy may materially and adversely affect markets that the Group operates in, which may lead to a decline in the general demand for the Group's services and products. In addition, a reduction in liquidity in the global financial markets and in the PRC may negatively affect the Group's liquidity. Therefore, instabilities in the global economy may materially and adversely affect the Group's business, financial condition and results of operations.

***The Group operates in multiple industries and markets and is exposed to business, market and regulatory risks relating to different industries and markets.***

The Issuer has a number of subsidiaries operating in multiple industries and markets. As such, 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, markets and geographic areas 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 requires an effective management system. As the Group continues to grow its businesses and expand into new industries, the Group's operations may become more complex, which would increase the difficulty of implementing its management system.

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

***Any failure of the Group to maintain relationships with its major suppliers, volatility in the prices of raw materials or limitations on or disruptions in the supply of raw materials could adversely affect the Group's heat energy supply business.***

In relation to the Group's self-generated heat energy, the Group relies on certain major suppliers of raw materials (such as coal) for the Group's procurement of raw materials. In relation to the heat energy provided by the Group purchased from external heat energy suppliers, the Group also relies on certain major suppliers of heat energy. There can be no assurance that the Group will be able to maintain or improve its relationships with its suppliers, or that it will be able to continue to source raw materials from these suppliers at current pricing levels or at all. If any of these relationships were to be terminated and the Group were unable to obtain replacement raw material supply, its business, financial condition, results of operations and prospects may be materially and adversely affected.

In addition, the availability and prices of raw materials (such as coal) are subject to market forces, most of which are beyond the control of the Group. There can be no assurance that unforeseen events will not prevent the timely delivery of, or affect the quality of, raw materials supplied by the Group's suppliers, or that the Group will be able to secure a sufficient supply of raw materials at commercially acceptable prices. The prices and availability of raw materials may be negatively affected by factors including but not limited to increases in global demand for raw materials, depletion of existing sources and decreasing availability of new sources, interruptions in production by suppliers, the bargaining power of raw material suppliers, suppliers' allocations to other purchasers and the business continuity of suppliers, wars, natural disasters and other similar events. In the event that the supply of raw materials becomes scarce, the Group may be required to pay more to secure the supply of raw materials or to purchase heat energy from external suppliers, which would have a material adverse effect on the Group's financial condition and results of operations.

***The Group may be unsuccessful in integrating and managing future investments and/or acquisitions and there are risks associated with any material acquisitions by the Group.***

As part of its expansion plans, 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 business operations. The ability of the Group's operations to grow by investments in and/or acquisitions of its target businesses is dependent upon, and may be limited by, the availability of attractive projects, its ability to agree commercial, technical and financing terms to the satisfaction of the Group and obtaining required approvals from relevant regulatory authorities.

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;
- difficulty of 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 financing 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.

In addition, where the Group invests in joint ventures where it may not have management control over its investments, there can be no assurance that such joint ventures will operate smoothly or successfully, if at all. There can also be no assurance that joint venture partners will act in a way which is consistent with the interests of the Group and be able and willing to fulfil their obligations under the relevant joint venture or other agreements.

Also, during the course of any material acquisition transactions, the Group will conduct due diligence investigations with respect to the target companies, but the due diligence with respect to any acquisition opportunity may not reveal all relevant facts that are necessary or useful in evaluating such opportunity, which could subject the Group to unknown financial, legal and other risks and liabilities. When determining the consideration for any 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 target suitable for acquisition or when any suitable acquisition opportunities could arise. In the event that the Group enters into any letter of intent or agreement for any material acquisition after the issue of the Notes, the market price and the trading volume of the Notes may be adversely affected.

***The Group may not be able to successfully identify, acquire, invest in or operate suitable investment projects, acquisition targets or businesses.***

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 or, if at all, if any such investments and acquisitions are consummated, satisfactorily integrate the acquired businesses and investments. Any failure of the Group to implement its expansion plans through investments and acquisitions could have a material adverse effect on the Group's business, financial position and results of operations, as well as its future prospects.

In addition, the Group's portfolio companies operating in different segments may determine that it is in their shareholders' interests to pursue new business ventures. There can be no assurance that such business ventures will be successful or generate the synergies expected, if any. The successful completion of this type of transaction will depend on several factors, including satisfactory due diligence findings and the receipt of necessary regulatory approval, among others. If the Group fails to complete such business ventures or such ventures prove to be unsuccessful, the Group's operating segments involved may be adversely affected.

***The Group may not be able to execute successfully or fully its business strategy with respect to assets, projects or subsidiaries in which the Issuer has minority interests.***

The Group may not be able to execute successfully or fully its business strategy with respect to assets, projects or subsidiaries in which the Issuer has minority interests. The Group may also fail to manage such assets, projects or subsidiaries successfully. The Group's involvement with such assets, projects and subsidiaries is generally subject to the terms of applicable agreements and arrangements. The Group may not have any board representation, veto power or power to exercise control over the management, policies, business and affairs of certain of its subsidiaries in which the Issuer does not have majority interests.

In addition, the Group conducts some of its business activities through one or more joint venture companies with local or international partners. The Group generally enters into such joint ventures where it believes it is able to benefit from the strong industry insight and experience of its partners. Under the current contractual arrangements, if any of the other equity owners or the Group's partners fail to perform their respective obligations or otherwise

breach the terms and conditions of the Group's shareholding arrangements or joint venture agreements, or if the Group has different views or strategies with its partners, it could have a material adverse effect on the Group's business, financial condition or results of operations.

***The Group may fail to obtain sufficient capital resources for its continued growth and other operation needs.***

Some of the Group's business activities, such as the construction of heat energy supply distribution networks, water supply facilities and urban infrastructure, are capital intensive and require substantial capital expenditure for, among other things, the purchase, construction and maintenance of plant and equipment used in its operations as well as compliance with environmental laws.

The Group intends to use cash on hand, funds from operations, additional debt and equity financing and rely on financial support provided by the Baoji Government such as fiscal subsidies to finance its capital expenditure going forward. However, there can be no assurance that such funding sources will provide the Group with sufficient amounts of capital in a timely manner. Also, there can be no assurance that additional financing will be available to the Group or, if available, that it can be obtained on terms acceptable to the Group and within the covenants and limitations imposed by the Group's existing or any future financings and the applicable regulations which the Group may be subject to.

In addition, a portion of the borrowings of the Group's portfolio companies are guaranteed by the Issuer. If a portfolio company defaults on any such borrowings, the relevant lender may exercise its right under the guarantee to demand payment from the Issuer. This may result in a funding shortage at the holding company level and adversely affect the financial support that the Issuer may offer to its portfolio companies in other segments.

***The Group engages in related party transactions with its associates and joint ventures from time to time which may create potential conflicts of interest.***

The Group has engaged in and will continue to engage in a variety of transactions with its associates and joint ventures, which primarily include providing guarantees. There can be no assurance that those transactions would be deemed as arm's-length or the Group's related parties will not take actions that favour their interests over the Group's. If a borrower defaults on any borrowings guaranteed by the relevant Group's member, the relevant lender may exercise its right under the guarantee to demand repayment from the Group, which may result in a funding shortage at the Group level. The internal control regarding the management of various related party transactions may also be 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 may be exposed to credit risk relating to guarantees.***

The Group provides guarantees in respect of indebtedness of entities in Shaanxi which are not members of the Group from time to time. As at the date of this Information Memorandum, the total amount of the Group's outstanding guarantees for third parties amounts to approximately RMB5.1 billion, among which approximately RMB54.7 million has been overdue. In the situation where guaranteed entities are unable to fulfill their obligations under their respective indebtedness, the Group may be required to pay the outstanding debt obligations on behalf of the guaranteed entities. The Group has been involved in certain litigations with respect to its guarantee to third parties. Any significant judgment, arbitration award or regulatory action against the Group, or a disruption in the Group's business arising from adverse adjudications in proceedings against the Group's directors, senior management or key employees, could materially and adversely affect the Group's liquidity, business, financial condition, results of operations and prospects. For more details, please see “–The Group may be subject to legal, litigation and regulatory proceedings” and “Description of the Group – Legal and Regulatory Proceedings”.

***The Group has substantial indebtedness and may incur additional indebtedness in the future, which could adversely affect its future strategy and operations and its ability to generate sufficient cash to satisfy its outstanding and future debt obligations.***

The Group currently has a large amount of indebtedness. The Group may incur additional indebtedness and continuing liabilities in the future, including the issuance of debt securities or entering into financing or other loan arrangements. The level of existing indebtedness and incurrence of further indebtedness could have important consequences to the Group's business, including:

- increasing the Group's vulnerability to adverse general economic and industry conditions;

- requiring the Group to dedicate a substantial portion of its cash flows from operations to servicing and repaying its indebtedness, thereby reducing the availability of its cash flows to fund working capital, capital expenditures and other general corporate purposes;
- limiting the Group's ability to capture investment and/or acquisition opportunities and inhibiting its ability to grow and expand its business;
- adding to the Group's interest exposure as a proportion of its costs of doing business;
- limiting the Group's flexibility in planning for or reacting to changes in the industries in which it operates;
- reducing the Group's competitiveness compared to its competitors that have less debt; and
- increasing the costs of additional financing.

Creditors of the Issuer's subsidiaries would have a claim on the Issuer's subsidiaries' assets that would be prior to the claims of the Issuer's creditors. As a result, the payment obligations under the Issuer's indebtedness and liabilities will be effectively subordinated to all existing and future obligations of the Issuer's subsidiaries, and all claims of creditors of the Issuer's subsidiaries, will have priority as to the assets of such entities over the Issuer's claims and those of its creditors.

In incurring indebtedness and liabilities from time to time, members of the Group may create security over their assets, receivables or equity interests in companies or entities held by them (which may include the Issuer's subsidiaries) in favour of the relevant creditors. Examples of security interests given by the Group include fixed charges and pledges which have been created on the assets and receivables of some members within the Group. Should any of such secured indebtedness becomes immediately due and payable as a result of any default in payment or the occurrence of other events of default as defined under the relevant secured indebtedness, the relevant secured creditors would be entitled to take enforcement actions against such secured assets, receivables and equity interests. The secured creditors might take over the relevant subsidiaries' titles to the secured assets, receivables and equity interests or sell them through auction. In such an event, the value of the Group's assets portfolio will diminish and fewer assets and/or equity interests will be available for distribution to unsecured creditors if the relevant subsidiaries are in liquidation. If any member of the Group incurs additional debt, the risks that the Group faces as a result of its already substantial indebtedness and leverage could intensify.

Also, if the Issuer or the relevant subsidiaries are unable to comply with the restrictions (including restrictions on the Group's 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 Issuer 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 arrangements entered into by the Issuer and its subsidiaries may contain cross-acceleration or cross-default provisions. As a result, a default by the Issuer or any of its subsidiaries under any of such agreements may cause the acceleration of repayment of not only such debt but also other debts, or result in a default under other debt agreements. If any of these events occurs, there can be no assurance that the assets and cash flows of the Issuer or its subsidiaries would be sufficient to repay in full all of their respective debts as they become due, or that the Issuer or its subsidiaries would be able to find alternative financing. Even if the Issuer 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 Issuer or, as the case may be, its subsidiaries.

***The Group is subject to extensive regulatory requirements and the non-compliance of which would materially and adversely affect the Group's financial condition and results of operations.***

The Group is subject to extensive laws, policies and regulatory requirements issued by the relevant governmental authorities in the PRC and other jurisdictions. For example, the Group's heat energy and water supply business segments are subject to extensive laws and regulations of the PRC government, and provincial and local authorities and agencies, which regulate many aspects of their operations such as the heat energy and water supply levels, the distribution, transmission and storage of heat energy and water, the quality standards of the heat energy and water supplied by the Group, and environmental, safety and health standards. The Group is also subject to the supervision of a number of government ministries and departments, including but not limited to NDRC, the Ministry of Housing and Urban-Rural Development, and the State Administration of Work Safety. Any breach of the laws or regulations to which the Group is subject may result in the imposition of fines and penalties, the



suspension or closure of its relevant operations or the suspension or revocation of its licenses or permits to conduct its relevant businesses. Please refer to “*PRC Regulations*” for further details.

Given the magnitude and complexity of the laws and regulations to which the Group is, compliance with such laws and regulations or the establishment of effective monitoring systems may be onerous or require a significant amount of financial and other resources. Although the Group is obliged to comply with all applicable laws and regulations, given the changing nature and increased complexity of the regulations in the PRC, there can be no assurance that the Group will be in compliance at all times. Any failure to comply with applicable laws and regulations could subject the Group to, among other things, civil liabilities and penalty fees.

***Non-compliance with environmental regulations, including those to be implemented in the future, may result in material adverse effects on the Group’s results of operations.***

A variety of general and industry-specific PRC environmental laws and regulations apply to the Group’s operations such as damage caused by air emissions, noise emissions, waste water discharges, waste pollution and solid and hazardous waste handling and disposal. Costs and liabilities relating to compliance with applicable environmental laws and regulations are an inherent part of the Group’s business operations. These laws can impose liability for non-compliance or clean up liability on the generation of hazardous waste and other substances from the Group’s business operations that are disposed of either on or off-site, regardless of fault or the legality of the disposal activities. The Group may also be required to investigate and remedy contamination at its properties or where the Group conducts operations, including contamination that was caused in whole or in part by previous owners of properties.

In addition, environmental laws and regulations are becoming increasingly stringent and may in the future impose onerous obligations on the Group or significant penalties for non-compliance. While the Group intends to comply with applicable environmental legislation and regulatory requirements, it is possible that such compliance may materially restrict the operations of its business and/or result in significant costs for the Group.

In addition to potential clean-up liability, the Group may become subject to monetary fines and penalties for violation of applicable environmental laws, regulations or administrative orders. This may result in closure or temporary suspension or the imposition of restrictions on the Group’s operations. The Group may become involved in legal proceedings that may require it to pay fines, comply with more rigorous standards or incur capital and operating expenses for environmental compliance. Third parties may sue the Group for damages and costs resulting from environmental contamination from its properties and/or production facilities. No assurance can be given that changes in laws or regulations, including environmental laws and regulations, will not result in the Group having to incur substantial capital expenditure to upgrade or supplement its existing facilities or becoming subject to any fines or penalties. If the Group was to incur significant fines or penalties or become involved in protracted litigation, or if any of its facilities are closed or are required to temporarily suspend operations or upgrade to comply with the applicable laws and regulations, then the Group’s financial condition and results of operations may be adversely affected.

***Any failure of the Group’s key contractors may have an adverse effect on the Group’s business.***

The Group engages contractors for the provision of various services, including but not limited to certain contractual work for the construction of heat energy supply distribution networks, water supply facilities and urban infrastructure. There can be no assurance that the services rendered by the contractors will always be satisfactory and up to the standard specified in the relevant contracts. In addition, the Group is also exposed to the risk that its contractors may require additional capital to complete an engagement in excess of the price originally tendered and the Group may have to bear additional costs as a result. If any of the key contractors fails to perform their contractual obligations, the Group’s operations, business and financial condition may be materially and adversely affected.

In addition, there is a risk that the Group may not be able to find suitable alternative contractors at commercially reasonable contract terms, if at all, if the contracts with its current contractors terminate or its current contractors do not renew their expired contracts. This may result in delays in the completion of the Group’s projects or incurrence of additional costs, which could materially and adversely affect the Group’s business, financial condition and results of operations.

***The Group is exposed to interest rate risk.***

Interest rate fluctuations may have a significant influence on the financial performance of the Group. Any changes in interest rates will impact the Group's borrowing costs as a portion of the Group's borrowings bears floating interest rates. The Group may be susceptible to interest rate volatility if it is unable to match its floating rate liabilities with floating rate payments or secure appropriate hedges for the same. While the Group's exposure to interest rate volatility may be hedged through the use of interest rate swaps and interest caps, the magnitude of the final exposure depends on the effectiveness of the hedge. There can be no assurance that fluctuations in interest rates will not have an adverse effect on the Group's earnings or cash flows. If any of the variety of instruments and strategies the Group uses to hedge its exposure to the interest rate risk is ineffective, the Group may incur losses, which could have a material adverse effect on the Group's financial position and results of operations.

***The Group is not insulated from the rising operating costs of labour, construction materials and construction equipment and may be adversely affected by any significant increases in fuel prices.***

As a result of economic growth in the PRC, wages for construction workers and the prices of construction materials and building equipment have experienced substantial increases in recent years. In addition, the amended Labour Contract Law of the PRC (the “**Labour Contract Law**”) that came into effect on 1 July 2013 enhanced the protection for employees and increased employers' liability in many circumstances, which may further increase the Group's labour costs. Also, one of the main operating costs of the Group's public transportation business segment is fuel costs, which are subject to significant fluctuations in recent years. The Group bears the risk of fluctuations in wages, prices of construction material and fuel prices and is also exposed to the price volatility of construction equipment used in construction projects. If the Group is unable to pass on any increase in the cost of labour, construction materials, construction equipment and fuel to its customers, its results of operations may be negatively affected. There can be no assurance as to the future movements of the prices of the construction materials required by the Group and any detrimental movements in the future could have a material adverse effect upon its financial condition and results of operations.

***The Group is subject to project development risks and cost overruns, and delays may adversely affect its results of operations.***

Affordable housing and urban infrastructure construction projects require substantial capital expenditures prior to and during the construction period, and it may be several years before these projects generate positive cash flow. There are a number of construction, financing, operating and other risks associated with project developments in the PRC. Construction projects that the Group undertakes typically require substantial capital expenditures during the construction phase. The time taken and the costs involved in completing construction can be adversely affected by many factors, including shortages of raw materials, equipment and labour, adverse weather conditions, natural disasters, terrorism, labour disputes, disputes with subcontractors, accidents, changes in governmental priorities and other unforeseen circumstances. Any of these could give rise to delays in the completion of construction and/or cost overruns. Construction delays can result in loss of operating revenue. In addition, as construction costs for new projects have generally increased due to factors that are generally beyond the Group's control, construction delays may further increase these costs. Although the majority of its construction projects have been completed on schedule, there can be no assurance that this will remain the case or that future construction projects will be completed on time, or at all, and generate satisfactory returns.

While the Group has received various kinds of financial support from the Baoji Government, the Group has historically required, and expects in the future to continue to require, substantial external financing to fund its capital expenditures. The Group's ability to arrange external financing and the cost of such financing are dependent on numerous factors, including general economic and capital market conditions, interest rates, credit availability from banks or other lenders, investor confidence in its business, success of its businesses, provisions of tax, securities and other relevant laws that may be applicable to its efforts to raise capital, and political and economic conditions in the PRC generally.

There can be no assurance that additional financing, either on a short-term or a long-term basis, will be made available or, if available, that such financing will be obtained on terms favourable to the Group.

***The Group is subject to price controls in certain markets and may not be able to pass on its increased costs to its customers.***

The Group is subject to government's price controls in certain markets. For example, tariffs charged by the Group for the distribution of heat energy are, to a certain extent, controlled and determined by NDRC and the relevant price control authorities. Please see “— Risks relating to the Group's Businesses – Economic, political and social

*conditions in the PRC and government policies could affect the Group's business and prospects" in this section. There are also price controls for the sale of water to end-users, and the bus fares charged by the Group in respect of its public transportation business are regulated by the relevant price control authorities in Baoji.*

There can be no assurance that the relevant price control authorities will increase the relevant tariffs or fares to take into account of any future increase in the operating costs such as the purchase price of heat energy or raw water, or that the price control authorities will not lower the existing tariffs or fares. If the Group is not able to pass on its increased operating costs or the impact of any price adjustments to its customers in a timely manner, the Group's business, financial condition and results of operations may be materially and adversely affected.

***Some of the Group's lease agreements have expired and the Group has not signed lease agreements with the relevant landlords for some leased properties. If the relevant landlords terminate the lease agreements or the relevant lease arrangements, the Group's business and financial condition may be adversely affected.***

The lease agreements of some of the properties leased by the Group have expired and the Group has not renewed or entered into new lease agreements with the relevant landlords. Under PRC laws and regulations, the relevant lease agreements remain valid if the Group continues to occupy or use the relevant properties. However, either party to the lease agreements may terminate the agreements at any time upon giving reasonable notice to the other party. In addition, the Group has not signed lease agreements with the relevant landlords for some leased properties. If the relevant landlords terminate the lease agreements or the relevant lease arrangements, the Group may not be able to find suitable locations for its relevant business operations in a timely manner and on terms commercially acceptable to the Group, or at all. Relocation could also cause disruptions to the Group's business operations and the Group would incur additional costs for relocation. These may adversely affect the Group's business and financial condition.

***The Group may be subject to legal, litigation and regulatory proceedings.***

The Group is involved, from time to time, in legal proceedings arising in the ordinary course of its operations. For details on the material legal proceedings that the Group are involved in, please see "*Description of the Group – Legal and Regulatory Proceedings*".

Litigation arising from any failure, injury or damage from the Group's operations may result in the relevant member of the Group being named as defendant in lawsuits asserting large claims against such member of the Group or subject such member of the Group to significant regulatory penalties. These risks often may be difficult to assess or quantify and their existence and magnitude often remain unknown for substantial periods of time. Actions brought against the Group may result in settlements, injunctions, fines, penalties or other results adverse to the Group's reputation, financial condition and results of operations. Even if the Group is successful in defending against these actions, the costs of such defence may be significant. In market downturns, the number of legal claims and amount of damages sought in litigations and regulatory proceedings may increase. A significant judgment, arbitration award or regulatory action against the Group, or a disruption in the Group's business arising from adverse adjudications in proceedings against the Group's directors, senior management or key employees, would materially and adversely affect the Group's liquidity, business, financial condition, results of operations and prospects.

In addition, the Group may have disagreements with regulatory bodies in the course of its operations, which may subject it to administrative proceedings and unfavourable decrees that result in liabilities. Also, in the event that the Group makes any other investments or acquisitions in the future, there can be no assurance that the Group would not have any exposure to any litigation or arbitration proceedings or other liabilities relating to the acquired businesses or entities.

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

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

In particular, beginning in 2020 and continuing as at the date of this Information Memorandum, the outbreak of COVID-19 has widely affected Asia, Europe, North America and other regions. Measures for combating the outbreak, including quarantine of infected and suspect cases, lockdown of cities with high risks of infection, cancellation of trains and flights and other restrictions on travel and business operations, have resulted in disruptions in the Group's business operations in early 2020. While the PRC Government continues to take stringent measures to prevent any potential resurgence of new COVID-19 cases, since the second quarter of 2020, many restrictions in China have been lifted and the level of business activities have been restoring in response to the significant decrease of new reported cases. As a result, the economy of the PRC has been recovering rapidly. In addition, vaccinations are gradually expected to become more widely available worldwide. However, the above-mentioned prevention and control measures may continue globally in the near or longer term.

In addition, the global outbreak of COVID-19 has adversely affected the global economy and may further create negative economic impact and increase volatility in the PRC and global market which can have a material adverse effect on the Group. See also “— *Risks Relating to Conducting Business in the PRC — China has experienced a slowdown in its economic development and the future performance of China's economy is uncertain*”.

The recent outbreak of COVID-19 or a recurrence of SARS or an outbreak of any other epidemics in the PRC, such as the H5N1 or the H7N9 avian flu, especially in Baoji or in Shaanxi Province, may delay completion of the Group's projects under construction as scheduled, causing substantial increase in the Group's costs, which may result in a material impact on the Group's related businesses, which in turn may adversely affect the Group's results of operations, financial condition and prospects. In addition, if any of the employees of the Group are affected by any severe communicable disease, including COVID-19, it may cause a temporary closure of the facilities or construction sites of the Group to prevent the spread of the disease, which could materially and adversely affect the business, results of operations and financial condition of the Group. The spread of any severe communicable disease in Baoji or in Shaanxi Province may also affect the operations of the suppliers of the Group, which could in turn materially and adversely affect the business, results of operations, financial condition and prospects of the Group. As there is significant uncertainty relating to future developments of the COVID-19 pandemic, the Group is not able at this time to ascertain the full impact on its financial or operational results.

Moreover, the PRC has experienced natural disasters such as earthquakes, floods and droughts in the past few years. For example, in 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 Renminbi in 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 south-western 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.

***The Group may not have adequate insurance to cover all potential liabilities or losses.***

Members of the Group maintain insurance which is consistent with market practice in the relevant industries and in amounts that the Issuer believes to be adequate. However, the Group faces various risks in connection with its businesses and may lack adequate insurance coverage or may have no relevant insurance coverage. There can be no assurance that the insurance maintained by the Group will provide adequate coverage in all circumstances. 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. For example, the Group handles dangerous chemicals in its water supply business segment. There is a significant risk that industry-related accidents will occur in the course of the Group's business. Also, there can be no assurance that accidents will not occur during future operations or the safety precautions and maintenance procedures the Group has in place are sufficient. Any significant accident, whether or not the Group is found to be at fault, may adversely affect the Group's reputation, business, financial condition and results of operations.

In addition, the Group may not always be able to obtain insurance of the type and amount the Group desires at reasonable rates. Over time, premiums and deductibles for insurance policies may increase substantially, and certain insurance policies could become unavailable or available only for reduced amounts of coverage. If the Group was to incur significant liability for which the Group is not insured or not fully insured, such liability could have a material adverse effect on its financial position and results of operations. In addition, any claims made under any insurance policies maintained by the Group may not be paid in a timely manner, or at all, and may be insufficient if such an event were to occur.

***While the Issuer believes that the Group offers its employees competitive compensation and is able to attract and retain qualified personnel, there can be no assurance that the Group can be successful in recruiting or retaining its key managerial personnel and employees.***

The success of the Group's business depends, to a large extent, on the strategic vision of its board of directors, the continued service of key managerial personnel including directors and key senior executives and the ability to attract and retain highly skilled personnel such as engineers. While the Issuer believes that the Group offers its employees competitive compensation and is able to attract and retain qualified personnel, there can be no assurance that the Group can be successful in recruiting or retaining its key managerial personnel and employees, in which case the Group's operations may be adversely affected. In addition, if any of the Group's key managerial personnel or employees fails to observe and perform their obligations under their service agreements, or any labour unrest causes disruption to the operations of the Group, coupled with any increase in labour costs resulting from such dispute, the Group's results of operations and profits may be materially and adversely affected. Although the Group has not experienced any major labour disputes, there can be no assurance that the Group will not experience such disputes in the future.

***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 anticorruption 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 in the PRC to conduct inspection work on party disciplinary enforcement. There can be no assurance that there will not be any investigations or actions against the Group, its officers or employees by the Inspection Leading Group or other governmental authorities or that such investigations or actions would not affect the Group as a result.

In addition, the Group may be exposed to fraud or other misconduct committed by its employees, representatives, agents, customers or other third parties that could subject it to financial losses and sanctions imposed by governmental authorities, which in turn affects its reputation. These misconducts 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 and ensure overall compliance. However, such internal control procedures may be unable to identify all incidents of non-compliance or suspicious



transactions in a timely manner if at all. In addition, it is not always possible to detect and prevent fraud and other misconduct, and the precautions undertaken by the Group to prevent and detect such activities may not be effective. There can be 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.

***The Group relies on information technology systems for its business and any information technology system limitations or failures could adversely affect its business, financial condition and results of operations.***

The Group's business depends on the integrity and performance of its business, accounting and other data processing systems. If the Group's systems cannot cope with increased demand or otherwise fail to perform, the Group could experience unanticipated disruptions in business, slower response times and limitation on its ability to monitor and manage data and risk exposures, control financial and operation conditions, and keep accurate records. These consequences could result in operating outages, poor operating performance, financial losses, and intervention of regulatory authorities. The proper functioning of the Group's information technology system is particularly important for the Group's heat energy supply, water supply and public transportation business segments.

Although the Group's systems have not experienced major system failures and delays in the past, there can be no assurance that the Group's systems would not experience future system failures and delays, or the measures taken by the Group to reduce the risk of system disruptions are effective or adequate. If internet traffic and communication volume increase unexpectedly or other unanticipated events occur, the Group may need to expand and upgrade the Group's technology, systems and network infrastructure. There can be no assurance that the Group will be able to accurately project the rate, timing or cost of any increases, or expand and upgrade the Group's systems and infrastructure to accommodate any increases in a timely manner.

***The Group may not be able to adequately protect its intellectual property, which could adversely affect its business operations.***

The Group relies on a combination of patents, trademarks and contractual rights to protect its intellectual property. There can be no assurance that these measures will be sufficient to prevent any misappropriation of the Group's intellectual property. The legal regime governing intellectual property in the PRC is still evolving and the level of protection of intellectual property rights in the PRC differs from those in other jurisdictions. In the event that the steps that the Group has taken and the protection afforded by law do not adequately safeguard its proprietary technology, the Group could suffer losses due to the sales of competing products or services that exploit its intellectual property.

***Members of the Group may become listed and therefore may be subject to regulatory restrictions and listing requirements and the Issuer's shareholding or voting interests in such members may be diluted.***

The shares of one or more members of the Group may become listed on one or more stock exchanges. As a result, the entering into of certain transactions by any such member may be subject to various regulatory restrictions. Intra-group transactions may also be subject to applicable listing requirements, such as the issuance of press notices, the obtaining of independent shareholders' approval at general meetings and disclosure in annual reports and accounts. Members with funding needs may therefore not be able to obtain financial support from the Group in a timely manner, or at all.

In addition, in the event that the shares of one or more subsidiaries of the Issuer become listed on a stock exchange, the Issuer's shareholding or voting interests in such subsidiaries may be diluted. There can be no assurance that any such dilution in shareholding or voting interests will not have a material adverse effect on the Group's business, financial condition and results of operations.

***Changes in the organisational structure of the Group may affect the Group's financial condition and results of operations.***

The Group may undergo certain organisational restructuring from time to time which may involve disposal by the Issuer of certain subsidiaries or affect whether certain subsidiaries of the Issuer will be consolidated in the Issuer's consolidated financial statements. There can be no assurance that any such organisational restructuring will not have a material adverse effect on the Group's business, financial condition, results of operations and prospects.



***The Group is exposed to the credit risk of its non-residential customers, and any increase in the level of non-payment by the Group's customers may affect its business and financial condition.***

Non-residential customers generally consume high volume of heat energy or water and non-payment by the Group's customers is a major risk. Although the Group has the ability to terminate or suspend service to customers who do not pay, any material increase in non-payment by its customers may materially and adversely affect the Group's financial condition and results of operations. If the Group's accounts receivable was to increase by a substantial amount without the corresponding financing alternatives being available to fund its working capital, it would adversely affect its operating cash flow, financial condition and results of operations.

***The Group's operating revenue from certain business segments is subject to seasonal fluctuations.***

Heat energy consumption in Shaanxi is subject to seasonal peaks and troughs. Heat energy demand typically peaks in cooler periods in Shaanxi. Demand begins to slacken during the warm season. As such, revenue typically rises during the peak season and decreases during the slack period. As such, the interim financial performance may not be indicative of a business segment or the Group's financial performance for the full year. Also, the demand and use of heat energy in Shaanxi is closely correlated to weather conditions. Any global or local increase in temperature, particularly in Baoji, will lead to a decrease in the demand for heat energy supply. Such decrease in demand will have an adverse effect on the Group's financial condition and results of operations.

In addition, the Group's public transportation business segment also experiences some effects of seasonality due to increases in leisure travel and decreases in business travel activities during the summer season and public holidays in the PRC such as Chinese New Year, Labour Day and National Day, although the seasonal impacts may, to some extent, be offset by each other.

The operating costs of the Group's businesses do not necessarily correspond to changes in the demand of the Group's services or products. For example, the Group incurs maintenance expenses, labour costs, depreciation expenses and other overhead expenses steadily throughout the year. As such, the Group has experienced, and expects to continue to experience, fluctuations in its operating revenue, cash flow and results of operations.

***The performance of the Group depends on the performance of its heat energy supply, water supply, affordable housing and urban infrastructure construction and public transport business segments.***

The Group's heat energy supply, water supply, public transportation and affordable housing and urban infrastructure business segments have been, and are expected to continue to be, its primary sources of operating revenue. As such, any downturn or other negative conditions affecting the heat energy supply, water supply, affordable housing and urban infrastructure construction or public transportation market, in particular such markets in Baoji, may have a material adverse effect on the financial condition and results of operations of the Group.

***Some of the Group's members do not possess valid land use right certificates or building ownership certificates to certain properties and some of the Group's properties are subject to usage for special purposes and restrictions on transfer.***

Some of the Group's members do not possess valid land use right certificates or building ownership certificates to certain properties and there are defects in certain land use right certificates and building ownership certificates of some of the Group's members. Some of these members are in the process of applying for or will apply for the relevant certificates and permits. In addition, some members lease properties whose owners do not possess valid land use right certificate or building ownership certificate. There can be no assurance that such certificates and permits will be obtained in a timely manner, or at all, and any delay may result in punishment and/or a disruption to their business operations and may adversely affect their financial performance. A portion of the land that the Group uses for heat energy supply or water distribution, transmission and storage is obtained through allocation from the government without paying land premium to the land authorities. Under PRC laws and regulations, approvals from, and payment of land premium to, the relevant land authorities are necessary for any transfer, lease, sale and disposal of such allocated land or the buildings attached thereto.

In addition, the Group's heat energy and water energy supply facilities may be built on land that is owned by third parties. The Group may be required to use such land for the duration and purposes specified under the relevant agreements. There can be no assurance that the relevant PRC government will continue to allow the Group to use

the land and properties allocated to it to the same extent as currently used or at all. In addition, restrictions of transfer of such land and properties may have a material adverse impact on the liquidity of the Group's assets.

***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 to provide emergency reinforcement to supplies in areas of shortage. This 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 operating revenue and, in very extreme circumstances, may lead to significant compensation becoming due to customers because of supply interruptions. Both of which could adversely affect the Group's business, results of operations, profitability or financial condition.

***Excessive pollution of the sewage or raw water supplied to the Group's treatment plants could adversely affect the Group's business.***

The Group's reclaimed water treatment and water supply facilities are built to treat sewage or raw water that falls within certain water quality specifications. In the event that the pollution level of the sewage or raw water is higher than the specifications of the Group's treatment facilities, and depending on the extent of such deviation, it may not be possible for the sewage or raw water to be treated, or to be treated to attain the water quality standards provided under the Group's agreements with its customers, within the cost structure contemplated by such agreements, or to meet governmental requirements. For example, the raw water could be polluted by contaminants, and the sewage may contain pollutants beyond the types and quantity as contemplated, due to industrial accidents, excessive discharge, oil spills or other events. An excessive pollution of the sewage or raw water supplied to the Group's water treatment plants may cause a temporary suspension of operation of the Group's facilities, which will in turn adversely affect the operating costs and earnings of such plants due to the higher costs of treating the sewage or raw water to attain the quality standard specified in the agreements with the local government or the Group's customers or due to lower turnover from a reduction in water output. Any failure to meet the applicable governmental standards may subject the Group to governmental sanctions. Such excessive pollution could also damage the Group's reclaimed water treatment and water supply facilities.

***Extensive regulations may adversely affect the Group's water supply business.***

Revenue from the Group's water supply business consists primarily of that from the Group's tap water supply business and is linked to the tap water price and wastewater treatment fee. Adjustments to the tap water price or the wastewater treatment fee are subject to approvals by the relevant government authorities in the PRC and the Group's applications for upward adjustments to the tap water price may usually be made in the case of increases in key operation costs. There can be no assurance that in the event that there is any increase in such key operation costs, the relevant government authorities will approve the Group's applications for increasing the tap water price to reflect such increase in costs. Furthermore, even if the relevant government authorities agree to increase the tap water price, there can be no assurance that such increase will fully reflect the increase in the Group's actual costs. This will have an effect on the Group's overall profit margin and may materially and adversely affect the Group's business, financial condition and results of operations.

***The Group is subject to risks associated with technological changes.***

The Group is involved in the construction and installation of water supply facilities. The Group must ensure that it is able to continually provide effective solutions to its customers that meet their needs in order to maintain its market share. However, there have been rapid technological changes and improvements in water treatment technology and equipment. The Group's products and technologies must pass rigorous testing and field trials, which can be time-consuming and expensive. The commencement and completion of the tests and field trials are subject to many factors such as delays in producing or failure to produce test results, data or analysis, inadequate or inconclusive results, changes in regulatory policies or industry standards or delays by government or regulatory authorities. Changes in regulations or standards for water treatment may also necessitate the use of new technologies or the improvement of its existing technologies.

The MOH and the Standardisation Administration of the PRC jointly promulgated the Standards for Drinking Water Quality (生活飲用水衛生標準) on 29 December 2006 and became on 1 July 2007, which provides a total of more than 100 water quality indexes for drinking water with which the Group is required to comply. The Group has developed new technologies or upgraded existing technologies or facilities to meet the standards imposed by the MOH or other regulatory authorities. However, in the event that the Group is unable to develop or source new

and enhanced water treatment solutions to keep up with such technological changes or changes in regulatory requirements in the future, its market share, results of operations and profitability may be materially and adversely affected.

***The Group's customers may make claims against it and terminate their services in whole or in part prematurely should the Group breach the terms of its agreements with them or fail to implement projects which satisfy their requirements and expectations.***

The Group is engaged in the construction of various facilities and infrastructure including heat energy supply distribution networks, water supply facilities and urban infrastructure. No assurance can be given by the Group that the construction of the above projects will be completed on time or that these projects will be completed in compliance with the requirements and expectations of its customers. Failure to complete projects on time or fully in compliance with the requirements and expectations of its customers, or the delivery by it of defective systems or products, may lead to claims being brought against the Group by its customers and/or termination of its services in whole or in part by the Group's customers prematurely and/or calls by customers for payment of the performance notes provided to them by the Group.

Unsatisfactory design or workmanship, staff turnover, human errors, failure to deliver services on time, default by its sub-contractors or misinterpretation of or failure to adhere to regulations and procedures could result in delays or failures in the construction, testing or commissioning of the relevant facilities or infrastructure. As a result, the Group could experience delays in the recognition of its operating revenue from such projects and it may not receive payments from its customers, which could adversely affect its cash flow. This, in turn, could have a material adverse effect on the Group's business, financial condition and results of operations. In addition, the Group's reputation may be negatively affected which could negatively affect its ability to obtain new projects.

***Some projects in the Group's affordable housing and urban infrastructure construction business are less profitable, and the Group may not be able to undertake new projects that generate higher levels of profits in the future.***

Some of the Group's affordable housing and urban infrastructure construction projects yield a lower level of profits. The Group takes these projects primarily in accordance with the prevailing urban planning and development policies of the Baoji Government and the Group may from time to time undertake various projects of a similar nature which involve high construction costs, high construction requirements and tight construction schedules, all of which would lead to an increased level of capital expenditure. The undertaking of these low-profit projects may expose the Group's affordable housing and urban infrastructure construction business to short-term losses and could adversely affect the Group's profit-generating abilities. There can be no assurance that the Group's cost control efforts will be effective or successful, or that the Group will be able to undertake new projects that generate higher levels of profits in the future.

***If the Group is unable to dispose of its used buses at desirable prices or timing or through appropriate channels, the residual value of its fleet may drop significantly and the Group may incur significant financial losses.***

In respect of the Group's public transportation business segment, the Group generally holds buses for a term of approximately seven years. Depending on the conditions of the buses, the actual holding period may vary. As the Group's bus fleet grows and matures, the Group expects vehicle dispositions to become a part of its operations. Given that the PRC's used vehicle market is still at its early stage and lacks a well-established credit system, the Group faces uncertainties in its ability to dispose of its used buses at reasonable prices, in a timely manner or through appropriate channels.

The Group carries a risk that the market value of a used bus at the time of its disposition may be less than its estimated residual value at such time. If the Group is unable to dispose of its used buses at prices that are equal to or greater than their estimated residual value, the Group's depreciation costs will increase and the Group will incur losses resulting from the disposal, which may have a material adverse effect on its financial results. As the Group's fleet size continues to grow, inability to dispose its used buses at desirable prices or timing or through appropriate channels could have an impact on the Group's business.

## **RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC**

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

Substantially all of the Group's assets are located in the PRC and substantially all of the Group's operating revenue 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 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 concern 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 continue 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.

Uncertainty and any slowdown in the PRC economy could affect the industries in which the Group operates, and in turn decrease the opportunities for developing the Group's businesses, create a credit tightening environment, increase costs and decrease the availability of potential sources of financing, and increase the Group's exposure to material losses from its investments, any of which could have a material adverse effect on the Group's financial condition and results of operations.

***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 most developed countries in many respects, including, among other things, government involvement, level of economic development, growth rate, foreign exchange controls and resources allocation.

The PRC economy is in the process of transitioning from a centrally planned economy to a more market-oriented economy. For more than four decades, the PRC government has implemented 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 industries and the economy through policy measures. The Group cannot predict whether changes in PRC economic, political or social conditions and in PRC 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. Please see "*Risks relating to the Group's Businesses – Economic, political and social conditions in the PRC and government policies could affect the Group's business and prospects*" in this section for further information;
- 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 had historically been accompanied by periods of high inflation. Increasing inflation rates were due to many factors beyond the Group's control, such as rising food prices, rising production and labour costs, high lending levels, PRC and foreign government policies and regulations as well as movements in exchange rates and interest rates. It is impossible to accurately predict future inflationary trends. If inflation rates rise beyond the Group's expectations, the Group may be unable to increase the prices 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 slow economy. The 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 revenues by companies and individuals, any of which could adversely affect the Group's business, financial condition or results of operations.

***The PRC legal system is evolving and may have uncertainties that 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 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 interpretations of many laws, regulations and rules are not always clear and enforcement of these laws, regulations and rules may involve uncertainties, and may not be as consistent or predictable as in other more developed jurisdictions. These uncertainties may impede the Group's ability to enforce the contracts 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 the 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. These uncertainties may limit legal protections available to or against the Group. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management attention and 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 Issuer or its directors or members of the Issuer'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 Issuer'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 the Issuer 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 Judgment 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 “**Reciprocal Recognition 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 Reciprocal Recognition Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for 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 Issuer’s assets or directors in the PRC in order to seek recognition and enforcement for foreign judgments 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 Issuer’s subsidiaries, jointly controlled entities and associated companies are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances.***

As a holding company, the Issuer will depend on the receipt of dividends and the interest and principal payments on intercompany loans or advances from its subsidiaries, jointly controlled entities and associated companies to satisfy its obligations under the Notes. The ability of the Issuer’s subsidiaries, jointly controlled entities and associated companies to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of these companies, applicable laws and restrictions contained in the debt instruments of or bank facilities, loan agreements and similar agreements or arrangements entered into by, such companies. For example, some members of the Group are restricted under certain loan agreements entered into by them from paying dividends before repaying the relevant loans. There can be no assurance that the Issuer’s subsidiaries, jointly controlled entities and associated companies will have distributable earnings or will be permitted to distribute their distributable earnings to it as it anticipates, or at all. 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 Issuer’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 Issuer’s subsidiaries may impact the Issuer’s ability to fund its operations and to service its indebtedness. In addition, dividends payable to it by these companies are limited by the percentage of its equity ownership in these companies. In particular, the Issuer does not maintain complete control over its jointly controlled entities or associates in which it might hold a minority interest. Further, if any of these companies raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such shares would not be available to the Issuer to make payments under the Notes. These factors could reduce the payments that the Issuer receives from its subsidiaries, jointly controlled entities and associated companies, which would restrict its ability to meet its payment obligations under the Notes.

***Any withdrawal of, or changes to, tax incentives in the PRC may adversely affect the Group’s results of operations and financial condition.***

On 16 March 2007, the PRC passed a new enterprise income tax law, or the Enterprise Income Tax Law of the PRC which took effect on 1 January 2008 and was amended on 24 February 2017 (together with its implementation rules, the “**EIT law**”). The EIT law imposes a uniform income tax rate of 25 per cent. for domestic enterprises and foreign invested enterprises, except for a number of preferential tax treatment schemes available to various enterprises. Pursuant to the Notice of the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation on Tax Policy Issues Concerning Further Implementing the Western



China Development Strategy, the Announcement of the State Administration of Taxation on Issues Concerning Enterprise Income Tax Related with Enhancing the Western China Development Strategy, certain of the Group's members are entitled to preferential tax treatment, allowing them to enjoy a lower effective enterprise income tax rate until 2020. To the extent that there are any withdrawals of, or changes in, its preferential tax treatment, or increases in the applicable effective tax rate, the Group's tax liability may increase correspondingly.

***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 revenues are denominated in Renminbi, a portion of which may need to be converted into other currencies in order to meet the Group's foreign currency obligations, such as payments of dividends, overseas acquisitions, and payments of principal and interests under the Notes or other foreign currency denominated debt, if any.

Under 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 the State Administration of Foreign Exchange 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. 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 Notes 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 Notes 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 Notes. Conversely, any depreciation of Renminbi may adversely affect the Group's ability to service the Notes.

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, a sub-institutional organisation of PBOC, published the China Foreign Exchange Trade System (CFETS) Renminbi exchange rate index for the first time which weighs Renminbi based on 13 currencies, to guide the market in order to measure the Renminbi exchange rate from a new perspective.

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 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 revenue 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, 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. 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.

***The Issuer's independent auditors, CAC, was subject to investigations, warnings and administrative penalties and has received adverse regulatory decisions issued by relevant PRC authorities in recent years.***

CAC CPA Limited Liability Partnership ("CAC"), the Issuer's independent auditors, is a registered accounting firm in the PRC supervised by the PRC courts and other relevant PRC regulatory agencies, including MOF and the China Securities Regulatory Commission.

In recent years, CAC was subject to certain administrative and regulatory actions. In April 2017, CAC was found to be deficient in performing its audit tasks by the Chinese Securities Regulatory Commission (Zhejiang Regulatory Bureau) in respect of its audits of the financial report of Hangzhou Tianmushan Pharmaceutical Enterprise Co., Ltd. (杭州天目山藥業股份有限公司). CAC was found, among other things, to have failed to implement certain necessary audit procedures for unusual matters of concern, oversight in abnormal accounting treatments adopted and defects in certain audit and verification procedures. As a result, part of CAC's revenue was confiscated and a fine was imposed. In relation to the aforesaid incident, certain responsible persons of CAC were also issued warning letters and fined by the Chinese Securities Regulatory Commission (Zhejiang Regulatory Bureau).

As confirmed by CAC, the company involved in the administrative and regulatory actions and legal proceedings mentioned above is unrelated to the Group and the audit work performed by CAC for the Group is not affected by the above incident. CAC also confirmed that the auditor's report for the audited consolidated financial statements of the Issuer as at and for the years ended 31 December 2019 and 2020 (both financial statements are included elsewhere in this Information Memorandum) remain valid and effective. CAC also confirmed that its ability to provide comfort letters in respect of the offering of the Notes and the qualification of the auditors and independent accountants involved in the offering of the Notes are not affected by such administrative and regulatory actions. However, there can be no assurance that the relevant PRC regulatory agencies would not carry out any review of CAC's audit and/or other assurance work conducted in relation to other companies. There can also be no assurance that CAC's involvement in such administrative and regulatory actions or any negative publicities about CAC would not affect investors' confidence in companies and financial statements audited by it or have a material adverse effect on the Group. Prospective investors should consider these factors prior to making any investment decision.

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

The Issuer's audited consolidated financial statements included in this Information Memorandum have been prepared and presented in accordance with PRC GAAP. PRC GAAP are substantially in line with IFRS, except for certain modifications which reflect the PRC's unique circumstances and environment. 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.

***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 Information Memorandum is not indicative of its future financial results. Such 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 Issuer published and may continue to publish periodical financial information in the PRC pursuant to applicable PRC regulatory rules. Investors should be cautious and not place any reliance on the financial information other than that disclosed in this Information Memorandum.***

The Issuer from time to time issues corporate notes and short-term commercial paper in the domestic capital markets in the PRC. According to applicable PRC securities regulations on debt capital markets, the Issuer needs to publish its quarterly, semi-annual and annual financial information to satisfy its continuing disclosure obligations relating to its corporate notes and short-term commercial paper. After the Notes are issued, the Issuer is obligated by the terms of the Notes, among others, to provide holders of the Notes with its audited financial statements and certain unaudited but reviewed periodical financial statements. The semi-annual financial information published by the Group in the PRC is normally derived from the Group's management accounts which have not been audited or reviewed by independent auditors. As such, this financial information published in the PRC should not be referred to or relied upon by potential purchasers to provide the same quality of information associated with any audited information. The Issuer is not responsible to holders of the Notes for the unaudited and unreviewed financial information from time to time published in the PRC and therefore investors should not place any reliance on any such financial information.

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

This Information Memorandum contains facts and statistics relating to the economy of the PRC and Baoji and the industries in which the Group operates. While the Issuer has taken reasonable care to select reputable and reliable information sources and ensure that the facts and statistics relating to the PRC's and Baoji's 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 Placing Agents, the Trustee, the Agents or their respective affiliates, directors, officers, employees, representatives, agents or advisers or any 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 of 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 may be limited.***

As the Issuer is a private company, there may be less publicly available information about the Issuer than is regularly made available by public companies in certain other countries.

## **RISKS RELATING TO THE NOTES AND THE STANDBY LETTER OF CREDIT**

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

The NDRC issued the NDRC Circular on 14 September 2015, which came into effect on the same day. According to the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issued 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 Circular is silent on the legal consequences of non-compliance with the pre-issue registration requirement. The Issuer has obtained the NDRC pre-issuance registration certificate on 23 August 2021. Similarly, there is no clarity on the legal consequences of non-compliance with the post-issue notification requirement under the NDRC Circular. In the worst case scenario, such non-compliance with the post-issue notification requirement under the NDRC circular may result in it being unlawful for the Issuer to perform or comply with any of its obligations

under the Notes and the Notes might be subject to enforcement as provided in Condition 10 (*Events of Default*) of the Terms and Conditions. Potential investors of the Notes are advised to exercise due caution when making their investment decisions. The Issuer has undertaken to notify the NDRC of the particulars of the issue of the Notes within 10 Registration Business Days after the Issue Date.

In accordance with the Administrative Measures for Foreign Debt Registration (外債登記管理辦法) (the “**Foreign Debt Registration Measures**”) and its operating guidelines issued by the SAFE on 28 April 2013, which came into effect on 13 May 2013, the Issuer shall complete foreign debt registration in respect of the issue of the Notes with the local branches of SAFE in accordance with the relevant laws and regulations. Before such registration of the Notes is completed, it is uncertain whether the Notes are enforceable under the PRC laws and it may be difficult for Noteholders to recover amounts due from the Issuer, and the Issuer may not be able to remit the proceeds of the offering into the PRC or remit money out of the PRC in order to meet its payment obligations under the Notes. Pursuant to article 27(5) of the Foreign Debt Registration Measures, a failure to comply with registration requirements may result in a warning and fine as set forth under article 48 of the Foreign Exchange Administrative Regulations (外匯管理條例) promulgated by the State Council in 2008. However, pursuant to article 40 of the Foreign Debt Administration Provisional Rules (外債管理暫行辦法) promulgated by MOF, the NDRC and SAFE, a failure by a domestic entity to register a foreign debt contract will render the contract not legally binding and unenforceable. Under the Terms and Conditions, the Issuer has undertaken to use its best endeavours, and it intends, to complete the registration of the Notes with SAFE within 120 calendar days after the Issue Date. If the Issuer is unable to complete the registration with the local branches of SAFE, the Issuer may have difficulty in remitting funds offshore to service payments in respect of the Notes and investors may encounter difficulties in enforcing judgments obtained in the Hong Kong courts with respect to the Notes and the Trust Deed in the PRC. In such circumstances, the value and secondary market price of the Notes may also be materially and adversely affected.

According to Notice of People’s Bank of China on Matters Concerning Macro-prudential Management on All-round Cross-border Financing (Yin Fa [2017] No.9), the Issuer shall file the information of relating to the Notes in the capital project information system with the SAFE. The Issuer, after filing with SAFE, may carry out relevant capital settlement for the Issuer according to the withdrawal and repayment arrangement, report the relevant clearing information to the relevant systems of the PBOC and SAFE, and update the information on the transaction in relation to the Notes (including offshores creditors, maturity, amount, interest rate and net assets). If the audited net assets, the foreign creditors involved in the financing contract, the term of the loan, the amount and interest rates have changed, the Issuer shall file the changes in a timely manner. If the Issuer fails to report or update the cross-border financing information in time, the PBOC and SAFE may circulate the criticism on the Issuer after verification, order a rectification, and impose sanctions according to the Law of the People’s Republic of China on People’s Bank of China and the Law of the People’s Republic of China on Foreign Exchange Control.

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

As substantially all of the Group’s businesses are conducted, and substantially all of the Group’s assets are located, in the PRC, the Group’s operations are governed principally by PRC laws and regulations. The PRC legal system is based on written statutes while prior court decisions can only be cited as reference. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. However, China has not developed a fully integrated legal system and recently enacted laws and regulations that may not sufficiently cover all aspects of economic activities in China. In particular, because these laws and regulations (including the MOF Circular and Joint Circular) are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the PRC legal system is based, in part, on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, the Group may not be aware of the Group’s violation of these policies and rules until some time after the violation. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management’s attention.

***The Baoji Government or any other PRC governmental entity does not have any payment, guarantee or other obligations under the Notes or the Trust Deed.***

As at 31 December 2020, the Issuer was wholly-owned by Baoji SASAC. The Baoji Government only has limited liability in the form of its equity contribution in the Issuer. As such, the Baoji Government or any other PRC governmental entity does not have any payment or other obligations under the Notes or the Trust Deed and will



not provide guarantee of any kind for the Notes. The Noteholders shall have no recourse to the Baoji Government or any other PRC governmental entity in respect of any obligation arising out of or in connection with the Notes or the Trust Deed. The Notes are solely to be repaid by the Issuer and the obligations under the Notes or the Trust Deed shall solely be fulfilled by the Issuer, as the case may be, as an independent legal person. This position has been reinforced by the MOF Circular and the Joint Circular.

According to the MOF Circular, (i) state-owned financial enterprises are prohibited from providing financing in any form for local governments and their departments directly or through local state-owned enterprises (“SOEs”) and public institutions and other indirect channels or increasing loans provided to local government financing platform companies (“LGFV”) in violation of regulations that include the new Budget Law of the PRC, which took effect on 1 January 2015, and Enhancing the Administration of Fiscal Debts of Local Governments (關於加強地方政府性債務管理的意見) (“Circular 43”), except in the case of purchasing local government debt; (ii) state-owned financial enterprises shall ensure that the capital raised for financing SOEs, LGFV or public-private partnership construction projects is lawfully sourced and that the financing satisfies all required capital ratios; (iii) state-owned financial enterprises when providing agency services to local SOEs are obliged to evaluate the financial capabilities of the entity seeking to raise capital and the source of the funds such as when a local SOE issues domestic or overseas notes. As for the sources of income from debt-issuing enterprises involved in the arrangement of financial funds, state-owned financial enterprises shall carry out due-diligence investigations and carefully verify that the arrangement complies with all applicable laws and regulations; and (iv) documents including information memorandums shall not disclose information that can implicitly or explicitly indicate the government’s endorsement of the local SOE’s capital-raising, such as local financial revenues and expenditures and government debt information, or conduct misleading publicity that implies an association with the government’s credit. According to the Joint Circular, any enterprise that intends to issue medium and long-term debt outside of the PRC is prohibited from doing so for the purpose of funding public schools, public hospitals, public cultural facilities, parks, public squares, office buildings of government departments and public institutions, municipal roads, non-toll bridges, non-operating water conservancy facilities, not-charged pipe network facilities and other public interest assets. The Joint Circular also reaffirms the restrictions in the MOF Circular that information memorandums shall not disclose information that can implicitly or explicitly indicate the government’s endorsement of the new debt or conduct misleading publicity that implies an association with the government’s credit.

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

***The PRC government has no obligations under the Notes.***

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

***The Notes are unsecured obligations.***

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

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

If any of these events were to occur, the Issuer’s assets (as the case may be) and any amounts received from the sale of such assets may not be sufficient to pay amounts due on the Notes.

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

The Notes are complex financial instruments and may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

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

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

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

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

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

The Notes will be structurally subordinated to any debt and other liabilities and commitments, including trade payables and lease obligations, of the Issuer's existing and future subsidiaries, other than the Issuer, whether or not secured. The Notes will not be guaranteed by any of the Issuer's subsidiaries, and the Issuer may not have direct access to the assets of such subsidiaries unless these assets are transferred by dividend or otherwise to the Issuer. The ability of such subsidiaries to pay dividends or otherwise transfer assets to the Issuer is subject to various restrictions under applicable laws. Each of the Issuer's subsidiaries are separate legal entities that have no obligation to pay any amounts due under the Notes or make any funds available therefore, whether by dividends, loans or other payments. The Issuer's right to receive assets of any of the Issuer's subsidiaries, respectively, 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 Issuer are creditors of that subsidiary). Consequently, the Notes will be effectively subordinated to all liabilities, including trade payables and lease obligations, of any of the Issuer's subsidiaries, other than the Issuer, and any subsidiaries that the Issuer may in the future acquire or establish.



The Notes are the Issuer's unsecured obligations, respectively, and will (i) rank equally in right of payment with all the Issuer's other present and future unsubordinated and unsecured indebtedness; (ii) be effectively subordinated to all of the Issuer's present and future secured indebtedness to the extent of the value of the collateral securing such obligations; and (iii) be senior to all of the Issuer's present and future subordinated obligations. As a result, 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 Issuer's bankruptcy, insolvency, liquidation, reorganisation, dissolution or other winding up, or upon any acceleration of the Notes, these assets will be available to pay obligations on the Notes only after all other debt secured by these assets has been repaid in full. If there are not sufficient assets remaining to pay all these creditors, then all or a portion of the Notes then outstanding would remain unpaid.

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

On certain dates, including but not limited to the occurrence of a Change of Control, a No Registration Event and at maturity of the Notes, the Issuer may and at maturity will, be required to redeem all of the Notes. If any 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 Notes in time, or on acceptable terms, or at all. The ability to redeem the Notes in such event may also be limited by the terms of other debt instruments. The Issuer's failure to repay, repurchase or redeem tendered Notes could constitute an event of default under the Notes, which may also constitute a default under the terms of the Issuer's or the Group's other indebtedness.

***An active trading market for the Notes may not develop.***

The Notes are a new issue of securities for which there is currently no trading market. The Notes may be allocated to a limited number of investors, in which case liquidity may be limited. In addition, the Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, the holders of the Notes will only be able to resell the Notes in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act.

***Changes in interest rates may have an adverse effect on the price of the Notes.***

The Noteholders 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 Notes, resulting in a capital loss for the Noteholders. However, the Noteholders may reinvest the interest payments at higher prevailing interest rates. Conversely, when interest rates fall, the prices of the Notes may rise. The Noteholders may enjoy a capital gain but interest payments received may be reinvested at lower prevailing interest rates.

***Investment in the Notes is subject to exchange rate risks.***

Investment in the Notes is subject to exchange rate risks. The value of the U.S. dollar against the Renminbi and other foreign currencies fluctuates and is affected by changes in the United States and international political and economic conditions and by many other factors. All payments of interest and principal with respect to the Notes will be made in U.S. dollars. As a result, the value of these U.S. dollar payments may vary with the prevailing exchange rates in the marketplace. If the value of the U.S. dollar depreciates against the Renminbi or other foreign currencies, the value of a Noteholder's investment in Renminbi or other applicable foreign currency terms will decline.

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

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

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

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

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

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

***The Issuer may issue additional Notes in the future.***

The Issuer may from time to time and without prior consent of the Noteholders create and issue further Notes (see “*Terms and Conditions of the Notes – Further Issues*”) or otherwise raise additional capital through such means and in such manner as it may consider necessary. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Notes.

***The Trustee may request Noteholders to provide an indemnity and/or security and/or pre-funding to its satisfaction.***

In certain circumstances (including without limitation the giving of notice to the Issuer pursuant to Condition 10 (*Events of Default*) of the Terms and Conditions) and the taking of steps and/or actions and/or the instituting of proceedings against the Issuer or the LC Bank pursuant to Condition 14 (*Enforcement*) of the Terms and Conditions), the Trustee may (at its sole discretion) request Noteholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes actions and/or steps and/or institute proceedings on behalf of Noteholders. The Trustee shall not be obliged to take any such actions and/or steps and/or institute such proceedings if not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions and/or steps can be taken and/or such proceedings can be instituted. The Trustee may not be able to take actions, and/or steps and/or institute proceedings notwithstanding the provision of an indemnity and/or security and/or pre-funding to it, in breach of the terms of the Trust Deed (as defined in the Terms and Conditions) 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 Noteholders to take such actions and/or steps and/or institute such proceedings directly.

***Modifications and waivers may be made in respect of the Terms and Conditions, the Trust Deed, the Agency Agreement and the Standby Letter of Credit by the Trustee or less than all of the holders of the Notes, and decisions may be made on behalf of all holders of the Notes that may be adverse to the interests of individual or minority holders of the Notes.***

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

The Terms and Conditions also provide that the Trustee may (but shall not be obliged to) agree, without the consent of the Noteholders, to (i) any modification of any of the Terms and Conditions or any of the provisions of the Trust Deed, the Agency Agreement or the Standby Letter of Credit that is, in its opinion, of a formal, minor or

technical nature or is made to correct a manifest error or to comply with any mandatory provision of law; (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the Terms and Conditions or any of the provisions of the Trust Deed, the Agency Agreement or the Standby Letter of Credit that is, in the opinion of the Trustee, not materially prejudicial to the interests of the Noteholders; and (iii) any amendment or supplement to, or a replacement of, the Standby Letter of Credit in connection with a future issue of securities pursuant to Condition 16 to reflect the new aggregate principal amount of the Notes following such issue. Any such modification, authorisation or waiver shall be binding on the Noteholders and, unless the Trustee otherwise agrees, each such modification, authorisation or waiver shall be notified by the Issuer to the Noteholders as soon as practicable.

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

The Notes will be represented by the Global Certificate except in certain limited circumstances described in the Global Certificate. The Global Certificate will be registered in the name of a nominee for, and deposited with, a common depositary for Euroclear and Clearstream. Individual Certificates evidencing holdings of Notes will only be available in certain limited circumstances. Euroclear and Clearstream will maintain records of the beneficial interests in the Global Certificate. While the Notes are represented by the Global Certificate, investors will be able to trade their beneficial interests only through Euroclear and Clearstream.

The Issuer will discharge its payment obligations under the Notes by making payments to or to the order of 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 Euroclear and Clearstream to receive payments under the Notes. The Issuer does not have any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

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

***The Standby Letter of Credit expires a month after the Maturity Date.***

The Standby Letter of Credit will expire a month after the Maturity Date. In the event that the Trustee does not make a Demand under the Standby Letter of Credit by this expiration date, Noteholders will not be able to benefit from the credit protection provided by the LC Bank.

***The LC Bank's ability to perform its obligation under the Standby Letter of Credit is subject to its financial conditions.***

The ability of the LC Bank to make payments under the Standby Letter of Credit will depend on its financial condition, which could be materially and adversely affected by a number of factors, including, but not limited to, the following:

*Impaired loans and advances:* The LC Bank's results of operations have been and will continue to be negatively affected by its impaired loans. If the LC Bank is unable to control effectively and reduce the level of impaired loans and advances in its current loan portfolio and in new loans the LC Bank extends in the future, or the LC Bank's allowance for impairment losses on loans and advances is insufficient to cover actual loan losses, the LC Bank's financial condition could be materially and adversely affected.

*Collateral and guarantees:* A substantial portion of the LC Bank's loans is secured by collateral. In addition, a substantial portion of its PRC loans and advances is backed by guarantees. If the LC Bank is unable to realise the collateral or guarantees securing its loans to cover the outstanding principal and interest balance of such loans due to various factors the LC Bank's financial condition could be materially and adversely affected.

*Loans to real estate sector and government financing platforms:* The LC Bank's loans and advances to the real estate sector primarily comprise loans issued to real estate companies and individual housing loans. The real estate market may be affected by many factors, including, without limitation, cyclical economic volatility and economic downturns. In addition, the PRC government has in recent years imposed macroeconomic control measures that are aimed at preventing the real estate industry and, consequently, the LC Bank's financial condition and results of operations. Loans to government financing platforms are a part of the loan portfolio of the LC Banks. The

government revenues are primarily derived from taxes and land premiums. Therefore, economic cycles and fluctuations in the real estate market may also adversely affect the quality of such loans.

In addition, as the LC Bank has not waived sovereign immunity for the purpose of the Standby Letter of Credit, it is possible that such immunity is asserted at the time of enforcement of the Standby Letter of Credit.

***The Standby Letter of Credit is subject to a maximum limit and may not be sufficient to satisfy all payments due under the Standby Letter of Credit.***

Payments of principal and interest in respect of the Notes and the fees and expenses and other amounts in connection with the Notes and the Trust Deed will have the benefit of the Standby Letter of Credit up to a maximum limit of U.S.\$61,805,000, being an amount representing the aggregate principal amount of the Notes plus interest payable for six months under the Notes plus an additional amount intended to cover all fees, costs, expenses, indemnity payments and other amounts in connection with the Notes, the Trust Deed, the Agency Agreement, the Standby Letter of Credit and/or any other transaction document relating to the Notes, there can be no assurance that such maximum limit is sufficient to fully satisfy the aforementioned payments.

## TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions of the Notes substantially in the form in which they (other than the text in italics) will be endorsed on the definitive notes and referred to in the Global Certificate representing the Notes.*

The issue of the U.S.\$60,000,000 3.35 per cent. credit enhanced notes due 2024 (the “**Notes**”, which expression includes, unless the context requires otherwise, any further notes issued pursuant to Condition 16 and consolidated and forming a single series therewith) was authorised by written resolutions of the board of directors of Baoji Investment (Group) Co., Ltd. (寶雞市投資(集團)有限公司) (the “**Issuer**”) dated 31 May 2021. The Notes are constituted by a trust deed (as amended, restated, replaced and/or supplemented from time to time, the “**Trust Deed**”) dated on or about 9 December 2021 between the Issuer and China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) (the “**Trustee**”, which expression shall include all persons for the time being as the trustee or trustees under the Trust Deed, and shall include its successors or assigns) as trustee for itself and the holders of the Notes. The Notes are the subject of an agency agreement (as amended, restated, replaced and/or supplemented from time to time, the “**Agency Agreement**”) dated on or about 9 December 2021 relating to the Notes between the Issuer the Trustee, China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as principal paying agent (the “**Principal Paying Agent**”), as registrar (the “**Registrar**”), as transfer agent (the “**Transfer Agent**”) and as any other agents named therein, and China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as the account bank (the “**Pre-funding Account Bank**”) with which the Pre-funding Account (as defined below) is held and China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as the account bank (the “**LC Proceeds Account Bank**”) with which the LC Proceeds Account (as defined below) is held. References herein to “**Agents**” means the Principal Paying Agent, the Registrar, the Transfer Agent and any other agent or agents appointed from time to time pursuant to the Agency Agreement with respect to the Notes and shall include their respective successors or assigns and references to “**Account Banks**” mean the Pre-funding Account Bank and the LC Proceeds Account Bank. The Notes will have the benefit of an irrevocable standby letter of credit (the “**Standby Letter of Credit**”) dated on or before 9 December 2021 issued by Bank of Xi'an Co., Ltd. (the “**LC Bank**”). The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Standby Letter of Credit and of those provisions of the Agency Agreement applicable to them. Copies of the Trust Deed, the Agency Agreement and the Standby Letter of Credit are available for inspection by Noteholders upon prior written request and proof of holding and identity satisfactory to the Trustee during usual business hours (being between 9:00 a.m. (Hong Kong time) to 3:00 p.m. (Hong Kong time) from Monday to Friday (other than public holidays)) at the principal office of the Trustee (which as at the Issue Date (as defined in Condition 5.5) is located at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong. These terms and conditions (these “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Notes.

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

### 1. FORM, DENOMINATION AND TITLE

The Notes are issued in the specified denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (the “**Specified Denomination**”).

The Notes are represented by registered certificates (“**Certificates**”) and, save as provided in Condition 2.1, each Certificate shall represent the entire holding of Notes by the same holder.

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

In these Conditions, “**Noteholder**” and “**holder**” (in relation to a Note) means the person in whose name a Note is registered in the Register (or in the case of a joint holding, the first named thereof).



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

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

## **2. TRANSFERS OF NOTES AND ISSUE OF CERTIFICATES**

### **2.1 Transfer**

A Note may, subject to the Agency Agreement and Condition 2.4, 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 Notes 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 such Transfer Agent may require. In the case of a transfer of part only of a holding of Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Notes to a person who is already a holder of Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. A Note may not be transferred unless the principal amount of such Notes to be transferred and (where not all of the Notes held by a holder are being transferred) the principal amount of the balance of such Notes not being transferred are equal to or more than the Specified Denomination. All transfers of Notes and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Notes, the initial form of which is scheduled to the Agency Agreement. No transfer of title to a Note will be valid unless and until entered on the Register. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee, or by the Registrar with the prior written approval of the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon prior written request and with proof of holding and identity satisfactory to the Registrar (free of charge to the Noteholder at the Issuer’s expense) 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 (other than public holidays)) at the specified office for the time being of the Registrar.

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

### **2.2 Delivery of New Certificates**

Each new Certificate to be issued pursuant to Condition 2.1 shall be available for delivery within seven business days of receipt by the Registrar or, as the case may be, any Transfer Agent, of a duly completed and signed form of transfer and surrender of the existing Certificate(s). The form of transfer is available at the specified offices of each Transfer Agent. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer 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 2.2, “**business day**” means a day, other than a Saturday, Sunday or public holiday, on which commercial 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).

*Except in the limited circumstances described in the Global Certificate, owners of interests in the Notes will not be entitled to receive physical delivery of Certificates.*



## 2.3 Transfer Free of Charge

Certificates, on transfer of Notes, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon (i) payment by the relevant holder of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or pre-funding as the Issuer or the Registrar or the relevant Transfer Agent may require); (ii) the Registrar or the relevant Transfer Agent being satisfied in its absolute discretion with the documents of title or identity of the person making the application; and (iii) the Registrar or the relevant Transfer Agent being satisfied that the regulations concerning transfer of the Notes have been complied with.

## 2.4 Closed Periods

No Noteholder may require the transfer of a Note to be registered (i) during the period of 15 days ending on (and including) the due date for any payment of principal in respect of that Note or redemption of that Note; (ii) during the period of 15 days prior to (and including) the date of redemption pursuant to Condition 7.2; (iii) during the period of seven days ending on (and including) any Record Date (as defined under Condition 8.1(b); and (iv) after the exercise of the put option in Condition 7.3).

## 3. STATUS OF THE NOTES

The Notes constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 5.1) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.

## 4. STANDBY LETTER OF CREDIT AND PRE-FUNDING

### 4.1 Standby Letter of Credit

The Notes will have the benefit of the Standby Letter of Credit issued in favour of the Trustee, on behalf of itself and the holders of the Notes, by the LC Bank. The Standby Letter of Credit shall be drawable by the Trustee as beneficiary under the Standby Letter of Credit on behalf of itself and the holders of the Notes upon the presentation of a demand by authenticated SWIFT (or otherwise permitted under the Standby Letter of Credit) sent by or on behalf of the Trustee to the LC Bank in accordance with the Standby Letter of Credit (the “**Demand**”) stating that (vi) the Issuer has failed to comply with Condition 4.2 in relation to pre-funding the amount that is required to be pre-funded under these Conditions and/or failed to provide the Required Confirmations in accordance with Condition 4.2, or (vii) an Event of Default (as defined in Condition 10) has occurred and the Trustee has given notice to the Issuer that the Notes are immediately due and payable in accordance with Condition 10. Only one drawing is permitted under the Standby Letter of Credit.

Such drawing on the Standby Letter of Credit will be payable in U.S. dollars to or to the order of the Trustee at the time and to the account specified in the Demand presented to the LC Bank. Payment received by the Trustee in respect of the Demand will be deposited into the LC Proceeds Account.

The payment made under the Standby Letter of Credit in respect of any amount payable under these Conditions or in connection with the Notes, the Trust Deed, the Agency Agreement, the Standby Letter of Credit and/or any other transaction document relating to the Notes shall, to the extent of the drawing paid to or to the order of the Trustee, satisfy the obligations of the Issuer in respect of such amount payable under these Conditions or in connection with the Notes, the Trust Deed, the Agency Agreement, the Standby Letter of Credit and/or any other transaction document relating to the Notes.

The LC Bank's liability under the Standby Letter of Credit shall be expressed and payable in U.S. dollars and shall not exceed U.S.\$61,805,000 (the “**Maximum Limit**”). The Standby Letter of Credit expires at 6:00 p.m. (Hong Kong time) on 9 January 2025.

### 4.2 Pre-funding:

In order to provide for the payment of any amount in respect of the Notes (other than the amounts payable under Condition 7.4) (the “**Relevant Amount**”) as the same shall become due, the Issuer shall, in accordance with the Agency Agreement, by no later than the Business Day falling ten Business Days (the “**Pre-funding Date**”) prior to the due date for such payment under these Conditions:

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

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

- (i) as soon as reasonably practicable notify the LC Bank and the LC Proceeds Account Bank by facsimile or by SWIFT of the occurrence of the Pre-funding Failure; and
- (ii) by no later than 6:00 p.m. (Hong Kong time) on the second Business Day following the Pre-funding Date, (x) give notice substantially in the form scheduled to the Trust Deed (the “**Pre-funding Failure Notice**”) to the Noteholders of (I) the Pre-funding Failure and (II) the redemption of the Notes in accordance with Condition 7.4 to occur as a result of the Pre-funding Failure; and (y) issue a Demand to the LC Bank for the principal amount in respect of all the Notes then outstanding, together with interest accrued to but excluding the Mandatory Redemption Date (as defined in Condition 7.4) and all fees, costs, expenses, indemnity payments and other amounts in connection with the Notes, the Trust Deed, the Agency Agreement, the Standby Letter of Credit and/or any other transaction document relating to the Notes, *provided that*, in accordance with the terms of the Standby Letter of Credit, the Trustee need not physically present the Demand under the Standby Letter of Credit to the LC Bank and shall be entitled to submit the Demand by authenticated SWIFT (or, in certain limited circumstances set out in the Standby Letter of Credit, by way of such other means as permitted under the Standby Letter of Credit) to the LC Bank.

Following receipt by the LC Bank of such Demand, the LC Bank shall on the fifth Business Day immediately following such Business Day, pay to or to the order of the Trustee the amount in U.S. dollars specified in the Demand in immediately available funds to the LC Proceeds Account.

The Pre-funding Account Bank shall notify the Trustee and the Principal Paying Agent as soon as reasonably practicable upon the failure by the Issuer to pay the Relevant Amount into the Pre-funding Account in accordance with these Conditions.

For the purposes of these Conditions:

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

“**Business Day**” means a day (other than a Saturday, a Sunday or a public holiday) on which banks and foreign exchange markets are open for business in Hong Kong, Beijing and New York City;

“**LC Proceeds Account**” means a non-interest bearing U.S. dollar account established in the name of the Trustee with the LC Proceeds Account Bank;

“**Payment and Solvency Certificate**” means a certificate stating the Relevant Amount in respect of the relevant due date in respect of the Notes and confirming that (i) payment for the Relevant Amount has been made by the Issuer to the Pre-funding Account in accordance with Condition 4.2 and (ii) the Issuer is solvent, in substantially the form set forth in the Agency Agreement; and

**“Pre-funding Account”** means a non-interest bearing U.S. dollar account established in the name of the Issuer with the Pre-funding Account Bank and designated for the purposes specified above.

## **5. NEGATIVE PLEDGE AND OTHER COVENANTS**

### **5.1 Negative Pledge**

So long as any of the Notes remains outstanding (as defined in the Trust Deed), the Issuer will not, and the Issuer will ensure that none of its Subsidiaries (as defined in Condition 4.6) will, create or have outstanding any mortgage, charge, lien, pledge or other security interest (each, a **“Security Interest”**) upon, or with respect to, any of the present or future business, undertaking, assets or revenues (including any uncalled capital) of the Issuer and/or any of its Subsidiaries to secure any Relevant Indebtedness (as defined below), or any guarantee or indemnity in respect of any Relevant Indebtedness, unless the Issuer, before or at the same time, takes any and all action necessary to ensure that:

- (a) all amounts payable by it under the Notes and the Trust Deed are secured by the Security Interest equally and rateably with such Relevant Indebtedness; or
- (b) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided as is approved by an Extraordinary Resolution of the Noteholders.

### **5.2 Provision of Information by the Issuer**

So long as any Note remains outstanding, the Issuer shall furnish with the Trustee:

- (a) as soon as they are available, but in any event within 180 calendar days after the end of each Relevant Period, copies of the Issuer Audited Financial Reports prepared in accordance with accounting principles generally applicable to enterprises established in the PRC (audited by a nationally recognised firm of independent accountants) and if such statements shall be in the Chinese language, together with (i) an English translation of the same (at the Issuer’s cost) translated by (A) the Issuer’s auditor, (B) a nationally or internationally recognised firm of independent accountants or (C) a professional translation service provider; and (ii) a certificate signed by an Authorised Signatory of the Issuer (as previously notified to the Trustee in writing in accordance with the Trust Deed) certifying in the English language that such translation is complete and accurate;
- (b) a Compliance Certificate signed by an Authorised Signatory of the Issuer (on which the Trustee may conclusively rely as to such compliance) at the same time as the Issuer Audited Financial Reports are furnished to the Trustee and, at any other time, within 14 days of a written request of the Trustee; and
- (c) as soon as they are available, but in any event within 120 calendar days after the end of each Relevant Period, copies of the Issuer Semi-Annual Unaudited and Unreviewed Consolidated Management Accounts prepared on a basis consistent with the Issuer Audited Financial Reports and if such consolidated management accounts shall be in the Chinese language, together with an English translation of the same (at the Issuer’s cost) and translated by (i) the Issuer’s auditor, (ii) a nationally or internationally recognised firm of independent accountants or (iii) a professional translation service provider, together in any such case with a certificate signed by an Authorised Signatory of the Issuer (as previously notified to the Trustee in writing in accordance with the Trust Deed) certifying in the English language that such translation is complete and accurate.

The Trustee shall not be required to review the Issuer Audited Financial Reports, the Issuer Semi-Annual Unaudited and Unreviewed Financial Reports or any other financial report furnished or delivered to it as contemplated in this Condition 5.2 and, if the same shall not be in the English language, shall not be required to request or obtain or arrange for an English language translation of the same, and the Trustee shall not be liable to any Noteholder or any other person for not doing so.

### **5.3 NDRC Post-issue Filing**

The Issuer undertakes to file or cause to be filed the requisite information and documents with the National Development and Reform Commission of the PRC (“**NDRC**”) within 10 PRC Business Days after the Issue Date (the “**NDRC Post-issue Filing Deadline**”) 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) issued by the NDRC and which came into effect on 14 September 2015, and any implementation rules as issued by NDRC from time to time (the “**NDRC Post-issue Filing**”).

The Issuer shall submit the NDRC Post-issue Filing and obtain such document(s) evidencing due filing with the NDRC, if any, within the prescribed timeframe and shall comply with all applicable PRC laws and regulations in connection with the NDRC Post-issue Filing. The Issuer shall:

- (a) within seven PRC Business Days after the submission of the NDRC Post-issue Filing provide the Trustee with (x) a certificate substantially in the form set out in the Trust Deed signed by an Authorised Signatory of the Issuer confirming the submission of the NDRC Post-issue Filing and (y) a copy of the documents submitted in respect of the NDRC Post-Issue Filing (the items specified in (x) and (y) together, the “**NDRC Post-issue Filing Documents**”); and
- (b) give notice to the Noteholders (in accordance with Condition 17) confirming the submission of the NDRC Post-issue Filing within seven PRC Business Days after the NDRC Post-issue Filing Documents are delivered to the Trustee.

The Trustee may rely conclusively on the NDRC Post-issue Filing Documents and shall have no obligation or duty to monitor or ensure the NDRC Post-issue Filing is submitted on or before the NDRC Post-issue Filing Deadline or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the NDRC Post-issue Filing and/or any NDRC Post-issue Filing Documents or to give notice to the Noteholders confirming the submission of the NDRC Post-issue Filing, and shall not be liable to the Noteholders, the Issuer or any other person for not doing so.

#### 5.4 Undertakings in relation to the SAFE Registrations

The Issuer undertakes that it will (a) within five PRC Business Days after the Issue Date, submit or caused to be submitted an application for the registration of the Notes with SAFE or its local counterpart pursuant to the Administrative Measures for Foreign Debt Registration (外債登記管理辦法) issued by the SAFE and which came into effect on 13 May 2013, and amended on 4 May 2015, and any implementation rules, reports, certificates or guidelines as issued by the SAFE from time to time and the Notice on Issues Relating to the Macro-prudential Management of Overall Cross-border Financing (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知) promulgated by the People’s Bank of China (“**PBOC**”) on 11 January 2017 and any implementation rules, reports, certificates or guidelines as issued by the PBOC (together, the “**SAFE Registrations**”); and (b) use its best endeavours to complete the SAFE Registrations and/or filing and obtain a registration record from SAFE or its local counterpart on or before the Registration Deadline (as defined in Condition 5.5).

The Issuer shall comply with all applicable PRC laws and regulations in connection with the SAFE Registrations and any implementing measures promulgated thereunder from time to time. The Issuer shall:

- (a) before the Registration Deadline and within seven PRC Business Days after the completion of the SAFE Registrations provide the Trustee with (x) a certificate substantially in the form set out in the Trust Deed signed by an Authorised Signatory of the Issuer confirming (A) the completion of the SAFE Registrations and (B) no Change of Control Event, Event of Default or Potential Event of Default has occurred; and (y) copies of the relevant documents evidencing the SAFE Registrations, each certified in English by an Authorised Signatory of the Issuer as a true and complete copy of the original (the items specified in (x) and (y) together, the “**Registration Documents**”); and
- (b) give notice to the Noteholders (in accordance with Condition 17) confirming the completion of the SAFE Registrations within seven PRC Business Days after the Registration Documents are delivered to the Trustee.

The Trustee may rely conclusively on the Registration Documents and shall have no obligation or duty to monitor or ensure the SAFE Registrations on or before the Registration Deadline or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the SAFE Registrations and/or any Registration Documents or to give notice to the Noteholders confirming the completion of the SAFE Registrations, and shall not be liable to the relevant Noteholders, the Issuer or any other person for not doing so.

## 5.5 Interpretation

In these Conditions:

- (i) **“Compliance Certificate”** means a certificate of the Issuer in English in substantially the form scheduled to the Trust Deed signed by an Authorised Signatory of the Issuer confirming that, having made all reasonable enquiries, to the best of the knowledge, information and belief of the Issuer as at a date (the **“Certification Date”**) not more than five days before the date of the certificate:
  - (a) no Event of Default (as defined in Condition 10) or Potential Event of Default (as defined in the Trust Deed) 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
  - (b) the Issuer has complied with all its obligations under the Trust Deed and the Notes, or if non-compliance had occurred, giving details of it;
- (ii) **“Issue Date”** means 9 December 2021;
- (iii) **“Issuer Audited Financial Reports”** means, for a Relevant Period, the annual audited consolidated financial statements of the Issuer, which include a statement of income, balance sheet and cash flow statement of the Issuer, audited by a member firm of independent accountants, together with the auditors’ report and notes to the financial statements;
- (iv) **“Issuer Semi-Annual Unaudited and Unreviewed Consolidated Management Accounts”** means, for a relevant Period, semi-annual unaudited and unreviewed consolidated management accounts of the Issuer, which include a statement of income, balance sheet and cash flow statement of the Issuer prepared on a basis consistent with the Issuer Audited Financial Reports;
- (v) **“NDRC”** means the National Development and Reform Commission of the PRC or its local counterparts;
- (vi) **“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 10 become an Event of Default;
- (vii) **“PRC”** means the People’s Republic of China excluding the Special Administrative Regions of Hong Kong and Macau and the region of Taiwan;
- (viii) **“PRC Business Day”** means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are generally open for business in the PRC;
- (ix) **“Registration Deadline”** means the day falling 90 PRC Business Days after the Issue Date;
- (x) **“Relevant Indebtedness”** means any present or future indebtedness issued outside the PRC (whether being principal, premium, interest or other amounts) for or in respect of any notes, notes, debentures, debenture stock, loan stock certificates 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 market or other securities market;
- (xi) **“Relevant Period”** means, in relation to the Issuer Audited Financial Reports, each period of twelve months ending on the last day of the financial year (being 31 December of that financial year) and in relation to the Issuer Semi-Annual Unaudited and Unreviewed Consolidated Management



Accounts, each period of six months ending on the last day of the first half financial year (being 30 June of that financial year); and

- (xii) “**Subsidiary of any person**” means (a) 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 other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity, or (b) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the law, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person.

## 6. INTEREST

The Notes bear interest on their outstanding principal amount from and including the Issue Date at the rate of 3.35 per cent. per annum, payable semi-annually in arrear on 9 June and 9 December in each year in equal instalments of U.S.\$16.75 per Calculation Amount (as defined below) (each an “**Interest Payment Date**”) commencing on 9 June 2022. Each Note will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Note, payment of principal or premium (if any) is improperly withheld or refused. In such event interest shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant holder, and (b) the day falling seven days after the Trustee or the Principal Paying Agent has notified Noteholders of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders 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 the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an “**Interest Period**”.

Interest in respect of any Note shall be calculated per U.S.\$1,000 in principal amount of the Notes (the “**Calculation Amount**”). The amount of interest payable per Calculation Amount for any period shall, 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).

## 7. REDEMPTION AND PURCHASE

### 7.1 Final Redemption

Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 9 December 2024 (the “**Maturity Date**”). The Notes may not be redeemed at the option of the Issuer other than in accordance with this Condition 7.

### 7.2 Redemption for Taxation Reasons

The Notes 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 (a “**Tax Redemption Notice**”) to the Noteholders in accordance with Condition 17 and in writing to the Trustee and the Principal Paying Agent (which notice shall be irrevocable), at their principal amount, together with interest accrued up to but excluding the date fixed for redemption but unpaid, if the Issuer satisfies the Trustee immediately prior to the giving of such notice, that:

- (a) the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of the PRC or

any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 6 December 2021; and

- (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Notes then due.

Prior to the publication of any Tax Redemption Notice pursuant to this Condition 7.2, the Issuer shall deliver to the Trustee:

- (i) a certificate in English signed by any Authorised Signatory (as previously notified to the Trustee in writing in accordance with the Trust Deed) of the Issuer stating that the obligation referred to in subparagraph (a) above cannot be avoided by the Issuer taking reasonable measures available to it; and
- (ii) an opinion, in form and substance satisfactory to the Trustee, of independent legal or tax advisers of recognised national standing to the effect that the Issuer has or will become obligated to pay such Additional Tax Amounts as a result of such change or amendment.

The Trustee shall be entitled (but shall not be obliged) to, without liability to any person for doing so, accept such certificate and opinion (without further investigation or query and without liability to the Noteholders or any other person) as conclusive evidence of the satisfaction of the conditions precedent set out in subparagraphs (a) and (b) of this Condition 7.2, in which event they shall be conclusive and binding on the Noteholders.

### 7.3 Redemption for Relevant Events

At any time following the occurrence of a Relevant Event (as defined below), the holder of any Note will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Notes on the Put Settlement Date (as defined herein) at 100 per cent. of their principal amount, together with accrued interest up to but excluding such Put Settlement Date. To exercise such right, the holder of the relevant Note must deposit at the specified office of the Principal Paying Agent a duly completed and signed notice of redemption, substantially in the form scheduled to the Agency Agreement, obtainable from the specified office of the Principal Paying Agent (a "**Relevant Event Put Exercise Notice**"), together with the Certificate evidencing the Notes 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 the Noteholders by the Issuer in accordance with Condition 17.

The "**Put Settlement Date**" shall be the fourteenth day (in the case of a redemption for a Change of Control) or the fifth Business Day (in the case of a redemption for a No Registration Event) or, if such day is not a business day, the next following business day after the expiry of such period of 30 days as referred to above. A Relevant Event Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Notes the subject of the Relevant Event Put Exercise Notices delivered as aforesaid on the Put Settlement Date.

The Issuer shall give notice to Noteholders in accordance with Condition 17 and to the Trustee, the Transfer Agent 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 five PRC Business 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 Notes pursuant to this Condition 7.3.

The Trustee and the Agents shall not be required to monitor or to take any steps to ascertain whether a Relevant Event or any event which could lead to a Relevant Event has occurred or may occur, and shall not be responsible or liable to the Noteholders, the Issuer or any other person for any loss arising from any failure to do so.

In this Condition 7.3:

a “**business day**” means a day other than a Saturday, Sunday or public holiday on which banks and foreign exchange markets are open for business in Hong Kong, New York City and London;

“**Baoji SASAC**” means State-owned Assets Supervision and Administration of Baoji Municipal Government;

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

- (a) Baoji SASAC together with any other person or entity directly or indirectly Controlled by the central government of the PRC (such person or entity and Baoji SASAC, each a PRC Government Person) ceases to, directly or indirectly, own or control 100 per cent. of the Voting Rights of the issued share capital of the Issuer; and
- (b) Baoji SASAC ceases to, directly or indirectly, own or control 95.0 per cent. or more of the Voting Rights of the issued share capital of the Issuer;

“**Control**” means (where applicable): (i) the ownership or control of more than 50 per cent. of the Voting Rights of the issued share capital of a person or (ii) the possession, directly or indirectly, of the power to nominate or designate no less than 50 per cent. of the members then in office of a person’s board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of Voting Rights, contract or otherwise or (iii) the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a person. For the avoidance of doubt, a person is deemed to Control another person so long as it fulfils one of the three foregoing requirements and the terms “**Controlling**” and “**Controlled**” have meanings correlative to the foregoing;

a “**No Registration Event**” occurs when the Registration Conditions are not satisfied by 5:00 p.m. (London time) on the Registration Deadline (as defined in Condition 5.5);

a “**person**” includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state, agency of a state (in each case whether or not being a separate legal entity) but does not include:

- (i) the Issuer’s board of directors or any other governing board; and
- (ii) the Issuer’s wholly-owned direct or indirect Subsidiaries (as defined in Condition 4.6);

“**Registration Conditions**” means the receipt by the Trustee of the Registration Documents;

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

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

#### **7.4 Mandatory Redemption upon Pre-funding Failure:**

The Notes shall be redeemed in whole, but not in part, at their principal amount on the Interest Payment Date immediately falling after the date the Pre-funding Failure Notice is given to the Noteholders in accordance with Condition 4.2 (the “**Mandatory Redemption Date**”), together with interest accrued up to, but excluding, the Mandatory Redemption Date.

If the holder of any Note shall have exercised its right to require the Issuer to redeem its Note under Condition 7.3 and a Pre-funding Failure Notice is given to the Noteholders in accordance with Condition 4.2 as a result of the Pre-funding Failure relating to the amount payable pursuant to such redemption, such holder’s Notes shall be redeemed in whole, but not in part, at their principal amount in accordance with

this Condition 7.4 on the Put Settlement Date, together with interest accrued up to, but excluding, such Put Settlement Date, provided that if such Pre-funding Failure occurs and a Pre-funding Failure Notice has been given or is given to the Noteholders in respect of a scheduled payment of principal or interest payable under Condition 6 or Condition 7.1, the Put Settlement Date shall be the Mandatory Redemption Date.

## 7.5 Notices of Redemption

All Notes in respect of which any notice of redemption is given under Condition 7 shall be redeemed on the date, in such place and in such manner as specified in such notice in accordance with this Condition 7. If there is more than one notice of redemption given in respect of any Note (which shall include any notice given by the Issuer pursuant to Condition 7.2 and any Relevant Event Put Exercise Notice given by a Noteholder pursuant to Condition 7.3), 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.

## 7.6 Purchase

The Issuer and each of its Subsidiaries may at any time purchase Notes in the open market or otherwise at any price.

## 7.7 Cancellation

Any Certificates representing Notes purchased by or on behalf of the Issuer or any of its Subsidiaries may, at the discretion of such persons, be held, resold or surrendered for cancellation to the Registrar and, if so surrendered for cancellation, all such Notes shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

## 7.8 Calculations

Neither the Trustee nor any Agent shall be responsible for calculating or verifying the calculations of any amount payable under any notice of redemption or have a duty to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection thereto and none of them shall be liable to the Noteholders, the Issuer, the LC Bank or any other person for not doing so.

# 8. PAYMENTS

## 8.1 Method of Payment

- (a) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of the Principal Paying Agent or any other Paying Agent if no further payment falls to be made in respect of the Notes represented by such Certificates) in a manner provided in Condition 8.1(b) below.
- (b) Interest on each Note shall be paid 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 Note shall be made in U.S. dollars by transfer to the registered account of the holder of such Note. In this Conditions 8, the “**registered account**” of a holder means the U.S. dollar account maintained by or on behalf of such holder with a bank, details of which appear on the Register at the close of business in the place of the Principal Paying Agent on the Record Date.

*So long as the Notes are represented by the Global Certificate, each payment in respect of the Global Certificate will be made to the person shown as the holder of the Notes in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day 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.*

- (c) 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 Noteholder) 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.

## **8.2 Payments subject to Applicable Laws**

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment but without prejudice to the provisions of Condition 8 and 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 Noteholders in respect of such payments.

## **8.3 Payment Initiation**

Where payment is to be made by transfer to a registered account, payment instructions (for value on the due date or, if that is not a Payment Business Day, for value 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 the first Payment Business Day on which the Principal Paying Agent is open for business and on or following which the relevant Certificate is surrendered.

## **8.4 Appointment of Agents**

The Principal Paying Agent, the Registrar and the Transfer Agent initially appointed by the Issuer and their respective specified offices are listed below. The Principal Paying Agent, the Registrar and the Transfer Agent, subject to the provisions of the Agency Agreement, act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer reserves 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, any Transfer Agent or any of the other Agents and to appoint additional or other Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar and (iii) a Transfer Agent, in each case, as approved in writing by the Trustee.

Notice of any such change or any change of any specified office of any Agent shall promptly be given by the Issuer to the Noteholders in accordance with Condition 17.

## **8.5 Delay in Payment**

Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Note if the due date is not a Payment Business Day, or if the Noteholder is late in surrendering or cannot surrender its Certificate (if required to do so).

## **8.6 Non-Payment Business Days**

If any date for payment in respect of any Note is not a Payment Business Day, the holder shall not be entitled to payment until the following Payment Business Day nor to any interest or other sum in respect of such postponed payment.

In this Condition 8, “**Payment Business Day**” means a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets are generally open for business in Hong Kong, New York City and London, the place in which the specified office of the Registrar, the Transfer Agent or the Principal Paying Agent is located, the place where payment is to be made by transfer to an account maintained with a bank in U.S. dollars and the place on which foreign exchange transactions may be carried on in U.S. dollars in the principal financial centre of the country of such currency.

## **9. TAXATION**



All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without set-off, counterclaim, 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 PRC or any political subdivision or authority therein or thereof having power to tax, unless such set-off, counterclaim, withholding or deduction is required by law.

Where such withholding or deduction is made by the Issuer by or within the PRC up to and including the aggregate rate applicable on 6 December 2021 (the “**Applicable Rate**”), the Issuer will increase the amounts paid by it to the extent required, so that the net amount received by Noteholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

If the Issuer is required to make a deduction or withholding by or within the PRC in excess of the Applicable Rate, the Issuer shall pay such additional amounts (“**Additional Tax Amounts**”) as will result in receipt by the Noteholders 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 Note:

- (a) **Other connection:** to a Noteholder (or to a third party on behalf of a Noteholder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with the PRC other than the mere holding of the Note or where the withholding or deduction could be avoided by the holder mailing a declaration of a non-residence or similar claim for exception to the appropriate authority; or
- (b) **Surrender more than 30 days after the Relevant Date:** in respect of which the Certificate representing it is presented (where presentation is required) for payment more than 30 days after the Relevant Date except to the extent that the Noteholder of it would have been entitled to such Additional Tax Amounts on surrendering the Certificate representing such Note for payment on the last day of such period of 30 days.

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 9 or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

“**Relevant Date**” in respect of any Note 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 seven days after that on which notice is duly given to the Noteholders that, upon further surrender of the Certificate representing such Note 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, charges, withholding or other payment referred to in this Condition 9 or otherwise in connection with the Notes or for determining whether such amounts are payable or the amount thereof, and shall not be responsible or liable for any failure by the Issuer, any Noteholder or any person to pay such tax, duty, assessments, charges, withholding or other payment in any jurisdiction or to provide any notice or information in relation to the Notes, and nor would they permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Notes without deduction or withholding for or on account of any tax, duty, assessments, charges, withholding or other payment imposed by or in any jurisdiction.

## 10. EVENTS OF DEFAULT

If any of the following events (each an **Event of Default**) occurs and is continuing, the Trustee at its discretion may, and if so requested in writing by holders of at least 25 per cent. in aggregate principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (provided that in either such case, the Trustee shall first have been indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer that the Notes are, and they shall immediately become, due and payable at their principal amount together (if applicable) with accrued interest.

An Event of Default occurs if:

**10.1 With Respect to the Issuer:**

- (a) **Non-Payment under the Notes:** there is failure to pay the principal of or interest on any of the Notes when due and in the case of interest, such failure continues for a period of seven Payment Business Days; or
- (b) **Breach of Other Obligations:** the Issuer does not perform or comply with any one or more of its other obligations under the Notes or the Trust Deed (other than such default (including with respect to Condition 5.4) gives rise to a redemption pursuant to Condition 7.3) which default is in the opinion of the Trustee incapable of remedy or, if capable of remedy in the opinion of the Trustee, is not remedied within 45 days after the Trustee has given written notice thereof to the Issuer; provided that if there has been a breach by the Issuer of its obligations to pre-fund any amount in respect of the Notes in accordance with Condition 4.2 and such amount has subsequently been paid by the LC Bank following a drawing under the Standby Letter of Credit to or to the order of the Trustee and paid to holders of the Notes, then such breach will not constitute an Event of Default under this Condition 10.1(b); or
- (c) **Cross-Default:** (i) any indebtedness of the Issuer or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential 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, provided that the aggregate amount of the relevant indebtedness in respect of which one or more of the events mentioned above in this Condition 10.1(c) have occurred from the Issue Date equals or exceeds (either individually or in aggregate) U.S.\$20,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollars as quoted by any leading bank on which this Condition 10.1(c) operates); or
- (d) **Enforcement Proceedings:** (i) any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of the Principal Subsidiaries over all or a substantial part of the assets of the Issuer, or any of the Principal Subsidiaries becomes enforceable and (x) proceedings are initiated against the Issuer or any of the Principal Subsidiaries, or (y) the Issuer or any of the Principal Subsidiaries initiates or consents to any judicial proceedings relating to itself, under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a general moratorium) in respect of all or a substantial part of its debts, or (ii) an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or any of its Principal Subsidiaries or, as the case may be, in relation to all or a substantial part of the undertaking or assets of the Issuer or any of the Principal Subsidiaries or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against all or a substantial part of the undertaking or assets of any of them, and in any such case in sub-paragraphs (i) or (ii) above of this Condition 10.1(d) except where (other than the appointment of an administrator) such application or legal process is discharged or stayed within 45 days; or
- (e) **Insolvency:** the Issuer or any of the Principal Subsidiaries (i) is (or is deemed by law or a competent court 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 substantial part of its debts, (ii) proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of its debts (or of a substantial part of its debts at that time, and which it will or might otherwise be unable to pay when due), or (iii) proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of all or a substantial part of its debts or a moratorium is agreed or declared in respect of or affecting all of the debts of the Issuer or any of the Principal Subsidiaries or a substantial part of such debts; or
- (f) **Winding-up:** an order is made by a court of competent jurisdiction or an effective resolution is passed for the winding-up or dissolution of the Issuer or any of the Principal Subsidiaries; or the

Issuer or any of the Principal Subsidiaries ceases or through an official action of the board of directors of the Issuer or the relevant Principal Subsidiary, threatens to cease to carry on all or substantially all of its business or operations, except for (i) the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (x) on terms approved by an Extraordinary Resolution of the holders of the Notes; or (y) in the case of a Principal Subsidiary where all or a substantial part of the undertaking and assets of the Principal Subsidiary are transferred to or otherwise continued to be vested in the Issuer and/or any Subsidiaries of the Issuer or (ii) a disposal of a Principal Subsidiary on an arm's length basis where the assets (whether in cash or otherwise) resulting from such disposal continues to be vested in the Issuer and/or any Subsidiaries of the Issuer; or (iii) any voluntary solvent winding-up or dissolution where the assets (whether in cash or otherwise) of such Principal Subsidiary are transferred to or otherwise continued to be vested in the Issuer and/or any Subsidiaries of the Issuer; or

- (g) **Government Intervention:** all or a substantial part of the assets or undertaking of the Issuer and any of the Principal Subsidiaries is condemned, seized, expropriated or otherwise appropriated by any person acting under the authority of any national, regional or local government; or
- (h) **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 lawfully to enter into, exercise its rights and perform and comply with its obligations under the Notes and the Trust Deed, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Notes and the Trust Deed admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or
- (i) **Illegality:** it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes or the Trust Deed; or
- (j) **Unenforceability of the Trust Deed and the Notes:** if any of the Trust Deed or the Notes ceases to be, or is claimed by the Issuer not to be, in full force and effect;
- (k) **Standby Letter of Credit:** the Standby Letter of Credit is not (or is claimed by the LC Bank not to be) enforceable, valid or in full force and effect; 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 in any of Conditions 10.1(d) to 10.1(k) (both inclusive).

In this Condition 10.1, “**Principal Subsidiary**” means any Subsidiary of the Issuer:

- (i) whose gross revenue (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries), whose net profit (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries) or whose gross assets (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries) represent not less than five per cent. of the consolidated gross revenue, the consolidated net profit or, as the case may be, the consolidated gross assets of the Issuer and its Subsidiaries taken as a whole, all as calculated respectively by reference to the latest audited financial statements (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest Issuer Audited Financial Reports, provided that:
- (ii) in the case of a Subsidiary acquired after the end of the financial period to which the then latest Issuer Audited Financial Reports relate for the purpose of applying each of the foregoing tests, the reference to the latest Issuer Audited Financial Reports shall be deemed to be a reference to such audited financial statements as if such Subsidiary had been shown therein by reference to its then latest relevant audited financial statements, adjusted as deemed appropriate by the Issuer for the purpose of consolidation;
- (iii) if at any relevant time in relation to the Issuer or any Subsidiary no financial statements are prepared and audited, its gross revenue, net profit and gross assets (consolidated, if applicable) shall be

determined on the basis of pro forma financial statements (consolidated, if applicable) prepared for this purpose; and

- (iv) if the financial statements of any Subsidiary (not being a Subsidiary referred to in proviso (i) above of this definition) are not consolidated with those of the Issuer, then the determination of whether or not such Subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its financial statements (consolidated, if appropriate) with the Issuer Audited Financial Reports (determined on the basis of the foregoing); or
- (v) to which is transferred all or substantially all of the business, undertaking and assets of another Subsidiary which immediately prior to such transfer is a Principal Subsidiary, whereupon (x) in the case of a transfer by a Principal Subsidiary, the transferor Principal Subsidiary shall immediately cease to be a Principal Subsidiary; and (y) the transferee Subsidiary shall immediately become a Principal Subsidiary, provided that on or after the date on which the relevant audited financial statements for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Principal Subsidiary shall be determined pursuant to the provisions of subparagraph (a) above of this definition.

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

## 10.2 With Respect to the LC Bank:

### (a) **Cross-Acceleration:**

- (i) any Public External Indebtedness of the LC Bank or any of its Subsidiaries is not paid when due or, as the case may be, within any originally applicable grace period;
- (ii) any such Public External Indebtedness becomes due and payable prior to its stated maturity otherwise than at the option of the LC Bank or (as the case may be) the relevant Subsidiary or (provided that no event of default, howsoever described, has occurred) any person entitled to such Public External Indebtedness; or
- (iii) the LC Bank or any of its Subsidiaries fails to pay when due any amount payable by it under any guarantee or indemnity of any Public External Indebtedness,

provided that the amount of Public External Indebtedness referred to in Conditions (i) or (ii) and/or the amount payable under any guarantee or indemnity referred to in Condition (iii), individually or in the aggregate, exceeds U.S.\$50,000,000 (or its equivalent in any other currency or currencies); or

- (b) **Security Enforced:** a secured party takes possession, or a receiver, manager or other similar officer is appointed, of any part of the undertaking, assets and revenues of the LC Bank or any of its Subsidiaries; or
- (c) **Insolvency:** the LC Bank or any of its Material Subsidiaries is insolvent or bankrupt or unable to pay its debts, stops or suspends payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of any 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 any part of the debts of the LC Bank; or
- (d) **Winding-up:** an order is made or an effective resolution is passed for the winding up or dissolution of the LC Bank or any of its Material Subsidiaries; or
- (e) **Illegality:** it is or will become unlawful for the LC Bank to perform or comply with any one or more of its obligations under the Standby Letter of Credit; or

- (f) **Analogous Events:** any event occurs which under the laws of the relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions (b) to (e) (both inclusive).

In this Condition 10.2:

**“Public External Indebtedness”** means any indebtedness of the LC Bank or any Material Subsidiary of the LC Bank, or any guarantee or indemnity by the LC Bank of indebtedness, for money borrowed which (x) is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) outside the PRC (without regard, however, to whether or not such instruments are sold through public offerings or private placement); and (y) has an original maturity in excess of 365 days; and

**“Material Subsidiary”** means a Subsidiary of the LC Bank:

- (i) whose gross revenue (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries), whose gross assets (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries, and including the investment of the LC Bank and its consolidated Subsidiaries in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the LC Bank and of associated companies and after adjustment for minority interests) or whose net profit (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries, and including, for the avoidance of doubt, the LC Bank and its consolidated Subsidiaries’ share of profits of Subsidiaries not consolidated and of associated entities and after adjustments for minority interests) represent not less than 5 per cent. of the consolidated gross revenue, the consolidated gross assets, or, as the case may be, the consolidated net profit of the LC Bank and its Subsidiaries taken as a whole, all as calculated respectively by reference to the latest audited or reviewed financial statements (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest audited or reviewed consolidated financial statements of the LC Bank, *provided that*:
- (A) in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited or reviewed consolidated financial statements of the LC Bank relate for the purpose of applying each of the foregoing tests, the reference to the LC Bank’s latest audited or reviewed consolidated financial statements shall be deemed to be a reference to such audited or reviewed financial statements as if such Subsidiary had been shown therein by reference to its then latest relevant audited or reviewed financial statements, adjusted as deemed appropriate by the auditor for the time being, after consultation with the LC Bank;
- (B) if at any relevant time in relation to the LC Bank or any Subsidiary no financial statements are prepared and audited, its gross revenue, gross assets and net profit (consolidated, if applicable) shall be determined on the basis of pro forma consolidated financial statements (consolidated, if applicable) prepared for this purpose; and
- (C) if the financial statements of any Subsidiary (not being a Subsidiary referred to in proviso (A) above) are not consolidated with those of the LC Bank, then the determination of whether or not such Subsidiary is a Material Subsidiary shall be based on a pro forma consolidation of its financial statements (consolidated, if appropriate) with the consolidated financial statements (determined on the basis of the foregoing) of the LC Bank; or
- (ii) to which is transferred all or substantially all of the business, undertaking and assets of another Subsidiary which immediately prior to such transfer is a Material Subsidiary, whereupon (x) in the case of a transfer by a Material Subsidiary, the transferor Material Subsidiary shall immediately cease to be a Material Subsidiary and (y) the transferee Subsidiary shall immediately become a Material Subsidiary, provided that on or after the date on which the relevant financial statements for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Material Subsidiary shall be determined pursuant to the provisions of paragraph (A) of this definition above.



A certificate signed by an authorised signatory of the LC Bank that a Subsidiary is or is not or was or was not at any particular time or during any particular period a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Issuer, the Trustee and the Noteholders.

Neither the Trustee nor any Agent shall be required to take any steps to ascertain whether an Event of Default has occurred and shall not be responsible or liable to the Noteholders, the Issuer or any other person for any loss arising from any failure to do so.

## **11. PRESCRIPTION**

Claims against the Issuer for payment in respect of the Notes 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.

## **12. REPLACEMENT OF CERTIFICATES**

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar 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 Noteholders in accordance with Condition 17, 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, prefunding and otherwise as the Issuer and/or the Registrar or such Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

## **13. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER**

### **13.1 Meetings of Noteholders**

The Trust Deed contains provisions for convening meetings of the Noteholders 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 or the Standby Letter of Credit. Such a meeting may be convened by the Issuer or the Trustee, and shall be convened by the Trustee if so requested in writing by Noteholders holding not less than 10 per cent. in aggregate principal amount of the Notes for the time being outstanding and subject to it being indemnified and/or secured and/or pre-funded to its satisfaction against any costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing a clear majority in aggregate principal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing whatever the aggregate principal amount of the Notes held or represented, unless the business of such meeting includes consideration of certain proposals, *inter alia*, (i) to modify the maturity date of the Notes or the dates on which interest is payable in respect of the Notes, (ii) to reduce or cancel the principal amount of, any premium payable on redemption of, or interest on, the Notes, (iii) to change the currency of payment of the Notes, (iv) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, or (v) to modify or release the Standby Letter of Credit (other than an amendment or supplement to, or a replacement of, the Standby Letter of Credit in connection with a further issue of notes pursuant to Condition 16 or modification pursuant to Condition 13.2), in which case the necessary quorum will be two or more persons holding or representing not less than  $66\frac{2}{3}$  per cent., or at any adjourned meeting not less than 25 per cent., in aggregate principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution (i) in writing or (ii) by way of electronic consents through the relevant clearing systems, in each case signed or given by or on behalf of the holders of not less than 75 per cent. in aggregate principal amount of the Notes for the time being outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders 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 one or more Noteholders. A resolution passed in writing or by Electronic Consent will be binding on all Noteholders, whether or not they participated in such resolution.

### **13.2 Modification and Waiver**

The Trustee may (but shall not be obliged to) agree, without the consent of the Noteholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement or the Standby Letter of Credit that is in its opinion of a formal, minor or technical nature or is made to correct a manifest error or an error which is, in the opinion of the Trustee, proven, or to comply with any mandatory provision of law, or (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement or the Standby Letter of Credit that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders; and (iii) any amendment or supplement to, or a replacement of, the Standby Letter of Credit in connection with a future issue of securities pursuant to Condition 16 to reflect the new aggregate principal amount of the Notes following such issue. Any such modification, authorisation or waiver shall be binding on the Noteholders and, unless the Trustee agrees otherwise, such modification, authorisation, waiver, amendment, supplement or replacement shall be notified by the Issuer to the Noteholders in accordance with Condition 17 as soon as practicable. The Trustee may request, and may conclusively rely upon, any certificate signed by an Authorised Signatory of the Issuer and/or an opinion of counsel concerning compliance with the above conditions in respect of any such modification, authorisation, waiver, amendment, supplement or replacement.

### **13.3 Entitlement of the Trustee**

In connection with the performance and exercise of its functions, rights, powers and/or discretions (including but not limited to those referred to in this Condition 13), the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the interests and the consequences of such exercise for individual Noteholders and the Trustee shall not be entitled to require on behalf of any Noteholder, nor shall any Noteholder be entitled to claim, from the Issuer (save as provided in Condition 9) or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

## **14. ENFORCEMENT**

The Trustee may, at its discretion and without further notice, but shall not be obliged to, take any such steps and/or actions and/or institute such proceedings against the Issuer and/or the LC Bank as it may think fit to enforce the terms of the Trust Deed, the Agency Agreement or the Notes and, where appropriate, to draw down on and enforce the Standby Letter of Credit, but it need not take any such steps and/or actions and/or institute any such proceedings unless (i) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least 25 per cent. in aggregate principal amount of the Notes then outstanding, and (ii) other than in the case of delivery of a Demand under the Standby Letter of Credit for a Pre-funding Failure, it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Noteholder may proceed directly against the Issuer and/or the LC Bank unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

## **15. INDEMNIFICATION OF THE TRUSTEE, ETC.**

Under the Trust Deed, the Trustee is entitled to be indemnified, secured and/or pre-funded to its satisfaction and to be relieved from responsibility in certain circumstances and to be paid or reimbursed its fees, costs, expenses, indemnity payments, and other amounts in priority to the claims of the Noteholders. In addition, the Trustee, the Agents, the Account Banks and their affiliates are entitled to (a) enter into business transactions with the Issuer, the LC Bank and/or any entity related (directly or indirectly) to the Issuer and/or the LC Bank without accounting for any profit, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders and (c) to

retain any profit made or any other amount or benefit received thereby or in connection therewith without accounting for such profits.

The Trustee, the Agents and the Account Banks may rely conclusively without liability to Noteholders, the Issuer, the LC Bank or any other person on any report, confirmation, information or certificate from or any opinion or advice of any lawyers, accountants, financial advisers, financial institution or any other expert, whether or not addressed to them 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 or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely conclusively on any such report, confirmation, information, certificate, opinion or advice and, in such event, such report, confirmation, information, certificate, opinion or advice shall be binding on the Issuer, the LC Bank and the Noteholders. None of the Trustee, the Agents and the Account Banks shall be responsible or liable to the Issuer, the Noteholders, the LC Bank or any other person for any loss occasioned by acting on or refraining from acting on such report, information, confirmation, certificate, opinion or advice.

None of the Trustee, the Agents or the Account Banks shall have any obligation to monitor compliance by the Issuer, the LC Bank or any other person, as the case may be, with the provisions of the Trust Deed, the Agency Agreement, the Standby Letter of Credit or these Conditions, or ascertain whether an Event of Default, a Potential Event of Default, a Pre-funding Failure, or a Relevant Event has occurred or any event which could lead to the occurrence of a Relevant Event, nor shall they be liable to the Noteholders or any other person for not doing so.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement, the Standby Letter of Credit or these Conditions to exercise any discretion or power, take or refrain from taking any action, make any decision or give any direction or certification, the Trustee is entitled, prior to its 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 from the Noteholders by way of an Extraordinary Resolution, and the Trustee shall not be responsible for any loss or liability incurred by the Issuer, the LC Bank, the Noteholders 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 or certification where the Trustee is seeking such directions or clarification from Noteholders or in the event that no such directions or clarification are received by the Trustee.

None of the Trustee, any Agent or the Account Banks shall be liable to any Noteholder, the Issuer, the LC Bank or any other person for any action taken by the Trustee or such Agent in accordance with the instructions, direction, request or resolution of the Noteholders. The Trustee and the Agents shall be entitled to rely conclusively on any instructions, direction, request or resolution of Noteholders given by Noteholders holding the requisite principal amount of Notes outstanding or passed at a meeting of Noteholders convened and held in accordance with the Trust Deed or passed as otherwise provided in the Trust Deed.

None of the Trustee, any of the Agents or the Account Banks shall be responsible or liable for the performance by the Issuer, the LC Bank and any other person appointed by the Issuer or the LC Bank in relation to the Notes of the duties and obligations on their part expressed in respect of the same, and, unless it has written notice from the Issuer to the contrary, each of the Trustee, the Agents and the Account Banks shall be entitled to assume that the same are being duly performed.

Each Noteholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, its Subsidiaries and the LC Bank, and the Trustee shall not at any time have any responsibility for the same and each Noteholder shall not rely on the Trustee in respect thereof.

## **16. FURTHER ISSUES**

The Issuer may from time to time without the consent of the Noteholders create and issue further securities having the same terms and conditions as the Notes in all material respects (or in all respects except for the issue price, the issue date, the first payment of interest on them, the registration deadline for completion of the SAFE Registrations and the deadline for submission of the NDRC Post-issue Filing) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series

(including the Notes). References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition 16 and forming a single series with the Notes. However, such further securities may only be issued if a further or supplemental or replacement standby letter of credit is issued by the LC Bank (or an amendment is made to the Standby Letter of Credit) on terms that are substantially similar to the Standby Letter of Credit (including that the stated amount of such further or supplemental standby letter of credit represents an increase at least equal to the principal of and one interest payment due on such further notes and an amount acceptable to the Trustee in respect of any fees, costs, expenses, indemnity payments and all other amounts under or in connection with such issue); and such further or supplemental documents are executed and further opinions are obtained as the Trustee may require, as further set out in the Trust Deed. References to the Standby Letter of Credit shall thereafter include such further, supplemental, replacement or amended standby letter of credit. Any further notes shall be constituted by a deed supplement to the Trust Deed.

## 17. NOTICES

Notices to the holders of Notes shall be mailed at the expense of the Issuer 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 public holiday) after the date of mailing. The Issuer shall also ensure that notices are duly published at the Issuer's expense in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made.

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

## 18. CURRENCY INDEMNITY

U.S. dollars (the “**Contractual Currency**”) are the sole currency of account and payment for all sums payable by the Issuer under or in connection with the Trust Deed, the Agency Agreement, the Standby Letter of Credit and the Notes, including damages. An amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise), by the Trustee or any Noteholder in respect of any sum expressed to be due to it from the Issuer will only discharge the Issuer to the extent of the Contractual Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that Contractual Currency amount is less than the Contractual Currency amount expressed to be due to the recipient under the Trust Deed or the Notes, the Issuer will indemnify it, on demand, against any loss sustained by it as a result. In any event, the Issuer will indemnify the recipient, on demand, against the cost of making any such purchase. For the purposes of this Condition 18, it will be sufficient for the Noteholder or the Trustee, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. The indemnities constitute separate and independent obligations from the Issuer's other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by the Trustee and/or any Noteholder and will continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under the Trust Deed, the Agency Agreement, the Standby Letter of Credit and/or the Notes or any other judgment or order or any termination of the Trust Deed or the removal or resignation of the Trustee.

## 19. GOVERNING LAW AND JURISDICTION

### 19.1 Governing Law

The Trust Deed, the Agency Agreement, the Standby Letter of Credit and the Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, Hong Kong law.

## **19.2 Jurisdiction**

The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes, the Trust Deed, the Agency Agreement or the Standby Letter of Credit and accordingly any legal action or proceedings arising out of or in connection with any Notes, the Trust Deed, the Agency Agreement or the Standby Letter of Credit (“**Proceedings**”) may be brought in such courts. The Issuer has 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. This submission is for the benefit of the Trustee and each of the Noteholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in any one or more jurisdictions precludes the taking of Proceedings in any other jurisdiction (whether concurrently or not).

## **19.3 Agent for Service of Process**

The Issuer has irrevocably appointed in the Trust Deed an agent Cogency Global (HK) Limited at Unit B, 1/F Lippo Leighton Tower, 103 Leighton Road, Causeway Bay, Hong Kong to receive service of process in any Proceedings in Hong Kong based on any of the Notes, the Trust Deed, the Agency Agreement or the Standby Letter of Credit. If for any reason Cogency Global (HK) Limited ceases to be so appointed, the Issuer shall forthwith appoint a new agent for service of process in Hong Kong and shall deliver to the Trustee a copy of the agent’s acceptance of that appointment within 30 days of such cessation. Nothing herein shall affect the right to serve process in any other manner permitted by law.

## **19.4 Waiver of Immunity**

The Issuer 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) or any order or judgment made or given in connection with any Proceedings.

## **20. CONTRACTS (RIGHTS OF THIRD PARTIES) ORDINANCE (CAP.623)**

No person shall have any right to enforce any term or condition of the Nonds under the Contracts (Rights of Third Parties) Ordinance (Cap.623), but this does not affect any right or remedy of any person which exists or is available apart from that Act.



## SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

*The Global Certificate contains provisions which apply to the Notes while they are in global form, some of which modify the effect of the Terms and Conditions set out in this Information Memorandum. The following is a summary of certain of those provisions.*

*Terms defined in the Terms and Conditions set out in this Information Memorandum have the meaning in the paragraphs below.*

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

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

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

Individual definitive Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Certificate. Such exchange will be effected in accordance with the provisions of the Trust Deed, the Agency Agreement and the regulations concerning the transfer and registration of the Notes scheduled thereto and, in particular, shall be effected without charge to any holder of the Notes or the Trustee, but against such indemnity and/or security and/or prefunding as the Registrar or the relevant Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

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

### PAYMENT

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

### NOTICES

So long as the Notes are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or any Alternative Clearing System, notices to holders of the Notes 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 Notes in substitution for notification as required by the Terms and Conditions.

### MEETINGS

For the purposes of any meeting of Noteholders, the holder of the Notes represented by this Global Certificate shall be treated as being two persons for the purposes of any quorum requirements of Noteholders of the Notes and, at any such meeting, as having one vote in respect of each U.S.\$1,000 in principal amount of Notes for which the Global Certificate is issued.

### TRANSFERS

Transfers of interests in the Notes will be effected through the records of Euroclear and Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of

Euroclear and Clearstream (or any Alternative Clearing System) and their respective direct and indirect participants.

## **CANCELLATION**

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

## **NOTEHOLDERS**

Subject as provided in the Trust Deed, each person who is for the time being shown in the records of Euroclear and/or Clearstream as entitled to a particular principal amount of Notes represented by a Global Certificate (in which regard any certificate or other document issued by Euroclear or Clearstream as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be deemed to be the holder of such principal amount of such Notes for all purposes other than with respect to payments of principal, premium (if any) and interest on the Notes for which purpose the registered holder of the Global Certificate shall be deemed to be the holder of such principal amount of the Notes in accordance with the terms of the Global Certificate and the Trust Deed.

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

For so long as all of the Notes are represented by this Global Certificate and this Global Certificate is held on behalf of Euroclear and/or Clearstream, the Noteholder's redemption option in Condition 7.3 may be exercised by the holder of the Notes giving notice to any Paying Agent in accordance with the standard procedures of Euroclear or Clearstream (which may include notice being given on his instructions by Euroclear or Clearstream or any common depository for them to any Paying Agent by electronic means) of the principal amount of Notes in respect of which the option is exercised and presenting or procuring the presentation of this Global Certificate to such Paying Agent for endorsement within the time limits specified in the Conditions.

## **USE OF PROCEEDS**

The Issuer intends to use the net proceeds from the offering of the Notes for repayment of existing offshore indebtedness.

## CAPITALISATION AND INDEBTEDNESS

The following table sets forth the consolidated total indebtedness (both current and non-current portions), total equity and total capitalisation of the Issuer as at 31 December 2020 (i) on an actual basis and (ii) on an adjusted basis to give effect to the Notes to be issued. The summary consolidated financial information below should be read in conjunction with the Issuer's consolidated financial statements and the notes to those statements included elsewhere in this Information Memorandum.

	As at 31 December 2020			
	Actual		As adjusted	
	(RMB)	(U.S.\$) <sup>(1)</sup> (in millions)	(RMB)	(U.S.\$) <sup>(1)</sup>
<b>Short-term indebtedness</b>				
Short-term borrowings	1,297.0	198.8	1,297.0	198.8
Long-term loans due within one year	839.0	128.6	839.0	128.6
Notes payables due within one year	1,517.5	232.6	1,517.5	232.6
<b>Total short-term indebtedness</b>	<b>3,653.5</b>	<b>559.9</b>	<b>3,653.5</b>	<b>559.9</b>
<b>Long-term indebtedness</b>				
Long-term borrowings	11,554.9	1770.9	11,554.9	1770.9
Bond payables	5,807.5	890.0	5,807.5	890.0
Notes to be issued	—	—	391.5	60.0
<b>Total long-term indebtedness</b>	<b>17,362.4</b>	<b>2,660.9</b>	<b>17,753.9</b>	<b>2,720.9</b>
<b>Total Indebtedness<sup>(2)</sup></b>	<b>21,015.9</b>	<b>3,220.8</b>	<b>21,407.4</b>	<b>3,280.8</b>
<b>Total Owners' Equity</b>	<b>12,266.7</b>	<b>1,880.0</b>	<b>12,266.7</b>	<b>1,880.0</b>
<b>Total Capitalisation<sup>(3)</sup></b>	<b>33,282.6</b>	<b>5,100.8</b>	<b>33,674.1</b>	<b>5,160.8</b>

Notes:

- (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) Total indebtedness equals the sum of short-term indebtedness and long-term indebtedness.
- (3) Total capitalisation equals the sum of total indebtedness and total owners' equity.

Since 31 December 2020, the Group continued utilising external financing in the ordinary course of business to finance its operation. As at 30 September 2021, the total indebtedness of the Group amounted to approximately RMB21,164.3 million. The Group may, from time to time, enter into bank loans and other financing arrangements and issue debt securities in the capital market in the ordinary course of business to finance its operations and to refinance existing debt.

Except as otherwise disclosed in this Information Memorandum, there has been no material adverse change in the consolidated capitalisation and indebtedness of the Issuer since 31 December 2020.

## DESCRIPTION OF THE LC BANK

*The information included in this Information Memorandum regarding the Bank of Xi'an Co., Ltd. is for information purposes only and is based on, or derived or extracted from, among other sources, publicly available information. Any information available from public sources that is referenced in this Information Memorandum but is not separately included in this Information Memorandum shall not be deemed to be incorporated by reference to this Information Memorandum. The Issuer and the Group have taken reasonable care in the compilation and reproduction of the information. However, none of the Issuer, the Group, the Placing Agents, the Trustee or the Agents or their respective affiliates, officers, employees, directors, advisers and agents has independently verified such information. No representation or warranty, express or implied, is made or given by the Issuer, the Group, the Placing Agents, the Trustee or the Agents or any of their respective affiliates, employees, directors, advisers and agents as to the accuracy, completeness or sufficiency of such information. Accordingly, such information should not be unduly relied upon.*

## OVERVIEW

The LC Bank is a regional joint stock commercial bank incorporated on 6 June 1997 by 41 urban credit cooperatives in Xi'an City and nine enterprises with the approval of PBOC. The LC Bank was originally registered and officially incorporated under the name of Xi'an City Cooperative Bank (西安城市合作銀行). The LC Bank was renamed as Xi'an Commercial Bank Co., Ltd. (西安市商業銀行股份有限公司) on 15 September 1998 and further changed its name to Bank of Xi'an Co., Ltd. on 25 September 2010.

On 1 March 2019, A-shares of the LC Bank were listed on the Shanghai Stock Exchange (stock code: 600928). The LC Bank holds a financial institution license numbered B0274H261010001 from the China Banking Regulatory Commission ("CBRC") and a legal entity business license (unified social credit code: 91610131294468046D) from the Xi'an Municipal Administration of Industry and Commerce. The registered address of the LC Bank is No. 60, Gaoxin Road, Xi'an, Shaanxi Province, the PRC.

## BUSINESS ACTIVITIES

The LC Bank provides its customers with diversified financial products and services, and its principal lines of business consist of corporate banking, retail banking, capital business and other business.

- *Corporate banking business:* the LC Bank provides its corporate customers with, among others, corporate loans, corporate deposits, bill discounting and intermediary products and services.
- *Retail banking business:* the LC Bank provides its retail banking customers with, among others, personal loans, personal deposits, bank card service and intermediary products and services.
- *Capital business:* the LC Bank engages in, among others, money market business, debt security business, interbank business and asset management business.

The LC Bank controls and consolidates Shaanxi Luonan Sunshine Village Bank Co., Ltd. (陝西洛南陽光村鎮銀行有限責任公司) and Xi'an Gaoling Sunshine Village Bank Co., Ltd. (西安高陵陽光村鎮銀行有限責任公司) and owns equity interests in BYD Auto Finance Company Limited (比亞迪汽車金融有限公司).

With the aim to become a "leading listed bank in the west (西部領先上市銀行)", the LC Bank intends to maintain business growth in five core sectors, namely corporate banking, retail banking, financial market, small enterprise business and support systems by implementing 76 strategic initiatives. The LC Bank believes that digitisation, specialisation and integration (數字化、特色化、綜合化) are the keys to transformation success of its business and pathways to facilitate reform and upgrading. The LC Bank adheres to rigorous risk management and has maintained stable operations, sound asset quality and adequate capital. In the past few years, the LC Bank received numerous honours and awards in recognition of its outstanding business performance and sound management, including:

- In 2016, the LC Bank ranked fourth in terms of competitiveness among the "City Commercial Banks with Assets of RMB200–300 Billion" (資產 2,000 億元–3,000 億元城市商業銀行綜合排名) according to "The Chinese Banker" magazine and won the "Best Financial Technology City



Commercial Bank Award” (最佳金融科技城市商業銀行) granted by “*The Chinese Banker*” magazine.

- In 2017, the LC Bank ranked fifth in terms of competitiveness among the “City Commercial Banks with Assets of RMB200–300 Billion” according to “*The Chinese Banker*” magazine and won the “Best Corporate Governance in City Commercial Bank” (最佳公司治理城市商業銀行) granted by “*The Chinese Banker*” magazine. The LC Bank also ranked 393th among the “Top 1000 World Banks” and 59th among all nominated Chinese banks in terms of tier-one capital according to the “*The Banker*” magazine.
- In 2018, the LC Bank ranked fourth in terms of competitiveness among the “City Commercial Banks with Assets of RMB200–300 Billion” according to “*The Chinese Banker*” magazine and won the “Best Financial Innovation Award” (中國金融創新獎), “Top Ten Corporate Banking Financial Products Innovation Award” (對公業務十佳金融產品創新獎) and “Top Ten Retail Banking Financial Products Innovation Award” (零售業務十佳金融產品創新獎) for local financial institutions and the “Best Corporate Governance in City Commercial Bank” granted by “*The Chinese Banker*” magazine. The LC Bank ranked 369th among the “Top 1000 World Banks” and 60th among all nominated Chinese banks in terms of tier-one capital according to “*The Banker*” magazine.
- In 2019, the LC Bank ranked first in terms of competitiveness among the “City Commercial Banks with Assets of RMB200–300 Billion” according to “*The Chinese Banker*” magazine and won the “Best Financial Innovation Award”, “Best Corporate Governance in City Commercial Bank”, “Best Financial Innovation Award”, “Top Ten Private Enterprises Innovation Award” (十佳民營企業創新獎) and “Top Ten Mobile Banking Innovation Award” (十佳手機銀行創新獎) granted by “*The Chinese Banker*” magazine. The LC Bank ranked 368th among the “Top 1000 World Banks” in terms of tier-one capital according to the “*The Banker*” magazine.

## FINANCIAL INFORMATION

Copies of the LC Bank’s published audited consolidated financial statements and unaudited but reviewed consolidated financial statements, as well as its public filings, can be downloaded free of charge from the websites of the LC Bank and the Shanghai Stock Exchange at <http://www.xacbank.com> and <http://www.sse.com.cn>, respectively. The financial statements of the LC Bank are not included in and do not form part of this Information Memorandum. The information contained on the websites of the LC Bank and the Shanghai Stock Exchange is subject to change from time to time. No representation is made by the Issuer, the Group, the Placing Agents, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers and none of the Issuer, the Group, the Placing Agents, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers takes any responsibility for any information contained on websites of the LC Bank and the Shanghai Stock Exchange.

## DESCRIPTION OF THE GROUP

### OVERVIEW

Established in January 2007, the Issuer acts as the primary platform via which the Baoji Government provides heat energy supply, water supply and public transportation service for the Baoji community. The Issuer is also engaged in affordable housing and urban infrastructure construction business. As at the date of this Information Memorandum, the Issuer is the largest state-owned company in Baoji in terms of assets and plays a key role in promoting the economic and infrastructure development of Baoji. As at 31 December 2020, the Issuer was wholly owned by Baoji SASAC.

As at 31 December 2020, the Issuer had a registered share capital of RMB1,300 million.

### HISTORY AND DEVELOPMENT

The table below sets forth selected key milestones in the Issuer's development history:

Year	Milestones
2007	The Issuer was established with a registered capital of RMB300 million.
2008	<p>The Baoji Government agreed to effect the following transfer of shares to the Issuer:</p> <ul style="list-style-type: none"><li>the 52.26 per cent. state-owned shareholding in Baoji Sanitation Construction Co., Ltd. (寶雞市環衛建設有限公司) held by Baoji Urban Development and Construction Co., Ltd. (寶雞市城市建設投資開發有限公司) (“<b>Baoji Urban Development</b>”);</li><li>the 47.74 per cent. state-owned shareholding in Baoji Sanitation Construction Co., Ltd. held by Baoji Urban Development; and</li><li>all the state-owned shares in Baoji Public Transport and Baoji Natural Gas Corporation (寶雞市天然氣總公司).</li></ul> <p>It was determined by Baoji SASAC that the Issuer should perform its duties as a capital contributor to Baoji Public Transport, Baoji Natural Gas Corporation, Baoji Urban Development Co., Ltd, Baoji Heating, Baoji Water Corporation, Shaanxi Famen Temple Culture Development Co., Ltd. (陝西法門寺文化發展有限公司), Baoji Sanitation Construction Co., Ltd. and Baoji Old City Investment. Accordingly, the Issuer became the sole shareholder of each of these eight corporations.</p>
2009	The Issuer's registered share capital was increased to RMB1,000 million.
2010	Following corporate reorganisation in March 2010, the Issuer had total assets of approximately RMB11,169 million and was transformed into a leading state-owned entity engaging in financing, investment, construction and asset management.
2013	The Issuer's registered share capital was increased to RMB1,300 million. The new registered share capital of RMB300 million was subscribed by Chang'an International Trust Co., Ltd., which became the new shareholder of the Issuer.
2015	Baoji SASAC purchased Chang'an International Trust Co., Ltd.'s entire shareholding in the Issuer (being approximately 23.08 per cent. of the Issuer's share capital) and became the sole shareholder of the Issuer.
2018	In June 2018, CDFC injected approximately RMB37.9 million of capital into the Issuer.

## RELATIONSHIP WITH THE BAOJI SASAC AND THE BAOJI GOVERNMENT

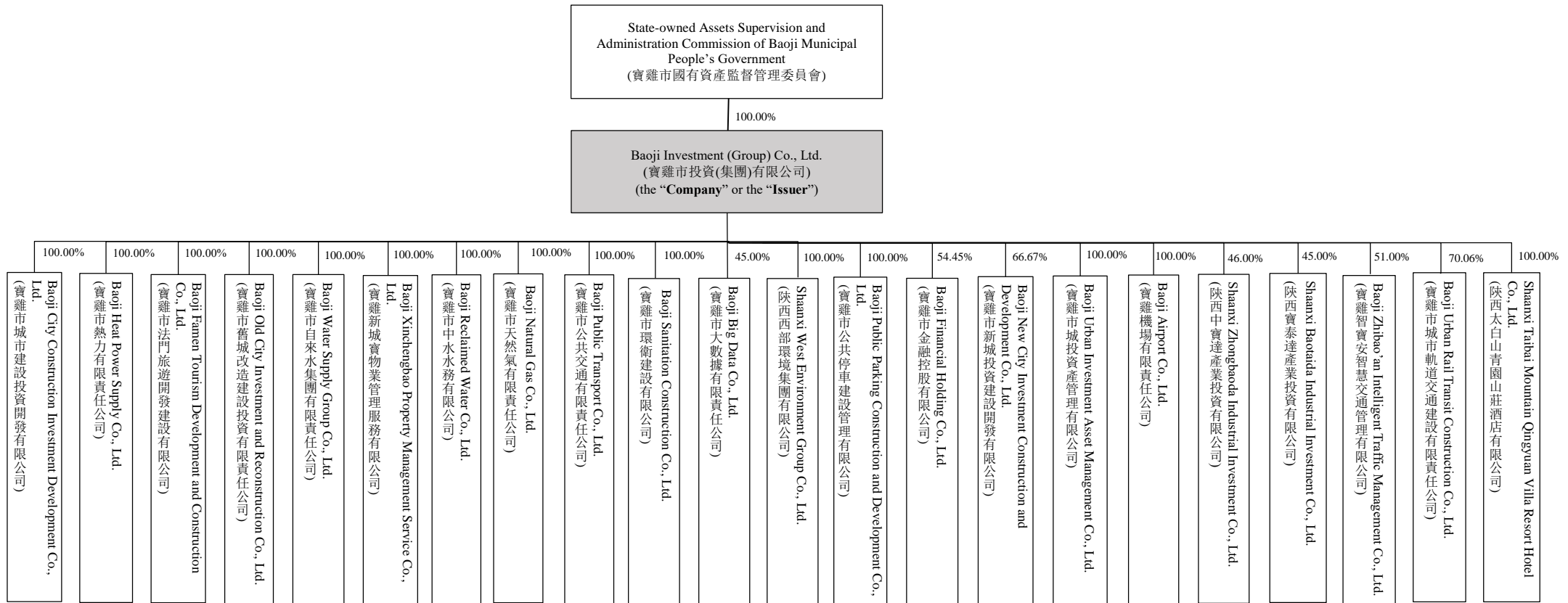
The Issuer is wholly-owned by the Baoji SASAC, a government organ of the Baoji Government. As a core state-owned enterprise in Baoji, the Group has extensive connections with the Baoji SASAC, the Baoji Government and their controlled entities. For example, the Group has been commissioned by the Baoji SASAC and other local government entities and agencies to take charge of the affordable housing projects in the Baoji region and for the development and construction of these projects. The Baoji SASAC, as the sole shareholder of the Issuer, also appoints and conducts annual appraisals on the directors and supervisors of the Issuer.

Notwithstanding the Issuer's relationship and connections with the Baoji SASAC, the Baoji Government and other agencies and entities controlled by them, the various social and community functions performed by the Group and the financial support received by it, the Issuer is not part of the government. The Issuer is operationally and financially independent from the Baoji SASAC and the Baoji Government. Its functions and departments are separate from those of the government and it does not share any premises with the Baoji SASAC or the Baoji Government. The directors and the senior management of the Issuer are not government officers. Nevertheless, the directors of the Issuer are appointed by its shareholder, the Baoji SASAC. The Issuer has its own budget and financial reporting system and its assets and liabilities are separate from those of the Baoji SASAC and the Baoji Government. None of the Baoji SASAC, the Baoji Government or any other PRC governmental entity has any payment or other obligations under the Notes or the Trust Deed and they will not provide guarantee of any kind for the Notes. The Noteholders do not have any recourse against the Baoji SASAC, the Baoji Government or any other PRC governmental agency or entity in respect of any obligation arising out of or in connection with the Notes or the Trust Deed. The Notes are solely to be repaid by the Issuer, and the obligations of Issuer under the Notes or the Trust Deed shall solely be fulfilled by the Issuer as an independent legal person. This position has been reinforced by Circular 23 and 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 Guarantor's assets) to the Group in its ordinary course of business in compliance with PRC laws and regulations. The detailed description of the relationship between the Issuer, the Baoji SASAC and the Baoji Government in this Information Memorandum does not imply in any way any explicit or implicit credit support of the Baoji SASAC and/or the Baoji Government in respect of the Notes, the repayment of which remains the sole responsibility of the Issuer.

See also the risk factors entitled “*A reduction, discontinuance or delay of government support could materially and adversely affect the financial condition and results of operations of the Group*” and “*The Group may not make decisions, take action or invest or operate in businesses or projects that are in the Group's best interest or that aim to maximise the Group's profits and the Baoji Government exerts significant influence on the Group*” in the section entitled “*Risk Factors — Risks relating to the Group's Business*” and “*The Baoji Government or any other PRC governmental entity does not have any payment, guarantee or other obligations under the Notes or the Trust Deed.*” in the section entitled “*Risk Factors — Risks relating to the Notes and the Standby Letter of Credit*”.

## CORPORATE STRUCTURE

The following chart sets forth a simplified corporate structure of the Issuer, which shows the Issuer, its shareholder and major subsidiaries, as well as the Issuer's respective shareholding in each of its major subsidiaries as at the date of this Information Memorandum:



## COMPETITIVE STRENGTHS

The Issuer believes that the Group has the following competitive strengths:

- *Strong support from the Baoji Government and participation in various government strategic projects.*
- *Baoji's strategic location and strong economic growth.*
- *Dominant position in various business segments.*
- *Prudent financial structure.*
- *Strong financing capability.*
- *Experienced management team with support from a dedicated team of staff.*
- *Comprehensive internal control and risk management systems.*

## BUSINESS STRATEGIES

The Group's objective is to strengthen its leading position in the industries in which the Group operates, in particular its heat energy supply, water supply, public transportation and affordable housing and urban infrastructure construction business segments. The Group intends to implement the following strategies to achieve this objective:

- *Continue to fulfil its role as a dominant player in the relevant industries.*
- *To expand the Group's business operations into other industries in the PRC.*
- *Align the Group's development strategies with the OBOR Action Plan and the Guanzhong-Tianshui Plan.*
- *Continue to maintain prudent financial management and liquidity position.*
- *Continue to build a professional management team.*

## RECENT DEVELOPMENT

### Quarterly Results as at and for the Nine Months Ended 30 September 2021

As at 30 September 2021, as compared to the financial information as at 31 December 2020, the Group's cash and cash equivalents decreased primarily due to the maturity of bank acceptance bills payable for trading purposes. The Group's short-term loans increased primarily due to the increases of loans incurred during the Group's ordinary course of business. For the nine months ended 30 September 2021, as compared to the same period in the preceding year, the Group experienced decreases in operating revenue primarily due to the decreases of revenue generated from the Group's other sale of goods business. The Group experienced increases in general and administrative expenses primarily due to the increase of costs and expenses incurred during the Group's ordinary course of business. The Group experienced decreases in operating profits and net profits primarily due to the change of payment arrangement with relevant governmental entities in relation to its government-related businesses, pursuant to which payment is collected later than the preceding year.

Potential investors should note, in particular, that the Group's financial information as at and for the nine months ended 30 September 2021 is derived from the Issuer's management accounts and has not been audited or reviewed by independent auditors. As such, the Group's financial information as at and for the nine months ended 30 September 2021 has not been set out in detail in this Information Memorandum and does not form part of this Information Memorandum and potential investors should not rely on such financial information in their evaluation of the financial condition of the Group and in making their investment decisions. The aforementioned financial information as at and for the nine months ended 30 September 2021 are not necessarily indicative of the results



that may be expected for the year ending 31 December 2021 or any period thereafter. Consequently, potential investors must exercise caution when using such data to evaluate the Group's financial condition and results of operations. See *“Risk Factors – Risks Relating to the Group's business – The Issuer published and may continue to publish periodical financial information in the PRC pursuant to applicable PRC regulatory rules. Investors should be cautious and not place any reliance on the financial information other than that disclosed in this Information Memorandum”*.

None of the Placing Agents, the Trustee or the Agents nor any of their respective directors, officers, employees, representatives, agents, advisers, affiliates and any person who controls any of them makes any representation or warranty, express or implied, regarding the accuracy of the Group's financial information as at and for the nine months ended 30 September 2021 or the sufficiency of such financial information for an assessment of the Group's financial condition and results of operation.

## **BUSINESS SEGMENTS**

The Group is principally engaged in the heat energy supply, water supply, public transportation, affordable housing and urban infrastructure construction, factoring and other sale of goods business. The Group is also engaged in other businesses, such as natural gas supply, parking lot operation, property management, waste management, advertising, rental of equipment and housing, provision of entrusted loans and sanitation services .

### **Heat Energy Supply Business Segment**

The Issuer conducts its heat energy supply business primarily through its wholly-owned subsidiary, namely, Baoji Heating. The Group primarily engages in the generation and supply of heat energy, including heat energy supply during the winter season, cooling during the summer season, domestic hot water and electricity supply and the construction and operation of concentrated heat energy supply distribution networks, in Baoji. In addition to the supply of its self-generated heat energy, the Group also purchases heat energy from upstream thermal power plants and provides heat energy supply to its end-users via its heat energy supply distribution networks. As at the date of this Information Memorandum, the Group is the sole heat energy supplier in Baoji City. The Group provides heat energy service to both residential and non-residential customers in Baoji. The heat energy is used primarily for heating in the winter season, cooling in the summer season, domestic hot water and electricity supply.

### **Water Supply Business Segment**

The Group primarily engages in the supply of water and reclaimed water businesses. The Issuer conducts its water supply business primarily through its wholly-owned subsidiary, namely, Baoji Water and Baoji Water in turn operates the Group's water supply business via Baoji Water's subsidiary, namely, Baoji Chuangwei Water Co., Ltd. (寶雞創威水務有限責任公司), through asset-leasing. The Group is engaged in the entire process from the collection of raw water to the sales of tap water. As at the date of this Information Memorandum, the Group is the sole water supplier in Baoji City. In addition to the sales of tap water, the Group also generates income from repair and maintenance of water pipelines. The Issuer conducts its reclaimed water business primarily through its wholly-owned subsidiary, namely, Baoji Reclaimed Water Co., Ltd. (寶雞市中水水務有限公司) (“**Baoji Reclaimed Water**”). Baoji Reclaimed Water is primarily engaged in the processing of water that has been purified and discharged from the Shilipu Sewage Treatment Plant in Baoji to produce reclaimed water to satisfy the requirements of different users.

The Group has a broad and diversified customer base covering residential, public, commercial and industrial sectors.

### **Public Transportation Business Segment**

The Issuer conducts its public transportation business primarily through its wholly-owned subsidiary, namely, Baoji Public Transport Co., Ltd. (寶雞市公共交通有限責任公司). As at the date of this Information Memorandum, the Group is the sole operator of public bus services in Baoji City. It is also engaged in other transport-related businesses, such as vehicle repair and maintenance, vehicle advertising, driver training and public bicycles business. The Group's public transportation business segment is primarily supported by the Baoji Government.

### **Affordable Housing and Urban Infrastructure Construction Business Segment**

The Issuer conducts its affordable housing and urban infrastructure construction businesses primarily through itself, its wholly-owned subsidiary, namely, Baoji Old City Investment and Reconstruction Co., Ltd. (寶雞市舊城改造建設投資有限責任公司) and another of its subsidiary, namely, Baoji New City Investment Construction and Development Co. Ltd. (寶雞市新城投資建設開發有限公司). The Group's affordable housing and urban infrastructure construction businesses primarily involve the development, sale and leasing of affordable housing, such as low-rent housing and public housing, as well as the reconstruction of shantytown districts and construction of resettlement housing in Baoji. Pursuant to the agent construction agreement between the Group and the Baoji Government, the Group is authorised by the Baoji Government to take charge of the affordable housing projects in the Baoji region and for the development and construction of these projects.

### **Factoring Business Segment**

The Issuer conducts its factoring business primarily through its wholly-owned subsidiary, namely, Baoji Financial Holding Co., Ltd. (寶雞市金融控股有限公司). The Group primarily engages in disclosed and recourse factoring business with its core downstream customers and upstream suppliers, including various large and medium-sized state-owned enterprises and eminent listed companies, which enables the Group to efficiently minimise business risks in its factoring business. After years of growth, the Group primarily purchases accountants receivables and grants loans to state-owned construction enterprises, special purpose vehicles of listed real estates, large-scale manufacturing companies and upstream suppliers of leading supermarkets, to meet their financial needs in construction and engineering projects as well as other business operations.

### **Other Sale of Goods Business Segment**

The Issuer conducts its other sale of goods business primarily through its subsidiary, namely, Shaanxi Zhongbaoda Industry Investment Co., Ltd. (陝西中寶達產業投資有限公司). Since 2018, the Group has been engaging in the domestic trading of bulk commodities such as steel, coal, high-carbon ferrochrome, nickel alloys and zinc ingots.

### **Other Businesses**

In addition to the principal business segments, the Group also engages in other businesses, such as natural gas supply, parking lot operation, property management, waste management, advertising, rental of equipment and housing, provision of entrusted loans and sanitation services. The Group also plays a key role in the promotion of the tourism industry in Baoji. For example, the Group has been delegated by the Baoji Government to operate some of the most important tourism resources in Baoji.

## **OCCUPATIONAL SAFETY**

The Group is dedicated to implementing stringent internal safety procedures and policies to ensure a safe working environment at work sites and that the work undertaken by the Group does not pose any danger to the general public, as well as to ensure compliance with the relevant PRC laws and regulations. The Group's quality and safety department is responsible for overseeing the Group's compliance with relevant PRC laws and regulations, conducting regular reviews and inspections of the Group's safety performance, conducting review of any material accidents, and ensuring that the Group maintains the necessary licenses, approvals and permits to operate. The quality and safety department also organises accident prevention and management training sessions for the Group's employees on a regular basis and for new employees on an as-needed basis.

The Group has developed, implemented and maintained a safety management system, such as formulating health and safety standards, educating personnel on technical requirements and safety procedures prior to the commencement of a construction project, recording project ledgers, ensuring safety records are properly kept, drafting construction plans and safety measures for each project, conducting regular weekly onsite safety inspections of the construction projects, conducting review of any accidents that arise, ensuring subcontracted workers hold the relevant valid licences and certificates and addressing safety issues on a daily basis. In addition, the Group circulates updated safety and operational manuals to its workers and subcontracted workers to increase their safety awareness. Project managers and safety personnel are required to hold monthly and quarterly meetings to discuss the safety internal control policies and the project managers are subject to disciplinary action in the event that on-site personnel are in breach of the safety policies. The Group has also implemented a formal accident reporting system on its construction sites, whereby accidents are immediately reported to the responsible management teams and departments, as well as to the relevant government authorities as required by PRC laws and regulations. The Group has also adopted specific measures to ensure the safety of its construction projects and compliance with the relevant PRC laws and regulations regarding work safety.

## **ENVIRONMENTAL 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. Health, safety and environmental protection represent the core corporate culture of the Group. It has adopted active and specific measures to ensure compliance with the relevant laws and regulations. As at 31 December 2020, the Group was not aware of any environmental proceedings or investigations to which it is or might become a party that could have a material adverse effect on its business, financial condition and results of operations.

## **EMPLOYEES**

As at 31 December 2020, the Group had a total of approximately 4,126 employees, approximately 2,240 of which held an undergraduate degree or above.

The Group's ability to attract, retain and motivate qualified personnel is critical to its success. The Issuer believes that the Group offers its employees competitive compensation and is able to attract and retain qualified personnel. Remuneration to employees is based on their respective performance, working experience, duties and the prevailing market rates. The Group provides social security insurance for its employees as required by PRC social security regulations, such as pension insurance, unemployment insurance, work injury insurance and medical insurance.

Training is provided to new employees and existing employees in order to develop their technical and industry knowledge, an awareness of work place safety standards and knowledge of the Group's corporate standards and culture.

All of the Group's management and key executives, and substantially all of the Group's other employees, have entered into employment agreements with the Group, which contain confidentiality and non-competition provisions.

The Group maintains a good working relationship with its employees and as at the date of this Information Memorandum, the Group has not experienced any labour disputes that could cause material adverse effect to the operation and performance of the Group.

## INSURANCE

The Group maintains insurance which is consistent with market practice in the relevant industries and in amounts that the Issuer believes to be adequate.

Notwithstanding such insurance coverage, damage to the vehicles, buildings, facilities, equipment or other properties as a result of occurrences such as fire, flood, water damage, explosion, power loss, typhoons and other natural disasters or terrorism, or any decline in the Group's business as a result of any threat of war, outbreak of disease or epidemic, may potentially have a material adverse effect on the Group's financial condition and results of operations. Please see *"Risk Factors – Risks relating to the Group's Businesses – The Group may not have adequate insurance to cover all potential liabilities or losses"* in this Information Memorandum for a discussion of the risks associated with the Group's insurance coverage.

## LEGAL AND REGULATORY PROCEEDINGS

The Group is involved, from time to time, in legal and regulatory proceedings, lawsuits and/or arbitrations arising in the ordinary course of its operations. See also *"Risk Factors – Risks Relating to the Group's Business – The Group may be subject to legal, litigation and regulatory proceedings"*.

In October 2020, Baoji Huaxia (Group) Real Estate Development Co., Ltd. (寶雞華廈(集團)房地產發展有限公司) brought a legal action against the Issuer at the Baoji Intermediate People's Court over a fund usage fee of approximately RMB46.6 million. After the Baoji Intermediate People's Court ruled against the Issuer, the Issuer appealed to the Shaanxi High People's Court. As at the date of this Information Memorandum, the case remains on-going.

In June 2021, Shaanxi Xingye Communications Development Co., Ltd. (陝西興業交通(集團)有限公司) appealed to the Shaanxi High People's Court against the Issuer in relation to a dispute over a construction project payment of approximately RMB38.0 million. As at the date of this Information Memorandum, the case remains on-going.

In 2021, Luoyin Financial Leasing Co., Ltd. (洛銀金融租賃股份有限公司) ("**Luoyin Financial Leasing**") brought a series of legal actions against Shaanxi Famen Temple Culture Development Co., Ltd. (陝西法門寺文化發展有限公司) ("**Famen Culture**"), an indirect subsidiary of the Issuer, and the Issuer over the dispute of a sale and lease back contract. In accordance with the mediation decision issued by Luoyang Intermediate People's Court, Famen Culture shall pay RMB85.6 million and provide a deposit of RMB5 million to Luoyin Financing Leasing. The Issuer shall pay RMB45.0 million to Luoyin Financing Leasing, after which the bank accounts of the Issuer and Famen Culture and the shares of Chang'an Bank Co., Ltd. held by the Issuer, which were frozen by court orders, will be released. The Issuer shall continue to assume joint and several liabilities for above payment obligations of Famen Culture.

In October 2021, Xi'an Civil Finance Street Micro Refinance Co., Ltd. (西安民間金融街小額再貸款有限公司) and Tongchuan Huineng New Energy Co., Ltd. (銅川匯能鑫能源有限公司) brought a legal action against Shaanxi Taibai Mountain Investment Group Co., Ltd. (陝西太白山投資集團有限公司) and the Issuer over a borrowing contract dispute, which involved a principal amount of approximately RMB77 million and accrued interests. As at the date of this Information Memorandum, the case remains on-going.

In October 2021, Shaanxi Construction Engineering Group Corporation Limited (陝西建工集團有限公司) filed an enforcement application against Baoji Urban Development, a wholly-owned subsidiary of the Issuer, over a construction debt dispute of approximately RMB13.1 million at Baoji Arbitration Commission. As at the date of this Information Memorandum, the case remains on-going.

At this stage, the outcomes of the on-going lawsuits and arbitrations as mentioned above remain uncertain. The Group is reviewing the merits of these lawsuits and arbitrations on an on-going basis, but the Group is unable to predict the outcome of these lawsuits and arbitrations.

As at the date of this Information Memorandum, except for the legal proceedings, lawsuits and arbitrations as described above, the Group is not aware of any other material legal proceedings, claims, disputes,



penalties or liabilities currently pending or threatened against the Group that may have a material adverse impact on its business, financial condition or results of operations.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### DIRECTORS

The following table sets forth the members of the board of directors of the Issuer as at the date of this Information Memorandum:

Name	Position
Mr. WANG Zhaoyuan (王昭遠)	Chairman of the board of directors and secretary of the Party Committee
Mr. FENG Yanjun (馮延軍)	Director and general manager
Mr. ZHANG Hongke (張宏科)	Director
Mr. FENG Guangke (鳳廣科)	Director
Mr. WU Gaowan (吳高萬)	Director
Mr. CHENG Weixia (程衛夏)	Director
Mr. YANG Weidong (楊衛東)	Director, deputy general manager and member of the Party Committee
Mr. WANG Yufeng (王宇峰)	Director, deputy general manager and member of the Party Committee
Ms. CHENG Yang (程暘)	Employees director

**Mr. WANG Zhaoyuan (王昭遠)**, born in 1970, is the chairman of the board of directors and the secretary of the Party Committee of the Issuer. Mr. Wang previously served as the director of the General Office (辦公室主任) of the Fufeng County Party Committee (扶風縣委), a member of the Standing Committee (常委) of the Fengxiang County Party Committee (鳳翔縣委), the head of the Department of United Front Work of Fengxiang County (鳳翔縣統戰部), a member of the Standing Committee of the Feng County Party Committee and the head of the Organisational Department of the Feng County (鳳縣組織部). Mr. Wang has obtained a master's degree.

**Mr. FENG Yanjun (馮延軍)**, born in 1972, is a director and the general manager of the Issuer. Mr. Feng also serves as the chairman of the board of directors and the secretary of the Party Committee of Baoji Financial Holding Co., Ltd. (寶雞市金融控股有限公司). Mr. Feng previously served as a deputy general manager of the Issuer, the chairman of the board of directors of Baoji Xincheng Construction Investment & Development Co., Ltd (寶雞市新城投資建設開發有限公司), the chairman of the board of directors and the general manager of Baoji High-tech Industrial Development General Corporation (寶雞高新技術產業開發總公司) (currently known as Baoji High-tech Investment Holding Co., Ltd. (寶雞高新投資控股有限公司)). Mr. Feng has obtained a master's degree from Shaanxi School of Finance and Economics (陝西省財經學校).

**Mr. ZHANG Hongke (張宏科)**, born in 1971, is a director of the Issuer. Mr. Zhang also serves as the chairman of the board of directors of Baoji Water Supply Co., Ltd. (寶雞市自來水有限責任公司) and the chairman of the board of directors and the secretary of the Party Committee of Baoji Chuangwei Water Co., Ltd. (寶雞創威水務有限責任公司). Mr. Zhang previously served as a deputy general manager and the secretary of the Party Committee of the Issuer. Mr. Zhang has obtained a bachelor's degree from Party School of the Central Committee of C.P.C (中央黨校).

**Mr. FENG Guangke (鳳廣科)**, born in 1973, is a director of the Issuer. Mr. Feng also serves as the chairman of the board of directors and the secretary of the Party Committee of Baoji Natural Gas Co., Ltd. (寶雞市天然氣有限責任公司). Mr. Feng has obtained a master's degree.

**Mr. WU Gaowan (吳高萬)**, born in 1963, is a director of the Issuer. Mr. Wu also serves as the chairman of the board of directors, the secretary of the Party Committee and the general accountant of Baoji Public Transport Co., Ltd. (寶雞市公共交通有限責任公司).

**Mr. CHENG Weixia (程衛夏)**, born in 1971, is a director of the Issuer. Mr. Cheng also serves as the general manager and a Party Committee member of Baoji Heating Power Supply Co., Ltd. (寶雞市熱力有限責任公司). Mr. Cheng has obtained a master's degree.

**Mr. YANG Weidong (楊衛東)**, born in 1976, is a director, a deputy general manager and a member of the Party Committee of the Issuer. Mr. Yang has obtained a bachelor's degree from Party School of Shaanxi Provincial Committee of C.P.C (陝西省委黨校).

**Mr. WANG Yufeng (王宇峰)**, born in 1967, is a director, a deputy general manager and a member of the Party Committee of the Issuer. Mr. Wang previously served as a technology management engineer (科技管理工程師) of Baoji Technological Intelligence Research Centre (寶雞市科技情報研究所), a deputy director of the General Office (辦公室副主任) and a director of the Supervisory Office (監察室) of Baoji Economic and Trade Commission (寶雞市經濟貿易委員會) and a director of the Supervisory Office and the section chief of the Planning and Development Section (規劃發展科) of Baoji SASAC. Mr. Wang has obtained a bachelor's degree from Northwest University (西北大學).

**Ms. CHENG Yang (程陽)**, born in 1978, is an employee director, a deputy general manager and the head of the Business and Development Department (業務發展部) of the Issuer. Ms. Cheng also serves as the general manager of Baoji Financial Holding Co., Ltd. Ms. Cheng previously served as the head of the Business Operation Department (營業部) of the Issuer, a consultant of the business development of the Huochang Road Branch of Jianqiao Securities Co., Ltd. (健橋證券寶雞貨場路) and a section member of Baoji Trust Investment Co., Ltd. (寶雞市信託投資公司). Ms. Cheng has obtained professional qualifications in accounting, economics, funds and securities practices. Ms. Cheng has obtained a bachelor's degree and is an intermediate economist.

## **SUPERVISORS**

The following table sets forth the members of the board of supervisors of the Issuer as at the date of this Information Memorandum:

<b>Name</b>	<b>Position</b>
Mr. QIN Benping (秦本平) .....	Chairman of the board of supervisors
Mr. LEI Junjie (雷俊傑) .....	Supervisor
Mr. WANG Jianjun (王建軍) .....	Supervisor
Mr. YU Cun (俞村) .....	Employee supervisor and deputy chairman of the labour union
Ms. XIANG Bingxin (項冰心) .....	Employee supervisor

**Mr. QIN Benping (秦本平)**, born in 1963, is the chairman of the board of supervisors and a member of the Party Committee of the Issuer. Mr. Qin previously served as the chairman of the board of directors and the secretary of the Party Committee of Shaanxi Xifeng Distillery Co., Ltd. (陝西西鳳酒廠集團有限公司) and the chairman of the board of directors and the general manager of Shaanxi Xifeng Liquor Co., Ltd. (陝西西鳳酒股份有限公司).

**Mr. LEI Junjie (雷俊傑)**, born in 1963, is a supervisor of the Issuer. Mr. Lei also serves as the chief financial officer of Shaanxi Hongqi Industrial Explosive Group Co., Ltd. (陝西紅旗民爆集團股份有限公司). Mr. Lei has obtained a bachelor's degree.

**Mr. WANG Jianjun (王建軍)**, born in 1971, is a supervisor of the Issuer. Mr. Wang also serves as the chief financial officer of Baoji State-Owned Assets Management Co., Ltd. (寶雞國有資產經營有限責任公司). Mr. Wang has obtained a college degree.

**Mr. YU Cun (俞村)**, born is 1991, is an employee supervisor and a member of the Audit Risk Control Department (稽核風控部) of the Issuer. Mr. Yu has obtained a bachelor's degree from Xi'an Technological University (西安工業大學). Mr. Yu is an economics and a junior accountant.

**Ms. XIANG Bingxin (項冰心)**, born in 1988, is an employee supervisor and a member of the Human Resources Department of the Issuer. Ms. Xiang has obtained a bachelor's degree from Università degli studi di Bergamo (意大利貝爾卡莫大學). Ms. Xiang is an economist.

## SENIOR MANAGEMENT

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

Name	Position
Mr. FENG Yanjun (馮延軍).....	Director and general manager
Mr. WANG Yufeng (王宇峰) .....	Director, deputy general manager and member of the Party Committee
Mr. YANG Weidong (楊衛東).....	Director, deputy general manager and member of the Party Committee
Mr. ZHANG Baochun (張寶春)....	Deputy general manager
Mr. YUE Ting (岳廷).....	Deputy general manager
Mr. ZAN Xianyang (咎顯揚).....	Deputy general manager
Ms. JING Yani (荊亞妮).....	Chief financial officer

**Mr. FENG Yanjun (馮延軍)**, born in 1972, is a director and the general manager of the Issuer. See “– *Directors*”.

**Mr. WANG Yufeng (王宇峰)**, born in 1967, is a director, a deputy general manager and a member of the Party Committee of the Issuer. See “– *Directors*”.

**Mr. YANG Weidong (楊衛東)**, born in 1976, is a director, a deputy general manager and a member of the Party Committee of the Issuer. See “– *Directors*”.

**Mr. ZHANG Baochun (張寶春)**, born in 1978, is a deputy general manager of the Issuer. Mr. Zhang has obtained a bachelor's degree from Tianjin University of Commerce (天津商業大學).

**Mr. YUE Ting (岳廷)**, born in 1968, is a deputy general manager of the Issuer. Mr. Yue also serves as the general manager of Baoji Environmental Sanitation Construction Co., Ltd. (寶雞市環衛建設有限公司) Mr. Yue has obtained a master's degree.

**Mr. ZAN Xianyang (咎顯揚)**, born in 1968, is a deputy general manager of the Issuer. Mr. Zan also serves as the chairman of the board of directors of Shaanxi Famen Temple Cultural Development Co., Ltd. (陝西法門寺文化發展有限公司). Mr. Zan previously served as the head of the Public Affairs Department (公共事務部) and the General Security Department (綜治安保部), a member of the Party Working Committee and a deputy director (副主任) of the Management Committee of Famen Temple Cultural Scenic Area (法門寺文化景區管委).

**Ms. JING Yani (荊亞妮)**, born in 1970, is the chief financial officer of the Issuer. Mr. Jing has obtained a college degree from Shaanxi College of Finance and Economics (陝西財經學院) (currently known as the School of Economics and Finance (經濟與金融學院) of Xi'an Jiaotong University (西安交通大學)).

## TAXATION

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

### HONG KONG

#### Withholding tax

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

#### Profits tax

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

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

- (a) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong, notwithstanding that the money in respect of which the interest is received or accrues are made available outside Hong Kong; or
- (b) interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong and such interest is derived from Hong Kong; or
- (c) interest on the Notes is derived from Hong Kong and is received by or accrues to a person (other than a corporation) carrying on a trade, profession or business in Hong Kong and such interest is derived from Hong Kong and is in respect of the funds of the trade, profession or business; or
- (d) a corporation, other than a financial institution, and arises through or from carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the Inland Revenue Ordinance), even if the moneys in respect of which the interest is received or accrues are made available outside Hong Kong.

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

Sums derived from the sale, disposal or redemption of the Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a corporation, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired or disposed of. Sums received by or accrued to a corporation (other than a financial institution) by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (as defined in



section 16(3) of the Inland Revenue Ordinance) from the sale, disposal or redemption of the Notes will be subject to profits tax.

### **Stamp duty**

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

### **Estate duty**

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

### **PRC**

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

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

### **Withholding on interest**

Pursuant to the EIT Law and its implementation regulations and Individual Income Tax Law of the PRC (“**IIT Law**”), which was amended on 30 June 2011 and took effect on 1 September 2011, and its implementation regulations, an income tax is imposed on payment of interest by way of withholding in respect of debt securities, issued by PRC enterprises to non-PRC Noteholders, including non-PRC resident enterprises and non-PRC resident individuals. The current rates of such income tax are 10 per cent. for non-PRC resident enterprises and 20 per cent. for non-PRC resident individuals. IIT Law was further amended on 31 August 2018 and is expected to become effective on 1 January 2019, according to which, the rate of such income tax will remain at 20 per cent. for non-PRC individuals.

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

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

### **Value-add Tax (“VAT”)**

On 23 March 2016, MOF and the State Administration of Taxation issued the Circular of Full Implementation of Business Tax to VAT Reform (關於全面推開營業稅改徵增值稅試點的通知) (“**Circular 36**”) which confirms that business tax will be completely replaced by VAT from 1 May 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, VAT.

According to Circular 36, the entities and individuals providing the services within China shall be subject to VAT. The services are treated as being provided within China where either the service provider or the service recipient is located in China. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the “loans” refers to the activity of lending capital for

another's use and receiving the interest income thereon. Based on the definition of "loans" under Circular 36, the issuance of Notes is likely to be treated as the holders of the Notes providing loans to the Issuer, which thus shall be regarded as financial services subject to VAT. Further, given that the Issuer is located in the PRC, the holders of the Notes would be regarded as providing the financial services within China and consequently, the holders of the Notes shall be subject to VAT at the rate of 6 per cent. when receiving the interest payments under the Notes. In addition, the holders of the Notes shall be subject to the local levies at approximately 12 per cent. of the VAT payment and consequently, the combined rate of VAT and local levies would be around 6.72 per cent.. Given that the Issuer pays interest income to Noteholders who are located outside of the PRC, the Issuer, acting as the obligatory withholder in accordance with applicable law, shall withhold VAT and local levies from the payment of interest income to Noteholders who are located outside of the PRC.

However, there is uncertainty as to whether gains derived from a sale or exchange of Notes consummated outside of the PRC between non-PRC resident Noteholders will be subject to VAT. VAT is unlikely to be applicable to any transfer of Notes between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Notes, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Notes is located inside the PRC.

Circular 36 has been issued quite recently, the above statement 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 EIT Law and the VAT reform detailed above, the Issuer shall withhold EIT (should such tax apply) from the payments of interest in respect of the Notes for any non-PRC resident Noteholder and the Issuer shall withhold VAT (should such tax apply) from the payments of interest in respect of the Notes for any Noteholders located outside of the PRC. However, in the event that the Issuer is required to make such a deduction or withholding (whether by way of EIT, VAT or otherwise), the Issuer has agreed to pay such additional amounts as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required. For more information, see *"Terms and Conditions of the Notes – Condition 8"*.

### **Capital gains**

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

### **Stamp Duty**

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

### **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 financial transactions tax (“**FTT**”) in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**Participating Member States**”). However, Estonia has since stated that it will not participate.

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

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

However, the 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 Notes are advised to seek their own professional advice in relation to the FTT.

## PLACEMENT AND SALE

The Issuer has entered into a placing agreement, among others, with the Placing Agents dated 6 December 2021 (the “**Placing Agreement**”), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to sell to the investors identified by the Placing Agents, and the Placing Agents has agreed to facilitate the subscription and payment for the aggregate principal amount of the Notes.

The Placing Agreement provides that the obligations of the Placing Agents are subject to certain conditions precedent, and entitles the Placing Agents to terminate it in certain circumstances prior to payment being made by such investor to the Issuer and the Notes being issued.

### General

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

### United States

The Notes and the Standby Letter of Credit have not been and will not be registered under 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. Each of the Placing Agents has represented and warranted that it has not offered or sold, and has agreed that it will not offer or sell, any of the Notes constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each of the Placing Agents has represented and agreed that neither it nor any of their respective affiliates (as defined in Rule 501(b) of Regulation D under the Securities Act (“**Regulation D**”)), nor any person acting on its or their behalf, has engaged or will engage in any form of general solicitation or general advertising (within the meaning of Regulation D) in connection with any offer and sale of the Notes in the United States.

### United Kingdom

Each of the Placing Agents has represented, warranted and agreed that:

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

### Prohibition of Sales to EEA and UK Investors

Each Placing Agent has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Securities which are the subject of the offering contemplated by this Information Memorandum in relation thereto to any retail investor in the European Economic Area or in the United Kingdom. For the purposes of this provision the expression “retail investor” means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or

- (b) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

### **Hong Kong**

Each of the Placing Agents has represented, warranted and agreed that:

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

### **The People’s Republic of China**

Each of the Placing Agents has agreed that the offer of the Notes is not an offer of securities within the meaning of the PRC Securities Law or other pertinent laws and regulations of the PRC and the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the People’s Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the People’s Republic of China.

### **Singapore**

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

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

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

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA, except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;



- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law; or
- (iv) as specified in Section 276(7) of the SFA.

Singapore SFA Product Classification: In connection with 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 Notes are “prescribed capital markets products” (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

## **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”). Accordingly, each of the Placing Agents has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (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

1. **Clearing System:** The Notes have been accepted for clearance through Euroclear and Clearstream under Common Code 241974545 and the ISIN for the Notes is XS2419745455.
2. **Authorisations:** The issue of the Notes was authorised by resolutions of the board of directors of the Issuer dated 31 May 2021. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Notes, the Trust Deed and the Agency Agreement except for (i) the submission of the Notes for registration with SAFE within five PRC Business Days after the Issue Date and (ii) the filing of the requisite information and documents with NDRC within 10 PRC Business Days after the Issue Date. For consequences of non-registration, see “Risk Factors – Risks Relating to the Notes – Any failure to complete the relevant filings under the NDRC Circular and the relevant registrations with SAFE within the prescribed time frame following the completion of the issue of the Notes may have adverse consequences for the Issuer and/or the investors of the Notes.”
3. **No Material Adverse Change:** Except as otherwise disclosed in this Information Memorandum, there has been no material adverse change, or any development or event involving a prospective material adverse change, in the condition (financial or other), prospects, results of operations or general affairs of the Issuer or the Group since 31 December 2020.
4. **Litigation:** Except as otherwise disclosed in this Information Memorandum, none of the Issuer or any other member of the Group is involved in any litigation or arbitration proceedings which could have a material adverse effect on their business, results of operations and financial condition nor is the Issuer aware that any such proceedings are pending or threatened.
5. **Available Documents:** Copies of the Issuer’s audited consolidated financial statements as at and for the years ended 31 December 2019 and 2020, the Trust Deed and the Agency Agreement relating to the Notes will be available to Noteholders from the Issue Date upon prior written request and proof of holding and identity at the Trustee’s specified office at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong, currently from time to time, at all reasonable times during normal business hours (being 9:00 a.m. (Hong Kong time) to 3:00 p.m. (Hong Kong time) from Monday to Friday (other than public holidays)), so long as any Note is outstanding.
6. **Listing of Notes:** Application will be made to the Hong Kong Stock Exchange for the listing of the Notes by way of debt issues to Professional Investors only and it is expected that dealing in, and listing of, the Notes on the Hong Kong Stock Exchange will commence on or about 10 December 2021.
7. **Legal Entity Identifier:** The Issuer’s Legal Entity Identifier number is 3003006BQYEEXRWOR063.

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*Baoji Investment (Group) Co., Ltd.*

*Annual Report 2020*

*CAC ZhengShenzi [2021] No.0169*

## AUDITOR'S REPORT

*CAC ZhengShenzi [2021] No.169*

To the shareholders of Baoji Investment (Group) Company limited,

We have audited the accompanying financial statements of Baoji City Investment(Group) Company limited (hereinafter referred to as the Group), which comprise the balance sheet as of December 31, 2020, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and explanatory notes.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with the Accounting standards for Business Enterprises.

In addition, we note that the public welfare assets is 7,256,658,272.79 yuan; with fixed assets 3,932,237,717.46 yuan (Note VIII (XIV)), Construction under construction 3,324,420,555.33 yuan (Note VIII (XV)).

### **Foundation for Forming Audit Opinions**

We have carried out the audit work in accordance with the provisions of the Chinese CPA Auditing Standards. The "CPA's Responsibility for Auditing Financial Statements" section of the audit report further elaborates our responsibilities under these standards. In accordance with the Code of Professional Ethics for Certified Public Accountants of China, we are independent of investment groups and have fulfilled other professional ethical responsibilities. We believe that the audit evidence we have obtained is adequate and appropriate and provides a basis for our opinions.

### **Responsibility of management and management to financial statements**

Investment group management (hereinafter referred to as management) is

responsible for compiling financial statements in accordance with the provisions of enterprise accounting standards to achieve fair reflection, and to design, implement and maintain the necessary internal controls so that the financial statements do not contain major misstatements caused by fraud or error. In preparing consolidated financial statements, management is responsible for assessing the sustainability of investment groups, disclosing business-related matters (if applicable) and applying the sustainability assumption unless management plans to liquidate investment groups, stop operations or has no other realistic option. The management is responsible for supervising the financial reporting process of the investment group.

### **Auditors ' Responsibility for Financial Statements**

Our goal is to obtain reasonable assurance as to whether the financial statements as a whole do not contain material misstatements due to fraud or error, and to issue audit reports containing audit opinions. Reasonable assurance is a high-level assurance, but it can not guarantee that audits carried out in accordance with audit standards will always be found in the presence of a major misstatement. Misreporting may be caused by fraud or error. If it is reasonably expected that misreporting alone or aggregately may affect the economic decisions made by users of financial statements on the basis of financial statements, it is generally considered to be significant.

In the process of carrying out audit work according to the auditing standards, we use professional judgment and maintain professional suspicion. At the same time, we also carry out the following tasks:

- 1 . Identify and evaluate the risk of material misstatement of financial statements caused by fraud or error, design and implement audit procedures to deal with these risks, and obtain sufficient and appropriate audit evidence as the basis for issuing audit opinions. As fraud may involve collusion, forgery, intentional omission, false statements or override internal control, the risk of failing to detect significant misstatement due to fraud is higher than that of failing to detect significant misstatement due to error.

- 2 . Understanding audit-related internal controls in order to design appropriate audit procedures is not intended to comment on the effectiveness of internal controls [If CPAs comment on the effectiveness of internal controls in the context of financial statement audits, the phrase "but the purpose is not to comment on the effectiveness of internal controls" should be deleted.



3 . Evaluate the appropriateness of management's choice of accounting policies and the reasonableness of making accounting estimates and related disclosures.

4 . To draw a conclusion on the appropriateness of the assumption of going concern used by management. At the same time, according to the audit evidence obtained, we can draw a conclusion on whether there are significant uncertainties in the event or situation that may lead to serious doubts about the sustainability of the investment group. If we come to the conclusion that there are significant uncertainties, the auditing standards require us to draw the attention of the users of the financial statements to the relevant disclosures in the auditing reports; if the disclosures are insufficient, we should issue non-unreserved opinions. Our conclusions are based on information available as of the audit report date. However, future events or circumstances may lead to unsustainable operation of investment groups.

5 . Evaluate the overall presentation, structure and content (including disclosure) of financial statements, and evaluate whether the financial statements fairly reflect relevant transactions and matters.

6 . Obtain sufficient and appropriate audit evidence on the financial information of entities or business activities in investment groups to express audit opinions on financial statements. We are responsible for the execution of group audits and take full responsibility for audit opinions.

We communicate with the management on the scope, timing and major audit findings of the planned audit, including the internal control deficiencies that we identified in the audit.

CAC(special general partnership)

Chinese Certified Public Accountants:

Chinese Certified Public Accountants:



April 29, 2021



# CONSOLIDATED BALANCE SHEET

At Dec 31, 2020

Compiled by: Baoji Investment (Group) co., Ltd

Unit: RMB Yuan

Item	Note	Ending amount	Beginning amount
<b>Current assets</b>			
Monetary funds	VIII.1	7,749,510,843.14	6,092,974,144.01
Financial assets measured by fair value and included into the current gains and losses	VIII.2	19,150,000.00	-
Derivative financial assets		-	-
Notes receivable	VIII.3	581,300,696.70	3,587,800.00
Accounts receivable	VIII.4	461,444,602.94	508,649,486.98
Accounts prepaid	VIII.5	2,051,190,017.70	2,433,058,767.92
Other receivables	VIII.6	7,831,041,583.62	9,506,507,190.20
Inventories	VIII.7	13,901,812,660.01	12,751,695,215.56
Possession of assets for sale		-	-
Non-current assets due within one year	VIII.8	-	1,000,000,000.00
Other current assets	VIII.9	174,623,807.13	353,318,827.94
<b>Total current assets</b>		<b>32,770,074,211.24</b>	<b>32,649,791,432.61</b>
<b>Non-current assets</b>			
Financial assets available-for-sale	VIII.10	748,297,175.24	1,049,397,175.24
Held-to-maturity investments	VIII.11	2,353,383,833.00	5,384,013,848.88
Long-term accounts receivable	VIII.13	5,433,301,901.71	-
Long-term investment on stocks	VIII.12	1,216,492,740.53	1,197,626,646.50
Investment property	VIII.14	1,240,544.97	1,287,218.93
Fixed assets	VIII.15	6,110,520,464.12	5,774,269,935.92
Construction in process	VIII.16	4,784,003,883.68	4,106,986,895.94
Productive biological assets		-	-
Oil and gas assets		-	-
Intangible assets	VIII.17	357,511,296.54	361,090,645.29
Development expenditure		-	-
Business reputation	VIII.18	118,482,738.72	118,482,738.72
Long-term deferred expenses	VIII.19	17,154,213.79	20,685,161.57
Deferred income tax assets	VIII.20	77,124,014.35	46,310,360.86
Other non-current assets	VIII.21	30,750.00	200,030,750.00
<b>Total non-current assets</b>		<b>21,217,543,556.65</b>	<b>18,260,181,377.85</b>
<b>Total Assets</b>		<b>53,987,617,767.89</b>	<b>50,909,972,810.46</b>

Legal representative: Person responsible for accounting work: Head of accounting agency:





# CONSOLIDATED BALANCE SHEET

At Dec 31, 2020

Compiled by: Baoji Investment(Group) co., Ltd

Unit: RMB Yuan

Item	Note	Ending amount	Beginning amount
<b>Current liabilities</b>			
Short-term loan	VIII.22	1,297,000,000.00	359,000,000.00
Financial assets measured at fair value and changes recorded into current period profit or loss		-	-
Derivative financial liabilities		-	-
Notes payable	VIII.23	3,011,899,655.47	1,168,529,839.41
Accounts payable	VIII.24	612,660,903.30	591,600,502.22
Accounts received in advance	VIII.25	801,512,411.37	1,298,411,671.93
Employee pay payable	VIII.26	20,589,230.86	21,554,375.31
Taxes payable	VIII.27	208,216,990.09	189,109,426.33
Other accounts payable	VIII.28	2,822,210,101.39	2,927,925,374.77
Holding liabilities for sale		-	-
Non-current liabilities due within one year	VIII.29	2,356,469,698.15	2,377,700,000.00
Other current liabilities		-	-
<b>Total Current Liabilities</b>		<b>11,130,558,990.63</b>	<b>8,933,831,189.97</b>
<b>Non-current liabilities</b>			
Long-term loans	VIII.30	11,554,927,666.67	17,382,146,486.67
Bonds payable	VIII.31	5,807,456,197.66	6,083,002,341.06
Include: Preferred stock		-	-
Perpetual bond		-	-
Long-term payable	VIII.32	12,470,363,778.18	5,804,670,763.62
Long-term employee pay payable		-	-
Estimated liabilities		-	-
Deferred income	VIII.33	525,261,797.56	336,154,921.45
Deferred income tax liability	VIII.20	117,814,183.23	120,152,794.26
Other non-current liabilities	VIII.34	114,536,414.95	169,045,238.59
<b>Total Non-current Liabilities</b>		<b>30,590,360,038.25</b>	<b>29,895,172,545.65</b>
<b>Total Liabilities</b>		<b>41,720,919,028.88</b>	<b>38,829,003,735.62</b>
<b>Owner' Equity</b>			
Paicl-up capital	VIII.35	1,300,000,000.00	1,300,000,000.00
Other equity instruments			
Include: perferred stock			
perpetual bond			
Capital reserve	VIII.36	8,026,357,066.43	7,983,552,302.23
Less:treasury stock			
Other comprehensive income			
Special reserve			
Surplus reserve	VIII.37	41,033.76	41,033.76
Undistributed profit	VIII.38	1,387,259,489.97	1,291,316,018.16
Total owners'equity attributable to holding company		10,713,657,590.16	10,574,909,354.15
Minority equity		1,553,041,148.85	1,506,059,720.69
<b>Total owners'Equity</b>		<b>12,266,698,739.01</b>	<b>12,080,969,074.84</b>
<b>Total liabilities and owners'equity</b>		<b>53,987,617,767.89</b>	<b>50,909,972,810.46</b>

Legal representative: Person responsible for accounting work: Head of accounting agency:



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# CONSOLIDATED PROFIT

For the Year ended December 31, 2020

Compiled by: Baoji Investment(Group) co., Ltd

Unit: RMB Yuan

Item	Note	Ending amount	Beginning amount
<b>I. Gross revenues</b>	VIII.39	<b>6,018,676,929.69</b>	<b>5,150,268,871.14</b>
Less: operating cost	VIII.39	5,742,144,218.30	4,772,688,684.77
Tax and associate charge	VIII.40	44,263,143.85	38,572,356.91
Sales expense	VIII.41	35,656,221.72	19,674,634.66
General and administrative expenses	VIII.42	257,305,661.34	244,816,870.78
research and development cost		-	-
Financial expenses	VIII.43	462,497,976.46	560,735,560.32
Including: Interest costs		-	-
Interest income		-	-
Add: Other benefits	VIII.44	837,053,356.72	719,716,164.41
Investment income(loss is filled by"-")	VIII.45	51,086,555.80	62,440,066.81
Including: investment income from associates and joint ventures		-	-
Fair value change gains (loss is filled by"-")		9,150,000.00	-
Assets disposal (loss is filled by"-")	VIII.46	-205,363,175.71	-162,239,877.36
Proceeds from disposal of assets (loss is filled by"-")	VIII.47	-3,329,492.43	4,320,366.75
<b>II. Operating profit(loss is filled by"-")</b>		<b>165,406,952.40</b>	<b>138,017,484.31</b>
Add: Non-operating revenue	VIII.48	11,614,152.37	12,329,703.05
Less: Non-operating expenses	VIII.49	10,544,275.88	7,201,657.11
<b>III. Total profits(loss is filled by"-")</b>		<b>166,476,828.89</b>	<b>143,145,530.25</b>
Less: Income tax	VIII.50	20,275,461.94	30,505,503.33
<b>V. Net profits(loss is filled by"-")</b>		<b>146,201,366.95</b>	<b>112,640,026.92</b>
1. Classified according to business continuity		-	-
a. Net profits from continuing operations(loss is filled by"-")		-	-
b. Net operating profits(loss is filled by"-")		-	-
2. Classified by ownership		-	-
Net profit attributable to shareholders of the parent company		95,414,522.56	107,694,006.59
Minority shareholders' profit and loss		50,786,844.39	4,946,020.33
<b>IV. Net of tax other comprehensive income</b>		<b>-</b>	<b>-</b>
The net income of other comprehensive income attributable to shareholders of the parent company		-	-
1. Other comprehensive income which cannot be reclassified into profit and loss later		-	-
a. Re-calculate and re-set the changes of net liabilities and net assets in beneficial plan		-	-
b. Shares enjoyed in other comprehensive earning under profits and losses which cannot be reclassified by the investee under equity law		-	-
2. Other comprehensive income which will be reclassified into profit and loss		-	-
a. Shares enjoyed in other comprehensive earning under profits and losses which can be reclassified by the investee under equity law		-	-
b. Profit and loss of fair value of available financial assets		-	-
c. Losses and profits of financial assets for sales which can be held until the expiration and also can be reclassified		-	-
d. Effective portion of hedging profits and losses of cash flow		-	-
e. Converted difference of foreign currency financial statements		-	-
f. Other		-	-
Net other comprehensive income attributable to minority shareholders after tax		-	-
<b>VI. Comprehensive income</b>		<b>146,201,366.95</b>	<b>112,640,026.92</b>
Net profit attributable to Equity Holders of the Company		95,414,522.56	107,694,006.59
Minority interest income		50,786,844.39	4,946,020.33

Legal representative:

Person responsible for accounting work:

Head of accounting agency:





# CASH FLOW STATEMENT

For the Year ended December 31, 2020

Compiled by: Baoji Investment(Group) co., Ltd

Unit: RMB Yuan

Item	Note	Ending amount	Beginning amount
<b>I . Cash flow from operating activities</b>			
Cash received from sales of goods or rendering of services		10,035,238,916.19	5,542,487,162.85
Refund of taxes and levies		376,691.87	280.00
Cash received relating to other operating activities		3,976,635,700.10	3,278,833,453.35
<b>Sub-total of cash inflows</b>		<b>14,012,251,308.16</b>	<b>8,821,320,896.20</b>
Cash paid for goods and services		9,338,742,011.20	5,138,729,071.66
Cash paid to and on behalf of employees		393,873,358.68	448,303,831.24
Payments of taxes		108,402,748.44	105,734,005.83
Cash paid relating to other operating activities		2,304,185,399.29	1,768,442,445.83
<b>Subtotal of cash outflows</b>		<b>12,145,203,517.61</b>	<b>7,461,209,354.56</b>
<b>Net cash flow from operating activities</b>		<b>1,867,047,790.55</b>	<b>1,360,111,541.64</b>
<b>II . Cash flow from investing activities</b>			
Cash received from return of investments		800,576,014.06	2,393,436,736.24
Cash received from investments income		21,791,174.09	15,422,016.40
Net cash receipt from disposal of fixed assets,intangible assets and other long-term assets		3,756,926.47	2,051,568.77
Net cash received from disposal of subsidiaries and other business units		-	-
Cash received relating to other investing activities		139,540,952.74	108,455,181.70
<b>Sub-total of cash inflows</b>		<b>965,665,067.36</b>	<b>2,519,365,503.11</b>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		1,497,904,155.28	738,369,127.50
Cash paid for investment		51,975,427.27	1,992,312,352.11
Net cash paid by subsidiaries and other business units		-	-
Cash paid related to other investing activities		161,770,000.00	177,584,117.87
<b>Sub-total cash outflow relating investing activities</b>		<b>1,711,649,582.55</b>	<b>2,908,265,597.48</b>
<b>Cash flow generated from investing activities Net Amount</b>		<b>-745,984,515.19</b>	<b>-388,900,094.37</b>
<b>III.Cash flows from financing activities</b>			
Cash received from investors		-	129,650,000.00
Cash received from borrowings		5,090,780,000.00	1,169,003,484.00
The cash received by issuing bonds		1,419,050,000.00	908,688,600.00
Other cash received related to financing activities		-	535,457.58
<b>Sub-total of cash inflows</b>		<b>6,509,830,000.00</b>	<b>2,207,877,541.58</b>
Cash repayments of amounts borrowed		6,219,490,211.66	2,703,959,248.92
Cash payments for interest expenses and distribution of dividends or profits		502,989,230.50	545,138,622.61
Cash payments relating to other financing activities		771,667,850.00	18,997,294.71
<b>Sub-total of cash outflows</b>		<b>7,494,147,292.16</b>	<b>3,268,095,166.24</b>
<b>Net cash flows from financing activities</b>		<b>-984,317,292.16</b>	<b>-1,060,217,624.66</b>
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>			
<b>V . Net increase(decrease)in cash and cash equivalents</b>		<b>136,745,983.20</b>	<b>-89,006,177.39</b>
Add:cash and cash equivalents beginning balance		5,155,271,221.69	5,244,277,399.08
<b>6.Cash and cash equivalents' ending balance</b>		<b>5,292,017,204.89</b>	<b>5,155,271,221.69</b>

Legal representative:

Person responsible for accounting work:

Head of accounting agency:



# Consolidated Statement of Changes in Owners' Equity

For the Year ended December 31, 2020

Compiled by: Baoji Investment(Group) Co., Ltd

Unit: RMB Yuan

Item	Current period												
	Paid-in Capital (share capital)	other equity instruments			capital surplus	less:treasury stock	other comprehensive income	special reserve	surplus reserve	undistributed profit	Total	minority interest	total owner's equity
		preferred stock	preferred stock	perpetual debt									
I.Previous Year Year-end Balance	1,300,000,000.00	-	-	-	7,983,552,302.23	-	-	-	41,833.76	1,291,316,018.16	10,574,909,354.15	1,506,059,720.69	12,080,969,074.84
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
Corrections of prior period errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Opening balance for the year	1,300,000,000.00	-	-	-	7,983,552,302.23	-	-	-	41,833.76	1,291,316,018.16			10,574,909,354.15
III.Increase/Decrease of the year(loss is filled by"-")	-	-	-	-	42,804,764.20	-	-	-	-	95,943,471.81	138,748,236.01	46,981,428.16	185,729,664.17
1.Consolidated income	-	-	-	-	-	-	-	-	-	95,414,522.56	95,414,522.56	50,786,844.39	146,201,366.95
2. Shareholders invest or reduce capital	-	-	-	-	42,804,764.20	-	-	-	-	528,949.25	43,333,713.45	-3,805,416.23	39,528,297.22
a. Capital invested by the owner of common stock	-	-	-	-	42,804,764.20	-	-	-	-	-	42,804,764.20	-	42,804,764.20
b.Holders of other equity instruments invested capital	-	-	-	-	-	-	-	-	-	-	-	-	-
c.Payment for shares attributed into owner's equity	-	-	-	-	-	-	-	-	-	-	-	-	-
d. Other	-	-	-	-	-	-	-	-	-	528,949.25	528,949.25	-3,805,416.23	-3,276,466.98
3. Profits distribution	-	-	-	-	-	-	-	-	-	-	-	-	-
a. Appropriation surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
b. Distribution to owners(or shareholders)	-	-	-	-	-	-	-	-	-	-	-	-	-
c. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Internal transfers of owner's equity	-	-	-	-	-	-	-	-	-	-	-	-	-
a. Capital reserves transferred to capital	-	-	-	-	-	-	-	-	-	-	-	-	-
b. Surplus reserve transferred to capital	-	-	-	-	-	-	-	-	-	-	-	-	-
c. Surplus reserve covering loss	-	-	-	-	-	-	-	-	-	-	-	-	-
d.Setting Benefit Plan Change Amount to Transfer	-	-	-	-	-	-	-	-	-	-	-	-	-
e. Other	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Special reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
a.Appropriated in current period	-	-	-	-	-	-	-	-	-	-	-	-	-
b. Use in current period	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Closing balance of the Current Year	1,300,000,000.00	-	-	-	8,026,357,066.43	-	-	-	41,833.76	1,387,259,489.97	10,713,657,590.16	1,553,041,148.85	12,266,698,739.01

Legal representative:



Person responsible for accounting work:

Head of accounting agency:





# Consolidated Statement of Changes in Owners' Equity (continuu)

For the Year ended December 31, 2020

Compiled by: Baoji Investment(Group) co., Ltd

Unit: RMB Yuan

Item	Paid-in Capital (share capital)	other equity instruments			Previous amount						Total	minority interest	total owner's equity
		preferred stock	preferred stock	perpetual debt	capital surplus	less:treasury stock	other comprehensive income	special reserve	surplus reserve	undistributed profit			
I.Previous Year Year-end Balance	1,300,000,000.00	-	-	-	8,645,648,023.81	-	-	-	41,033.76	1,188,446,905.62	11,134,135,963.19	1,423,673,376.62	12,557,809,339.81
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
Corrections of prior period errors	-	-	-	-	-	-	-	-	-	-187,460.42	-187,460.42	187,460.42	-
Other	-	-	-	-	14,254,278.42	-	-	-	-	-825,342.61	13,428,935.81	15,100,000.00	28,528,935.81
II. Opening balance for the year	1,300,000,000.00	-	-	-	8,659,902,302.23	-	-	-	41,033.76	1,187,434,102.59	11,147,377,438.58	1,438,960,837.04	12,586,338,275.62
III.Increase/Decrease of the year(loss is filled by "-")	-	-	-	-	-676,350,000.00	-	-	-	-	103,881,915.57	-572,468,084.43	67,098,883.65	-505,369,200.78
1. Consolidated income	-	-	-	-	-	-	-	-	-	107,694,006.59	107,694,006.59	4,946,020.33	112,640,026.92
2. Shareholders invest or reduce capital	-	-	-	-	-676,350,000.00	-	-	-	-	-3,812,091.02	-680,162,091.02	62,152,863.32	-618,009,227.70
a. Capital invested by the owner of common stock	-	-	-	-	50,000,000.00	-	-	-	-	-	50,000,000.00	-	50,000,000.00
b. Holders of other equity instruments invested capital	-	-	-	-	-	-	-	-	-	-	-	-	-
c. Payment for shares attributed into owner's equity	-	-	-	-	-	-	-	-	-	-	-	-	-
d. Other	-	-	-	-	-726,350,000.00	-	-	-	-	-3,812,091.02	-730,162,091.02	62,152,863.32	-668,009,227.70
3. Profits distribution	-	-	-	-	-	-	-	-	-	-	-	-	-
a. Appropriation surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
b. Distribution to owners(or shareholders)	-	-	-	-	-	-	-	-	-	-	-	-	-
c. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Internal transfers of owner's equity	-	-	-	-	-	-	-	-	-	-	-	-	-
a. Capital reserves transferred to capital	-	-	-	-	-	-	-	-	-	-	-	-	-
b. Surplus reserve transferred to capital	-	-	-	-	-	-	-	-	-	-	-	-	-
c. Surplus reserve covering loss	-	-	-	-	-	-	-	-	-	-	-	-	-
d. Setting Benefit Plan Change Amount to Transfer Retained Income	-	-	-	-	-	-	-	-	-	-	-	-	-
e. Other	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Special reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
a. Appropriated in current period	-	-	-	-	-	-	-	-	-	-	-	-	-
b. Use in current period	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Closing balance of the Current Year	1,300,000,000.00	-	-	-	7,983,552,302.23	-	-	-	41,033.76	1,291,316,018.16	10,574,909,354.15	1,506,059,720.69	12,080,969,074.84

Legal representative:

Person responsible for accounting work:

Head of accounting agency:

# Parent company balance sheet

At Dec 31, 2020

Compiled by: Baoji Investment(Group) co., Ltd

Unit: RMB Yuan

Item	Note	Ending amount	Beginning amount
<b>Current assets:</b>			
Monetary funds		466,029,834.46	880,446,105.29
Financial assets measured by fair value and included into the current gains and losses		-	-
Derivative financial assets		-	-
Notes receivable		-	-
Accounts receivable	XV.1	10,348,908.97	12,434,308.32
Accounts prepaid		2,928,345,057.24	2,732,778,946.74
Other receivables	XV.2	8,608,738,825.91	4,767,254,278.61
Inventories		1,507,634,944.50	1,491,894,869.05
Possession of assets for sale		-	-
Non-current assets expiring within one year		-	1,000,000,000.00
Other current assets		341,034.79	-
<b>Total current assets</b>		<b>13,521,438,605.87</b>	<b>10,884,808,508.01</b>
<b>Non-current assets:</b>			
Financial assets available-for-sale		290,777,594.04	290,777,594.04
Held-to-maturity investments		2,287,383,833.00	9,926,798,048.88
Long-term accounts receivable		3,843,183,528.73	-
Long-term investment on stocks	XV.3	3,859,862,770.25	3,772,130,740.84
Investment property		-	-
Fixed assets		3,754,998,504.76	3,825,928,504.68
Construction in process		757,726,732.30	248,473,685.33
Project material		-	-
Disposal of fixed assets		-	-
Productive biological assets		-	-
Oil and gas assets		-	-
Intangible assets		165,757,526.99	170,130,079.97
Development expenditure		-	-
Business reputation		-	-
Long-term deferred expenses		8,239,455.77	10,867,515.65
Deferred income tax assets		68,718,263.49	38,481,230.77
Other non-current assets		-	-
<b>Total non-current assets</b>		<b>15,036,648,209.33</b>	<b>18,283,587,400.16</b>
<b>Total Assets</b>		<b>28,558,086,815.20</b>	<b>29,168,395,908.17</b>

Legal representative: Person responsible for accounting work: Head of accounting agency:





## Parent company balance sheet (Continue)

At Dec 31, 2020

Compiled by: Baoji Investment(Group) co., Ltd

Unit: RMB Yuan

Item	Note	Ending amount	Beginning amount
<b>Current liabilities</b>			
Short-term loan		720,000,000.00	200,000,000.00
Financial assets measured at fair value and changes recorded into current period profit or loss			
Derivative financial liabilities			
Notes payable			
Accounts payable		23,215,449.35	25,711,298.20
Accounts received in advance		2,175,118.00	1,954,065.15
Employee pay payable			
Taxes payable		10,126,626.42	356,984.93
Other accounts payable		2,035,466,145.34	2,341,760,610.36
Holding liabilities for sale			
Non-current liabilities due within one year		1,926,969,698.15	1,499,700,000.00
Other current liabilities			
<b>Total Current Liabilities</b>		<b>4,717,953,037.26</b>	<b>4,069,482,958.64</b>
<b>Non-current liabilities</b>			
Long-term loans		4,982,040,000.00	11,785,778,820.00
Bonds payable		5,807,456,197.66	6,083,002,341.06
Include: Preferred stock		-	-
Perpetual bond		-	-
Long-term payable		5,926,753,673.34	505,065.00
Long-term employee pay payable		-	-
Estimated liabilities		-	-
Deffed incomes		-	-
Deffed income tax liability		-	-
Other non-current liabilities		-	-
<b>Total Non-current Liabilities</b>		<b>16,716,249,871.00</b>	<b>17,869,286,226.06</b>
<b>Total Liabilities</b>		<b>21,434,202,908.26</b>	<b>21,938,769,184.70</b>
<b>Owner' Equity</b>			
Paicl-up capital		1,300,000,000.00	1,300,000,000.00
Other equity instruments		-	-
Include: perferred stock		-	-
perpetual bond		-	-
Capital reserve		7,206,411,383.13	7,206,411,383.13
Less:treasury stock		-	-
Other comprehensive income		-	-
Special reserve		-	-
Surplus reserve		41,033.76	41,033.76
Undistributed profit		-1,382,568,509.95	-1,276,825,693.42
<b>Total owners'Equity</b>		<b>7,123,883,906.94</b>	<b>7,229,626,723.47</b>
<b>Total liabilities and owners'equity</b>		<b>28,558,086,815.20</b>	<b>29,168,395,908.17</b>

Legal representative: Person responsible for accounting work: Head of accounting agency:

# Profit statement of parent company

For the Year ended December 31, 2020

Compiled by: Baoji Investment(Group) co., Ltd

Unit: RMB Yuan

Item	Note	Ending amount	Beginning amount
<b>I . Gross revenues</b>	XV.4	18,727,926.66	69,275,008.88
Less: operating cost	XV.4	3,131,056.57	32,999,671.54
Tax and associate charge		609,604.31	311,538.55
Sales expense		2,183,867.10	-
General and administrative expenses		97,557,612.75	93,078,039.23
research and development cost		-	-
Financial expenses		473,298,630.11	485,339,076.02
Including: Interest costs		531,657,480.74	443,156,479.17
Interest income		66,317,010.05	27,215,120.60
Loss of assets impairment		551,400,000.00	190,000,000.00
Add: Other benefits		-4,081,164.72	-638,671.91
Investment income(loss is filled by"-")	XV.5	-	-
Including: investment income from associates and joint ventures		-	-
Fair value change gains (loss is filled by"-")		-106,861,739.35	-5,684,500.60
Assets disposal (loss is filled by"-")		-	-15,207.61
<b>II. Operating profit(loss is filled by"-")</b>		<b>-117,595,748.25</b>	<b>-358,791,696.58</b>
Add: Non-operating revenue		-	-
Less: Non-operating expenses		8,384,101.00	318,816.67
<b>III. Total profits(loss is filled by"-")</b>		<b>-125,979,849.25</b>	<b>-359,110,513.25</b>
Less: Income tax		-20,237,032.72	-845,362.59
<b>IV. Net profits(loss is filled by"-")</b>		<b>-105,742,816.53</b>	<b>-358,265,150.66</b>
1. Classified according to business continuity			
2. Classified by ownership			
<b>V . Net of tax other comprehensive income</b>		<b>-</b>	<b>-</b>
1. Other comprehensive income which cannot be reclassified into profit and loss later		-	-
a. Re-calculate and re-set the changes of net liabilities and net assets in beneficial plan			
b. Shares enjoyed in other comprehensive earning under profits and losses which cannot be reclassified by the investee			
2. Other comprehensive income which will be reclassified into profit and loss		-	-
a. Shares enjoyed in other comprehensive earning under profits and losses which can be reclassified by the investee			
b. Profit and loss of fair value of available financial assets			
c. Losses and profits of financial assets for sales which can be held until the expiration and also can be reclassified			
d. Effective portion of hedging profits and losses of cash flow			
e. Converted difference of foreign currency financial statements			
f. Other			
<b>VI. Comprehensive income</b>		<b>-105,742,816.53</b>	<b>-358,265,150.66</b>

Legal representative: 王

Person responsible for accounting work:

Head of accounting agency:





# Statement of parent company cash flow

For the Year ended December 31, 2020

Compiled by: Baoji Investment(Group) co., Ltd

Unit: RMB Yuan

Item	Note	Ending amount	Beginning amount
<b>I . Cash flow from operating activities</b>			
Cash received from sales of goods or rendering of services		19,418,958.54	41,489,261.22
Refund of taxes and levies		-	-
Cash received relating to other operating activities		917,019,726.26	582,835,280.13
<b>Sub-total of cash inflows</b>		<b>936,438,684.80</b>	<b>624,324,541.35</b>
Cash paid for goods and services		25,809,064.36	13,824,169.72
Cash paid to and on behalf of employees		6,553,209.58	6,320,058.95
Payments of taxes		1,151,620.86	2,607,446.08
Cash paid relating to other operating activities		328,822,242.13	373,588,162.55
<b>Subtotal of cash outflows</b>		<b>362,336,136.93</b>	<b>396,339,837.30</b>
<b>Net cash flow from operating activities</b>		<b>574,102,547.87</b>	<b>227,984,704.05</b>
<b>II . Cash flow from investing activities</b>			
Cash received from return of investments		393,786,014.06	2,155,490,370.77
Cash received from investments income		14,186,805.87	5,340,458.30
Net cash receipt from disposal of fixed assets, intangible assets and other long-term assets		-	433,000.00
Net cash received from disposal of subsidiaries and other business units		-	-
Cash received relating to other investing activities		-	-
<b>Sub-total of cash inflows</b>		<b>407,972,819.93</b>	<b>2,161,263,829.07</b>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		509,304,014.97	187,416,221.71
Cash paid for investment		199,540,866.87	2,102,305,599.08
Net cash paid by subsidiaries and other business units		-	-
Cash paid related to other investing activities		-	-
<b>Sub-total cash outflow relating investing activities</b>		<b>708,844,881.84</b>	<b>2,289,721,820.79</b>
<b>Cash flow generated from investing activities Net Amount</b>		<b>-300,872,061.91</b>	<b>-128,457,991.72</b>
<b>III. Cash flows from financing activities</b>			
Cash received from investors		-	50,000,000.00
Cash received from borrowings		1,360,000,000.00	750,000,000.00
The cash received by issuing bonds		1,419,050,000.00	908,688,600.00
Other cash received related to financing activities		-	-
<b>Sub-total of cash inflows</b>		<b>2,779,050,000.00</b>	<b>1,708,688,600.00</b>
Cash repayments of amounts borrowed		2,967,690,211.66	1,925,919,433.00
Cash payments for interest expenses and distribution of dividends or profits		488,056,545.13	443,156,479.17
Cash payments relating to other financing activities		10,950,000.00	18,997,294.71
<b>Sub-total of cash outflows</b>		<b>3,466,696,756.79</b>	<b>2,388,073,206.88</b>
<b>Net cash flows from financing activities</b>		<b>-687,646,756.79</b>	<b>-679,384,606.88</b>
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>			
<b>V . Net increase(decrease)in cash and cash equivalents</b>		<b>-414,416,270.83</b>	<b>-579,857,894.55</b>
Add: cash and cash equivalents beginning balance		880,446,105.29	1,460,303,999.84
<b>VI .Cash and cash equivalents' ending balance</b>		<b>466,029,834.46</b>	<b>880,446,105.29</b>

Legal representative:

Person responsible for accounting work:

Head of accounting agency:



荆亚妮



# Statement of equity of shareholders of parent company

For the Year ended December 31, 2020

Compiled by: Bqoj Investment(Group) co., Ltd

Unit: RMB Yuan

Item	Paid-in Capital (share capital)	Current period										
		other equity instruments			capital surplus	less: treasury stock	other comprehensive income	special reserve	surplus reserve	undistributed profit	total owner's equity	
		preferred stock	preferred stock	perpetual debt								
I. Previous Year Year-end Balance	1,300,000,000.00	-	-	-	7,206,411,383.13	-	-	-	41,033.76	-1,276,825,693.42	7,229,626,723.47	
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	
Corrections of prior period errors	-	-	-	-	-	-	-	-	-	-	-	
Other	-	-	-	-	-	-	-	-	-	-	-	
II. Opening balance for the year	1,300,000,000.00	-	-	-	7,206,411,383.13	-	-	-	41,033.76	-1,276,825,693.42	7,229,626,723.47	
III. Increase/Decrease of the year (loss is filled by "-")	-	-	-	-	-	-	-	-	-	-105,742,816.53	-105,742,816.53	
1. Consolidated income	-	-	-	-	-	-	-	-	-	-105,742,816.53	-105,742,816.53	
2. Shareholders invest or reduce capital	-	-	-	-	-	-	-	-	-	-	-	
a. Capital invested by the owner of common stock	-	-	-	-	-	-	-	-	-	-	-	
b. Holders of other equity instruments invested capital	-	-	-	-	-	-	-	-	-	-	-	
c. Payment for shares attributed into owner's equity	-	-	-	-	-	-	-	-	-	-	-	
d. Other	-	-	-	-	-	-	-	-	-	-	-	
3. Profits distribution	-	-	-	-	-	-	-	-	-	-	-	
a. Appropriation surplus reserve	-	-	-	-	-	-	-	-	-	-	-	
b. Distribution to owners (or shareholders)	-	-	-	-	-	-	-	-	-	-	-	
c. Others	-	-	-	-	-	-	-	-	-	-	-	
4. Internal transfers of owner's equity	-	-	-	-	-	-	-	-	-	-	-	
a. Capital reserves transferred to capital	-	-	-	-	-	-	-	-	-	-	-	
b. Surplus reserve transferred to capital	-	-	-	-	-	-	-	-	-	-	-	
c. Surplus reserve covering loss	-	-	-	-	-	-	-	-	-	-	-	
d. Setting Benefit Plan Change Amount to Transfer Retained Income	-	-	-	-	-	-	-	-	-	-	-	
e. Other	-	-	-	-	-	-	-	-	-	-	-	
5. Special reserve	-	-	-	-	-	-	-	-	-	-	-	
a. Appropriated in current period	-	-	-	-	-	-	-	-	-	-	-	
b. Use in current period	-	-	-	-	-	-	-	-	-	-	-	
6. Others	-	-	-	-	-	-	-	-	-	-	-	
IV. Closing balance of the Current Year	1,300,000,000.00	-	-	-	7,206,411,383.13	-	-	-	41,033.76	-1,382,568,509.95	7,123,883,906.94	

Legal representative:

Person responsible for accounting work:

Head of accounting agency: 孙亚妮

# Statement of equity of shareholders of parent company (Continue)

For the Year ended December 31, 2020

Compiled by: Baoli Investment(Group) co., Ltd

Unit: RMB Yuan

Item	Paid-in Capital (share capital)	other equity instruments			Previous amount						total owner's equity
		preferred stock	preferred stock	perpetual debt	capital surplus	less:treasury stock	other comprehensive income	special reserve	surplus reserve	undistributed profit	
I.Previous Year-end Balance	1,300,000,000.00	-	-	-	7,868,507,104.71	-	-	-	41,033.76	-918,560,542.76	8,249,987,595.71
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-
Corrections of prior period error	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	14,254,278.42	-	-	-	-	-	14,254,278.42
II. Opening balance for the year	1,300,000,000.00	-	-	-	7,882,761,383.13	-	-	-	41,033.76	-918,560,542.76	8,264,241,874.13
III.Increase/Decrease of the year(loss is filled by "-")	-	-	-	-	-676,350,000.00	-	-	-	-	-358,265,150.66	-1,034,615,150.66
1.Consolidated income	-	-	-	-	-	-	-	-	-	-358,265,150.66	-358,265,150.66
2. Shareholders invest or reduce capital	-	-	-	-	-676,350,000.00	-	-	-	-	-	-676,350,000.00
a. Capital invested by the owner of common stock	-	-	-	-	50,000,000.00	-	-	-	-	-	50,000,000.00
b.Holders of other equity instruments invested capital	-	-	-	-	-	-	-	-	-	-	-
c.Payment for shares attributed into owner's equity	-	-	-	-	-	-	-	-	-	-	-
d. Other	-	-	-	-	-726,350,000.00	-	-	-	-	-	-726,350,000.00
3. Profits distribution	-	-	-	-	-	-	-	-	-	-	-
a. Appropriation surplus reserve	-	-	-	-	-	-	-	-	-	-	-
b. Distribution to owners(or shareholders)	-	-	-	-	-	-	-	-	-	-	-
c. Others	-	-	-	-	-	-	-	-	-	-	-
4. Internal transfers of owner's equity	-	-	-	-	-	-	-	-	-	-	-
a. Capital reserves transferred to capital	-	-	-	-	-	-	-	-	-	-	-
b. Surplus reserve transferred to capital	-	-	-	-	-	-	-	-	-	-	-
c. Surplus reserve covering loss	-	-	-	-	-	-	-	-	-	-	-
d.Setting Benefit Plan Change Amount to Transfer Retained Income	-	-	-	-	-	-	-	-	-	-	-
e. Other	-	-	-	-	-	-	-	-	-	-	-
5. Special reserve	-	-	-	-	-	-	-	-	-	-	-
a Appropriated in current period	-	-	-	-	-	-	-	-	-	-	-
b. Use in current period	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-
IV. Closing balance of the Current Year	1,300,000,000.00	-	-	-	7,206,411,383.13	-	-	-	41,033.76	-1,276,825,693.42	7,229,626,723.47

Legal representative:



Person responsible for accounting work:

Head of accounting agency:

荆亚妮

**BAOJI INVESTMENT GROUP COMPANY LIMITED.**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Expressed in Yuan unless otherwise indicated)**

**I. Company Status**

Company name	Baoji Investment Group Co., Ltd.
Credibility code	91610300797916453C
Registered address	Investment building, building 22, Shengshi Plaza, No.3, Guo Shi Road, Jintai District, Baoji City, Shaanxi Province
Legal representative	Wang Zhaoyuan
registered capital	RMB 1,300,000,000
Operating scope	Urban construction and infrastructure investment, industrial investment, transportation investment, cultural education investment, tourism investment, ecological investment; real estate development; property management, and urban road & bridge charges.

**Establishment of the company**

Baoji Investment Group Co., Ltd. (hereinafter referred to as the Group) is a limited liability company established by Baoji Municipal People's Government, according to the *Determination of the Baoji city people's government on the Establishment of Baoji Investment Group Co., Ltd. (Baozhengfa[2006]66) issued on Dec 29, 2006*, with 53.44% equity of Baoji Construction Investment & Development Co., Ltd., 51.93% equity of Baoji Urban Redevelopment Construction Investment Co., Ltd., 57.96% equity of Baoji Heating Power Co. Ltd., 51.84% equity of Baoji Water Supply Company, and 61.34% equity of Baoji Famen Tourism Development & Construction Co., Ltd. as well as certain cash as investment with a registered capital of RMB 300 million. The state-owned assets supervision and administration commission of Baoji city fulfilled the responsibilities of the state-owned assets authorized by the people's government of Baoji city.

On January 12, 2008, The People's Government of Baoji city allocated 100% of state-owned property rights of companies held by Baoji city Construction Bureau, (those are the Baoji Public Transport Co., Ltd., Baoji Natural Gas



Co.,Ltd., and Baoji Sanitation Construction Co., Ltd.) and the remaining equity of five companies transferred to the Group without compensation. (those are Baoji Urban Construction Investment development Co., Ltd.,Baoji Urban Redevelopment Construction Investment Co., Ltd., Baoji Heating Power Co., Ltd., Baoji Water Supply Company, Baoji Famen Tourism Development &Construction Co., Ltd.),according to the document *Bao Zheng Fa [2008]No. 2*.

On December 10, 2009, based on Decision for Agreement of Increasing Registered Capital of Baoji Investment Group Co., Ltd. (*Bao Guo Zi Fa[2009]No. 369*),Baoji state-owned assets supervision& administration commission authorized the Group to increase its registered capital from RMB 300 million to RMB 1 billion, and changed the business registration on December 25, 2009.

In December2013, Changan International Trust Co., Ltd. increased its capital by 300 million yuan with monetary fund, and the registered capital of Baoji Investment Group Co., Ltd.increased to RMB 1.3 billion. The variation registration work was completed in December 31, 2013.

On March 26, 2015, the State-owned Assets Supervision and Administration Commission of Baoji Municipal People's Governmentrepurchased all the capital invested by Changan International Trust Co., Ltd., and change the Group as a limited liability company. (Wholly state-owned)

## **Approval of financial statements and reporting date for financial statements**

The financial statements shall be approved by the board of director of the Group on April 29, 2021.

## **II. Significant accounting policies and accounting estimates**

### **1. Basis of preparation**

The company's financial statements are based on the assumption of continuing operation, according to actual transactions and events, and in accordance with the Accounting Standards for Enterprises - Basic Standards issued by the Ministry of Finance (Ministry of Finance Decree No. 33, Ministry of Finance Decree No. 76), 42 specific accounting standards promulgated and revised on and after February 15, 2006, the Guidelines for the Application of Enterprise Accounting Standards, and the interpretation of Enterprise

Accounting Standards Interpretation and other relevant provisions (hereinafter referred to as "Enterprise Accounting Standards") preparation. The Board of Directors of the Company is confident that the Company has sufficient operating capital and will be able to operate continuously for a foreseeable future period of not less than 12 months from the date of approval of this financial statement. Therefore, the board of directors continues to prepare the company's financial statements for the year 2018 as at 31 December 2018 on the basis of continuing operations..

**2. Statement for compliance with the Accounting Standards for Business Enterprises**

The financial statements in accordance with Accounting Standards for Business Enterprise, and truly and completely reflect the financial condition, operating achievements and cash flow of the company during the reporting period.

**3. Accounting period**

The accounting period is from 1 January to 31 December

**4. Operating cycle**

The Company takes the period from the acquisition of assets for processing to until the ultimate realization of cash or cash equivalents as a normal operating cycle. The Group takes 12months as an operating cycle and use it as a liquidity division standard for assets and liabilities.

**5. Functional currency**

The functional and presentation currency is RMB.

**6. Accounting basis and valuation principle**

The Group's accounting is based on accrual basis and debit and credit accounting method.

The accounting measurement attribute mainly include historical cost, replacement cost, net realizable value, present value, and fair value. When accounting elements are measured by the Group, the historical cost is generally adopted to ensure that the amount of accounting elements determined can be obtained and measured reliably.

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

(1). Business combination involving entities under the common control



The assets and liabilities obtained are measured at the carrying amount as recorded by the enterprise being combined at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combination (or the total face value of shares issued) is adjusted to share premium the capital reserve. If the balance of share premium is sufficient, any excess is adjusted to retained earnings.

The accounting policies adopted by the merger entity are inconsistent with the Group and shall be adjusted according to the accounting policies of the Group on the date of merger, and shall be confirmed according to the book value after adjustment.

Relevant professional expenditures directly attributed to the combination, including audit fee, appraisal fee, legal advice fee and etc., are charged to the income statement when occurs.

Any issuance costs occurring in the process of issuing equity securities are offset against the share premium. If the balance of share premium is insufficient, any excess is adjusted to retained earnings.

(2). Business combinations involving entities not under common control

The cost of a business combination paid by the acquirer is the aggregate of fair value at the acquisition date of assets given, liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquire plus any cost directly attributable to the business combination. Relevant professional expenditures directly attributed to the combination, including audit fee, appraisal fee, legal advice fee and etc., are charged to the income statement when occurs.

The difference between the fair value and the carrying amount of the assets given, liabilities incurred or assumed is recognized in profit or loss. Any excess of a business combination over the acquirer interest in the fair value of the acquired identifiable net assets is recognized as goodwill. Any excess of the acquirer interest in the fair value of the acquired identifiable net assets over the cost of a business combination is recognized in profit or loss.

The acquirer, at the acquisition date, allocates the cost of the business combination by recognizing the acquirer identifiable asset, liabilities and contingent liabilities at their fair value at the date of acquisition.

Subsidiary company is formed due to a business combination relationship, the parent company in the consolidated balance sheet on the acquisition date, of the merger of enterprises by the acquirer the identifiable assets, liabilities and contingent liabilities at fair value

## **8. Preparation of consolidated financial statements**

The scope of financial statements consolidation is decided based on the control and the consolidated financial statements comprise the Company and its subsidiaries (including the divisible part of the enterprise, the investment unit and the structured subject controlled by the enterprise.).

If the Group holds the right to vote of half or less, but after considering the following facts and circumstances, the Group should be hold a vote to have the ability to dominated the investee related activities, as investors have power of enterprise:

- (1). The amount of voting rights held by the Group relative to the voting shares held by other investors, and the extent to which other investors shall have the right to vote.
- (2). The potential voting rights of the investor held by the Group and other investors, such as convertible corporate bonds, enforceable stock warrants, etc.
- (3). Other rights arising from other contractual arrangements.
- (4). The enterprise shall consider other relevant facts and circumstances, such as the exercise of the voting rights of the invested party in the past.

If the right to vote cannot have a significant impact on the return of the investor, and only related to the daily administrative activities of the invested entity, and the relevant activities are determined by the contractual arrangement, the Group need to evaluate the contract arrangement, in order to evaluated its power enjoyed by whether it is enough to have power over the investee.

The Group may difficult to judge whether its enjoy power enough to make it have power over the investee, in this case, the Group should consider the evidence that it has the practical ability to unilaterally lead the relevant activities of the invested entity, thereby determining whether it has the right to the investee. These considerations include, but are not limited to, the following:

- (1). Whether the Group is able to appoint or approve key managers of the invested entity;
- (2). Whether or not a material transaction by the invested entity is determined or denied for the Group's own benefit;
- (3). Whether to control the appointment procedures of the board of directors of the invested entity, or to obtain the power of agency from other voting holders;
- (4). There is a related party relationship between the key management personnel of the invested entity or the majority of the board of directors.

Where there is a particular relationship between the company and the investing party, the impact of this particular relationship should be duly considered in evaluating the company's power to the investor. Particular relationship usually include: the Key management of the investor is the incumbent or former employee of the enterprise, the operation of the invested party relies on the company, the significant part of the activity of the investor, the company participates in or is in the name of the company, The company's exposure to a variable return from the investor or to a variable return is far greater than the percentage of the voting or other similar rights held by the investing party.

In determining whether or not to control the investment party, the company shall make sure that it exercises its decision-making power in its own capacity as the principal or agent, and that in the case of other parties having decision-making power, it is also necessary to determine whether the other party will exercise the decision-making power on behalf of its agent.

The company should generally judge whether or not to control the whole investment party. But in very rare cases, where there is conclusive evidence that the following conditions are met and are in compliance with the relevant laws and regulations, the Company shall treat as part of the Investment Party (hereinafter referred to as "the part") as a divisible part of the investor (the individual body), and then determine whether or not to control the part (individual body):

- (1). The assets of that part are the sole source of reimbursement for that part of the liability or other interest in that part and cannot be used to repay other liabilities of the investor other than that

part

- (2). Except to the parties concerned in that part, the other party does not enjoy the rights relating to that part of the asset and does not have the right to be related to the remaining cash flow of that part of the asset.

All included in the scope of consolidated financial statements, a subsidiary of the accounting policies and accounting periods shall be consistent with the Group, and if not, the necessary adjustments should be made in accordance with the accounting policies and accounting period of the Group in the preparation of consolidated financial statements. The consolidated financial statements shall be based on the financial statements of the parent company and its subsidiaries, the parent company shall prepare the consolidated financial statements after offset the internal transaction between parent company and subsidiary and subsidiaries to each other.

- Unrealized internal transaction gains and losses arising from the sale of assets by the parent company to its subsidiaries, fully offsetting the "net profit attributable to the owner of the parent company"
- Unrealized internal transaction gains and losses incurred in the sale of assets by a subsidiary to the parent company are offset by the allocation of the parent company's share of the subsidiary to the "net profit attributable to the owner of the parent company" and "minority shareholder gain or loss".
- Unrealized internal transaction gains and losses arising from the sale of assets between subsidiaries are offset by the distribution of the parent company's share of the seller's subsidiary to the "net profit attributable to the owner of the parent company" and "minority shareholder gain or loss".
- The parent company's long-term equity investment held by the subsidiaries, should be regarded as the Group's inventory shares, and as a subtraction of owner's equity, the following "Less: inventory shares" in the consolidated balance sheet of the owner's equity item. The share of the long-term equity investment held by the subsidiaries is offset by the shares enjoyed by the corresponding subsidiaries.
- In the case of a temporary difference between the book value of assets and liabilities in the consolidated balance sheet and the



taxable basis off the consolidated balance sheet, the balance sheet shall be confirmed as "deferred income tax asset, or deferred income tax liability", and the income tax expense in the consolidated income statement shall be adjusted , except for the transaction or matters that are directly included in the owner's equity, and the deferred income tax related to the merger of enterprise.

- Non-controlling interests are presented separately in the consolidated balance sheet within shareholders' equity. Net profit or loss attributable to non-controlling shareholders is presented separately in the consolidated income statement below the net profit line item. Total comprehensive income attributable to non-controlling shareholders is presented separately in the consolidated income statement below the total comprehensive income line item.
- Where a subsidiary was disposal of during the reporting period, the identifiable assets, liabilities and results of operations of the subsidiaries are consolidated into consolidated financial statements up to the disposal date.
- The difference between the newly acquired long-term equity investment due to the purchase of minority equity and the share of identifiable net assets of the subsidiary in terms of the proportion of newly acquired equity holdings, and the disposal price obtained for partial disposal of the equity investment of the subsidiaries without losing control, both adjust the equity premium of capital reserves in the consolidated balance sheet. If equity premium in capital reserves is insufficient to offset, adjust retained earnings.

#### **9. Determination criteria for cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments, which are readily convertible into known amounts of other cash and are subject to an insignificant risk of change in value.

#### **10. Recognition and measurement of financial instruments**

##### **(1). Classification of financial instruments**

According to the financial assets held and purpose of bearing financial liabilities, it can be divided into as follow:



- Financial assets or liabilities that are measured at fair value and whose changes are included in the current profit and loss; and transactional financial assets or liabilities, and the financial assets or liabilities that designated a measurement of fair value and whose changes are included in the current profit and loss
- Held-to maturity investment
- Accounts receivable
- Available-for-sale financial assets
- Other financial liabilities

## (2). Recognition and measurement of financial instruments

Financial instruments include cash at bank and on hand, investments in debt and equity securities other than those classified as long-term equity investments, receivables, payables, loans and borrowings, bonds payable and share capital, etc.

- Financial assets and financial liabilities at fair value through profit or loss (including financial assets or financial liabilities held for trading)

Subsequent to initial recognition, financial assets and financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss

- Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method.

- Receivables

Receivables are the creditor's right of the Group to sell goods or provide labor service that are not quoted in an active market, including accounts receivable, other receivables, notes receivable, prepayment and long-term receivables and etc.

Receivables are initially recognized as the contracted or the agreement price, or the present value where they are of finance

nature. When collected or disposal of, the differences between carrying value and receipts are charged to profit or loss.

- Available-for-sale financial assets

Available-for-sale financial assets include no-derivative financial assets that are designated upon initial recognition as available for sales and other financial assets which do not fall into any of the above categories.

Available-for-sale investments in equity instruments whose fair value cannot be measured reliably are measured at cost subsequent to initial recognition. Other available-for-sale-financial assets are measured at fair value subsequent to initial recognition and changes therein are generally recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses from monetary financial assets which are recognized directly in profit or loss. When an investment is derecognized, the gain or loss accumulated in other comprehensive income is reclassified to profit or loss. Dividend income is recognized in profit or loss when the investee approves the dividends. Interest is recognized in profit or loss using the effective interest method

- Other financial liabilities

Other financial liabilities are measured at total of fair value and relevant expenditures initially and subsequently at amortized cost.

### (3). Determination and measurement of transfer of financial assets

A financial asset is derecognized if any of the following conditions were met:

- The Group's contractual rights to the cash flows from the financial asset expire;
- If the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to transferee;
- If the financial asset has been transferred and the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but it gives up its control over the

financial asset.

In determining whether the transfer of financial assets satisfies the conditions of termination and confirmation of financial assets, the principle of substance over form is adopted. The company distinguishes financial assets transfer into the overall transfer and partial transfer of financial assets.

Where overall transfer of a financial asset in its entirety meets the criteria for termination of recognition, the difference between the two amounts below is recognized in profit or loss:

- The carrying value of the financial assets transferred;
- The sum of the consideration received from the transfer and any cumulative gain or loss that has been recognized directly in shareholders' equity.

Where partial transfer of a financial asset in its entirety meets the criteria for recognition, the difference between the two amounts below is recognized in profit or loss: If the partial transfer of financial assets satisfies the conditions for termination of confirmation, the book value of the transferred financial assets shall be apportioned between the termination of confirmation and the non-termination of confirmation according to their respective relative fair values, and the difference between the following two amounts shall be included in the current profits and losses:

- The book value of the termination confirmation part;
- The consideration of the termination confirmation part is the sum of the amount corresponding to the termination confirmation part in the cumulative change of fair value recorded in other comprehensive gains (where the transferred financial assets are sellable financial assets).

If the financial asset does not meet the conditions for the termination of confirmation, continue to identify the financial asset, and confirm the received consideration as a financial liability.

#### (4). Determination of the fair value of financial assets and financial liabilities

The Group adopts the fair value measurement of financial assets and financial liabilities in all direct reference to the active market quotation.

#### (5). Impairment of financial assets (not including accounts receivables).

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.

The impairment refers of the fact that the actual occurrence after the initial confirmation of the asset has an effect on the financial asset's future cash flow, and can make a reliable measurement of the impact.

- Held-to-maturity investments

The determination of impairment of held-to-maturity investments are in context of that of receivables.

- Available-for-sale financial assets

When a severely decline in the fair value of an available-for-sale assets has occurred or can be regarded as non-temporary after considering all the factors comprehensively, the impairment loss shall be recognized and the provision for impairment of available-for-sale financial assets shall be as per the negative balance between its fair value and its carrying amount. When an impairment loss of the financial assets available-for-sale is recognized, the cumulative loss generated from decline of fair value that had been recorded directly into the other comprehensive income, will be transferred out.

The impairment loss of available-for-sale equity instrument was recognized, the impairment loss shall not be transferred back through profit or loss.

A serious decline in the fair value of a company's equity for sale of financial assets means that the fair value has fallen by more than 50% per cent for the cost and that the period of continuous decline means January 1 to December 31.

## **11. Provision impairment for Accounts Receivable**

The company's accounts receivable with provision for bad debts mainly include accounts receivable and other accounts receivable. The recognition standard for bad debts is: the accounts receivable that cannot be recovered after the debtor's bankruptcy or death is settled with his bankruptcy property or heritage, or the accounts receivable that cannot be recovered due to the



debtor's failure to perform his debt repayment obligations and obvious characteristics.

The allowance method is adopted to account the possible bad debt loss. At the end of the period, the impairment test is conducted separately or in combination, and the bad debt provision is withdrawn and included in the current profit and loss. The receivables that are proved to be irrecoverable by conclusive evidence shall be regarded as bad debt loss after being approved by the company according to the specified procedures, and the withdrawn bad debt reserves shall be written off.

After the impairment loss of receivables is recognized, if there is objective evidence that the value of the financial asset has been recovered and is objectively related to the events occurred after the loss is recognized, the company will reverse the originally recognized impairment loss and include it into the current profit and loss. The book value after the reversal shall not exceed the amortized cost of the receivable on the date of reversal without provision for impairment.

- (1). The accounts receivables whose single balances are significant but are provided for individually

Category of combination items	Group determination basis
Group for counting and drawing bad debt reserves as per account age analysis method	The group company shall confirm the receivables with amount of more than 10 million RMB yuan (including 10 million), and other receivables amounting to 20 million RMB (including 20 million) as a single amount of significant receivables. Including the impairment test in the financial asset portfolio with similar credit risk characteristics.
Group for the open credit of the company and its subsidiaries	The company conducts an impairment test on the receivables with significant single amount, and conducts an impairment test on the financial assets without impairment, including the financial asset portfolio with similar credit risk characteristics. Receivables whose impairment loss has been confirmed in a single test are no longer included in the portfolio of receivables with similar credit risk characteristics for impairment test.

- (2). The receivables to be prepared according to the credit risk characteristics



Name of Group	Method of provision for bad debts
Government departments and other high credit receivables	Not to mention
Age combination	Account age analysis

Prepare the bad debts with the aging analysis method in the combination:

Account age	Accounts receivable (%)	Other receivables (%)
Within 1 year	0.00	0.00
1 to 2 years	5.00	5.00
2 to 3 years	10.00	10.00
3 to 4 years	30.00	30.00
4 to 5 years	50.00	50.00
Over 5 years	100.00	100.00

(3). The amount of single item is not significant, but the receivables for the provision of bad debts are separately calculated.

Reason for the single item of provision of bad debts	Although the amount of single item is not large, it is objective evidence that there has been a reduction, such as: there is a dispute or involve litigation or arbitration; and the debtor may not be able to meet the payment obligations clearly.
Provision method	Impairment test alone according to the difference between the present value of future cash flow and the book value, if the impairment loss is confirmed, and the provision for bad debts is calculated.

## 12. Foreign Currency Transactions and Translation

(1). Foreign Currency transactions are, on initial recognition, translated to RMB at the spot exchange rates at the date of transactions.

The balance of foreign currency monetary items is adjusted and translated into functional currency at balance sheet date using the spot exchange rate. Regarding the year-end differences of translation in foreign currency, except those special borrowing accounts under the acquisition, building or production of assets to be capitalized are capitalized and accounted into related assets cost, all the other differences are accounted into current profits and losses. The foreign currency non-monetary items at fair value are adjusted at adoption date of fair value using the spot exchange rate. The differences of translation between different currencies are accounted into current profit and losses

or the other comprehensive incomes.

(2). Conversion of Foreign Currency Financial Statements

When incorporating overseas subsidiaries, joint ventures, joint ventures and branches into the company's financial statements through consolidated statements and equity accounting, it is necessary to convert the financial statements of the company's overseas operations into the company's accounting base currency. Before converting the financial statements of a company's overseas operations, the accounting period and policies of the company's overseas operations shall be adjusted so as to be consistent with the accounting period and policies of the company. The financial statements of the corresponding currencies (currencies other than the base currency) shall be prepared according to the adjusted accounting policies and the accounting period, and then the financial statements of the overseas operations shall be converted according to the following methods. The assets and liabilities in the balance sheet shall be converted at the spot exchange rate on the balance sheet date, the owner's equity items shall be converted at the spot exchange rate at the time of occurrence except for the "undistributed profit" items; the income and expenses items in the profit statement shall be converted at the spot exchange rate on the transaction occurrence date; and the resulting foreign currency financial statements shall be converted at the time of compiling the consolidated financial statements. In the statement, the owner's equity items in the consolidated balance sheet are listed separately as "the balance of conversion of foreign currency statements".

**13. Confirmation and measurement of inventory**

(1). Classification and **inventory**

Inventories include raw materials, finished goods, and work in progress and reusable materials. Reusable materials include low-value consumables, spare parts, unsettled completed engineering, develop product and development cost etc.

(2). Measurement method of cost of inventories

Inventories recognized are calculated using the weighted average method. Consumables including low-value consumables and packing materials are

amortized when they are used, and the amortization change are included in the cost of the related assets or recognized in profit or loss for the current period.

- (3). Basis for determining the net realizable value of inventories and method for provision for obsolete inventories

At the balance sheet date, the inventories carried at the lower of cost net realizable value .

Net realizable value is estimated selling price in the ordinary course of business less the estimated costs to completion and the estimated costs necessary to make the sale and related taxes. Net realizable value of finished goods, merchandises and raw materials for sale are the estimated selling price in the normal course of business less the estimated expenses and related taxes necessary to make the sale. Net realizable value of materials held for use in the production is measured based on the net realizable value of the finished goods in which they will be incorporated. The net realizable value of the quantity of inventory held to satisfy sales or service contracts is measured based on the contract price. If the quantities held by the Group are more than the quantities of inventories specified in sales contracts, the net realizable value of the excess portion of inventories is measured based on general selling prices.

Any excess of the cost over the net realizable value of each category of inventories is recognized as a provision for obsolete inventories, and is recognized in profit or loss.

- (4). Inventory count system

The inventory system adopts the perpetual inventory system. On the balance sheet day, the inventory is thoroughly counted. The results of the inventory surplus and loss are processed before the closing of the final account and recorded into the current profits and losses. After approval by the share holders' meeting or the board of directors, the balance shall be handled accordingly.

#### **14. Long-term equity investment**

- (1). Investment cost of long-term equity investments

- a. Long-term equity investment formed in enterprise merger



- If an enterprise under the same control is merged, the company takes the payment of cash, the transfer of non-cash assets or the undertaking of debts as the merger consideration. On the merger day, the initial investment cost of long-term equity investment is based on the share of the book value of the owner's equity of the merged party in the final controlling party's consolidated financial statements. The difference between the initial investment cost of long-term equity investment and the combined consideration paid shall be adjusted to the capital reserve; if the capital reserve is insufficient to reduce, the retained earnings shall be adjusted.
- Where the merger considers the issuance of equity securities as the merger consideration, the initial investment cost of the long-term equity investment shall be the share of the book value of the owner's equity of the merged party in the final controlling party's consolidated financial statements on the date of the merger. The capital reserve shall be adjusted according to the difference between the initial investment cost of long-term equity investment and the total par value of the issued shares, and the retained earnings shall be adjusted if the capital reserve is insufficient to reduce.
- The direct related expenses incurred by the merger, including audit fees, assessment fees and legal service fees paid for the merger, are included in the current profits and losses when the merger occurs.
- If the purchaser is directly related to the transaction costs of the equity securities issued as a consolidated consideration, he shall write off the capital reserve-capital premium or equity premium, and if the capital reserve-capital premium or the equity premium is insufficiently reduced, the surplus reserve and undistributed profits shall be reduced in turn; if the purchaser is directly related to the transaction costs of the debt securities issued as a consolidated consideration, the transaction costs shall be included in the debt securities. Initial confirmation amount.
- Through multiple transactions, the investee's shares under the same control are acquired step by step, and eventually the merger of enterprises is formed. It is judged whether the multiple transactions belong to the "package transaction" or not, and it is dealt with

separately according to different situations.

- For a long-term equity investment in a subsidiary acquired through a business combination achieved in stages which do not form a bundled transaction and involving entities under common control, the Company determines the initial cost of the investment in accordance with the above policies. The difference between this initial cost and the sum of the carrying amount of previously-held investment and the consideration paid for the shares newly acquired is adjusted to capital premium in the capital reserve, with any excess adjusted to retained earnings.
- For a long-term equity investment obtained through a business combination not involving entities under common control, the initial cost comprises the aggregate of the fair value of assets transferred, liabilities incurred or assumed, and equity securities issued by the Company, in exchange for control of the acquire. For a long-term equity investment obtained through a business combination not involving entities under common control and achieved through multiple transactions in stages which do not form a bundled transaction, the initial cost comprises the carrying amount of the previously-held equity investment in the acquire immediately before the acquisition date, and the additional investment cost at the acquisition date.

- b. Long-term equity investments acquired other than through a business combination

A long-term equity investment acquired other than through a business combination is initially recognized at the amount of cash paid if the Group acquires the investment by cash, or at the fair value of the equity securities issued if an investment is acquired by issuing equity securities.

(2). Follow-up measurement and profit and loss confirmation:

- a. Subsequent measurement

- The investment of subsidiary companies is accounted for by cost method and is valued according to the initial investment cost. Adjust the cost of long-term equity investment when adding or recovering investment. The company's long-term equity investments with joint control or significant impact on the invested entity shall be accounted



for by equity method unless the investment meets the conditions for holding the assets to be sold. If the initial investment cost of long-term equity investment is greater than the fair value share of the identifiable net assets of the investee, the initial investment cost of long-term equity investment shall not be adjusted; if the initial investment cost of long-term equity investment is less than the fair value share of the identifiable net assets of the investee, the difference shall be included in the current profits and losses, and the long-term equity investment shall be adjusted. For additional investment and other reasons, the company can exert significant influence on the invested units or implement joint control but does not constitute control. The fair value of the original equity investment determined in accordance with Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments plus the sum of the newly added investment cost shall be regarded as the initial investment cost calculated according to the equity method. Where the original equity investment is classified as financial assets that can be sold, the difference between its fair value and Book value, as well as the cumulative changes in the fair value originally recorded in other comprehensive gains, are transferred to the current profits and losses which are accounted for by the equity method. For additional investment and other reasons, the company can control the invested units under different control. When preparing individual financial statements, the initial investment cost is calculated according to the original book value of equity investment plus the sum of additional investment cost. Other comprehensive returns of equity investment held prior to the purchase date recognized by the equity method shall be accounted for on the same basis as the assets or liabilities directly disposed of by the invested entity. Where the equity investment held before the purchase date is accounted for in accordance with the relevant provisions of Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments, the changes in the accumulative fair value originally included in other comprehensive gains shall be transferred to the profits and losses of the current period when they are accounted for

by the cost method. If the company loses the joint control or significant influence on the invested unit due to the disposal of some equity investment, the remaining equity after disposal shall be accounted for according to Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments. The difference between the fair value and book value on the date of the loss of joint control or significant impact shall be included in the profits and losses of the current period. The other comprehensive returns of the original equity investment recognized by the equity method shall be accounted for on the same basis as the assets or liabilities directly disposed of by the invested entity when the equity method is terminated. If the company loses control over the invested entity due to the disposal of some equity investments or other reasons, when preparing individual financial statements, the residual equity after disposal can exercise joint control or exert significant influence on the invested entity, it shall be accounted for by the equity method instead, and the residual equity shall be accounted for and adjusted by the equity method as soon as it is acquired. Where joint control or significant influence cannot be exercised on the invested entity, the accounting treatment shall be carried out in accordance with the relevant provisions of Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments. The difference between the fair value and book value on the date of loss of control shall be included in the profits and losses of the current period. If the company indirectly holds a part of equity investment in joint venture enterprises through venture capital institutions, mutual funds, trust companies or similar entities, including joint venture insurance funds, whether or not the above entities have a significant impact on this part of the investment, the company holds indirectly in accordance with the relevant provisions of Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments. This part of the investment is measured at fair value and its changes are recorded in profits and losses, and the rest is accounted for by equity method. Processing of other changes in the owner's rights and interests of the invested

entity except net income and other comprehensive gains in equity method accounting: For other changes in the owner's rights and interests of the invested entity except net income and other comprehensive gains, the company calculates the share-holding proportion and adjusts the book value of long-term equity investment in accordance with the share-holding ratio, while the share-holding ratio remains unchanged. Increase or decrease capital reserve (other capital reserve).

- profit and loss adjustment
- Under the cost method, in addition to the declared but not yet paid cash dividends or profits included in the actual payment or consideration at the time of the investment, the company recognizes the investment income according to the cash dividends or profits declared by the invested unit, regardless of whether the profit distribution is the distribution of net profits realized by the invested unit before or after the investment is made. Under the Equity Law, after a company has made a long-term equity investment, it shall recognize the investment income and other comprehensive income separately, and adjust the book value of the long-term equity investment according to the share of the net profit and loss and other comprehensive income realized by the invested unit that should be enjoyed or shared. An investment enterprise shall calculate its share according to the profit or cash dividend declared by the investee, and accordingly reduce the book value of long-term equity investment. The investing enterprise confirms the net loss incurred by the invested entity, and the book value of the long-term equity investment and other essentially constituting the long-term equity of the invested entity shall be written down to zero, unless the investing enterprise bears the obligation of additional loss. If the investee realizes the net profit later, the investment enterprise shall resume the recognition of the share of income after making up for the unrecognized share of loss. When confirming that an invested enterprise should enjoy the share of the net profit and loss of the invested unit, the following factors should be taken into account on the basis of the net profit of the invested unit's book: the invested

unit is inconsistent with the accounting policy or period adopted by the company, and the financial statements of the invested unit are adjusted according to the accounting policy or period of the company; in order to obtain the identifiable items of the invested unit at the time of investment. Based on the fair value of assets and other assets, the net profit of the invested unit is adjusted and confirmed, and the unrealized internal transaction gains and losses between the company and the joint venture and the joint venture are offset by the portion of the company that belongs to the company according to the proportion that should be enjoyed. If the unrealized internal transaction losses between the company and the invested entity belong to the loss of impairment of assets, they shall be confirmed in full. During the period of holding an investment, if the investee can provide a consolidated financial statement, it shall be accounted for on the basis of net profit and other equity changes in the consolidated financial statement. When dealing with long-term equity investment, the difference between its book value and the actual acquisition price shall be included in the current profits and losses. In dealing with long-term equity investment, which is accounted for by equity method, the part originally included in other comprehensive income shall be accounted for according to the corresponding proportion on the same basis as the assets or liabilities directly disposed of by the invested entity.

(3). Criteria for determining the existence of joint control or significant influence over an investee

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (activities with significant impact on the returns of the arrangement) require the unanimous consent of the parties sharing control. The following factors are usually considered when assessing whether the Group can exercise joint control over an investee:

Whether no single participant party is in a position to control the investee's related activities unilaterally;

Whether strategic decisions relating to the investee's related activities require the unanimous consent of all participant parties that sharing of



control. Significant influence is the power to participate in the financial and operating policy decisions of an investee but does not have control or joint control over those policies

(4). Testing method of impairment of long-term equity investment and calculation method of impairment reserve:

- On the balance sheet date, we determine whether there are any signs of impairment of long-term equity investment of subsidiaries, joint ventures or joint ventures based on internal and external information. We test the impairment of long-term equity investment with signs of impairment and estimate its recoverable amount. The estimated results of recoverable amount show that the recoverable amount of long-term equity investment is lower than its book value. The book value of long-term equity investment will be written down to the recoverable amount. The amount written down will be recognized as the loss of impairment of assets, recorded into current profits and losses, and the corresponding provision for impairment will be made. The recoverable amount refers to the higher value between the net value of assets (Asset group portfolio, the same below) after deducting disposal expenses and the present value of the expected future cash flow of assets. The net amount of the fair value of an asset minus the disposal expenses is determined by subtracting the amount directly attributable to the disposal expenses of the asset from the sale agreement price in a fair transaction. The present value of the expected future cash flow of assets is determined by choosing the appropriate pre-tax discount rate according to the expected future cash flow generated during the continuous use and final disposal of assets.
- Once the impairment loss of long-term equity investment has been confirmed, it shall not be reversed in the future accounting period.

## **15. Investment properties**

Investment properties are properties held either to earn rental income or for capital appreciation or for both. The company carries out the initial measurement of investment real estate according to the cost. On the balance sheet day, the cost model is adopted to measure the investment real estate. Under the cost model, the depreciation method and impairment preparation method of buildings are consistent with the accounting method of fixed

assets of the company, and the amortization method and impairment preparation method of land use right are consistent with the accounting method of intangible assets of the company. When an investment real estate is disposed of, or is permanently withdrawn from use and is not expected to benefit economically from its disposal, the confirmation of the investment real estate shall be terminated. When the company sells, transfers or scraps investment real estate or suffers damage to investment real estate, the amount of the disposal income after deducting its book value and related taxes and fees shall be included in the profits and losses of the current period. At the end of the period, the company judges whether the impairment reserve of investment real estate should be calculated according to the signs of impairment of investment real estate. When the recoverable amount of investment real estate is lower than the book value, the impairment reserve of investment real estate should be calculated according to its difference. Once the loss of impairment of assets has been confirmed, it will not be reversed in the future accounting period.

## **16. Fixed Assets**

### **(1). Recognition of fixed assets**

Fixed assets represent the tangible assets held by the Group for use in production of goods, supply of services, for rental or for administrative purposes with useful lives over one accounting year. The cost of a purchased fixed asset comprise the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use.

### **(2). Fixed assets valuation method:**

- The fixed assets purchased shall be valued at the actual purchase price, packing fee, transportation fee, installation cost, relevant taxes paid and other expenditures directly attributable to the assets before the fixed assets reach the intended usable state.
- Self-built fixed assets shall be valued according to all expenditures actually incurred in the course of construction.
- The fixed assets invested by investors shall be accounted for according to the value recognized by the investors.

- The follow-up expenditure of fixed assets, according to whether these follow-up expenditures can improve the original expected profitability of related fixed assets, determines whether to capitalize them;
  - The surplus of a fixed asset after loss of value estimated by the degree of old and new of that asset is deducted from the market price of the same or similar fixed asset as its entry value. If there is no active market for the same or similar fixed assets, the present value of the expected future cash flow of the fixed assets shall be regarded as the entry value.
  - Fixed assets donated shall be valued at the market price of the same kind of assets or on the basis of the relevant vouchers provided; expenses incurred in accepting the donated fixed assets shall be included in the value of the fixed assets.
- (3). The depreciation of fixed assets is calculated by the straight line method with the residual value rate of 2-5%. The depreciation years and depreciation rates of various types of fixed assets are as follows:
- The depreciation of fixed assets is classified and deducted by the average method of years, and the depreciation rate is determined according to the category of fixed assets, the expected service life and the estimated net residual value rate. If the service life of each component of fixed assets is different or economic benefits are provided to the company in different ways, different depreciation rates or depreciation methods are selected to calculate and withdraw depreciation separately.
- If the fixed assets leased by financial leasing can reasonably determine that the ownership of the leased assets will be acquired at the expiration of the lease term, depreciation shall be calculated within the useful life of the leased assets; if the ownership of the leased assets cannot be reasonably determined at the expiration of the lease term, depreciation shall be calculated within a relatively short period between the lease term and the useful life of the leased assets.

Category of Fixed Assets	Residual value rate%	Estimated useful life	Depreciation rate%
Buildings	2-5	30-40 years	2.38- 3.27
Machinery & equipment	2-5	10-15 years	6.33- 9.50

Conduction & pipe network equipment	2-5	11-15 years	6.33- 8.91
Transportation equipment	2-5	6-10 years	9.50-16.33
Office equipment	2-5	3-8 years	11.88-32.67
Electronic equipment	2-5	8-10 years	9.50-12.25
Other equipment	2-5	5-10 years	9.50-19.60

(4). Testing methods for impairment of fixed assets and methods for calculating impairment reserves:

When the fixed asset is on holding for disposal; or when no future economic benefit is expected to be generated from its use or disposal.

If there is impairment of fixed assets, the recoverable amount shall be estimated. The recoverable amount is determined by the higher present value of the future cash flow of fixed assets of the fixed assets category and the net amount after deducting disposal expenses from the fair value of the fixed assets.

If the recoverable amount of fixed assets is less than its book value, the book value of fixed assets shall be written down to the recoverable amount. The amount written down shall be recognized as the loss of fixed assets impairment, and shall be included in the current profits and losses, and the corresponding provision for the impairment of fixed assets shall be made.

After the loss of impairment of fixed assets is confirmed, the depreciation of impaired fixed assets will be adjusted accordingly in the future so that the adjusted book value of fixed assets can be apportioned systematically (deducting the estimated net residual value) in the remaining service life of the fixed assets.

Once the loss of impairment of fixed assets has been confirmed, it will not be reversed in the future accounting period.

## 17. Construction in progress

(1). Accounting Principles for Construction-in-progress Projects: Construction under construction is accounted for according to actual cost. Transfer to fixed capital when the project reaches its intended usable state



(2). Standards and time points for carrying over fixed assets in construction projects: The total expenditure incurred in a construction project before the construction of the asset reaches its intended usable state shall be regarded as the entry value of the fixed asset. If the fixed assets under construction have reached the intended usable state, but have not yet completed the final accounts, they shall be transferred to the fixed assets according to the estimated value according to the project budget, cost or actual cost of the project, and depreciated according to the depreciation policy of the company's fixed assets, and adjusted according to the actual cost after the completion of the final accounts. The original provisional price is adjusted, but the original depreciation is not adjusted.

(3). The methods of impairment test and impairment preparation for construction projects are as follows:

At the end of each period, the company judges whether there are any possible signs of impairment in the construction projects under construction, including:

- Long-term suspension of construction and construction projects are not expected to restart in the next three years;
- The project has lagged behind both in performance and technology, and the economic benefits brought to the company are uncertain.
- Other cases which are sufficient to prove that impairment has occurred in the construction under construction;

If there are signs of impairment in a construction project under construction, the recoverable amount shall be estimated. If there are signs that a project under construction may be impaired, the company estimates its recoverable amount on the basis of a single project under construction. The recoverable amount is determined on the basis of the higher present value of the future cash flow of the construction project and the net amount after deducting the disposal expenses from the fair value of the construction project under construction. When the recoverable amount of the project under construction is less than its book value, the book value of the project under construction shall be written down to the recoverable amount. The amount of the written down shall be recognized as the loss of impairment of the project under construction and shall be included in the profits and losses of the current period, and the corresponding

provision for impairment of the project under construction shall be made. Once the impairment loss of the construction in progress has been confirmed, it will not be reversed in the future accounting period.

## **18. Borrowing Costs**

### **(1). Recognition Principle of Capitalization of Borrowing Cost**

Borrowing costs include amortization of interest, discount or premium on borrowing, ancillary expenses and exchange differences arising from borrowing in foreign currencies.

If the borrowing expenses incurred by the company can be directly attributed to the purchase, construction or production of assets that meet the capitalization conditions, they shall be capitalized and accounted for in the cost of related assets; when other borrowing expenses occur, they shall be recognized as expenses according to the amount incurred, and shall be included in the profits and losses of the current period.

Assets eligible for capitalization refer to fixed assets, investment real estate, inventory and other assets that require a considerable period of purchase, construction or production activities to achieve the intended usable or saleable state.

Capitalization begins when borrowing costs meet the following conditions:

- Asset expenditure has occurred. Asset expenditure includes expenditure incurred in the form of cash, transfer of non-cash assets or interest-bearing liabilities for the purchase, construction or production of assets eligible for capitalization.
- The cost of borrowing has already occurred.
- Estimation or production activities necessary to enable assets to reach the intended usable or marketable state have begun.

### **(2). Period of Capitalization of Borrowing Costs**

The period of capitalization refers to the period from the beginning of capitalization of borrowing expenses to the end of capitalization. The period of suspension of capitalization of borrowing expenses is excluded.

Borrowing costs cease to be capitalized when assets eligible for capitalization are purchased, constructed or produced in a predetermined usable or marketable state.

When part of the assets that meet the capitalization conditions are completed separately and can be used separately, the borrowing cost of this

part of assets ceases to be capitalized.

Where each part of the assets purchased, constructed or produced is completed separately, but can be used or sold out only after the completion of the whole project, the capitalization of borrowing costs shall cease when the whole project is completed.

(3). Suspension of Capitalization

During the capitalization period, exchange differences related to the principal and interest on a specific-purpose borrowing denominated in foreign currency are capitalized as part of the cost of the qualifying asset. The borrowing costs incurred during the interruption period are recognized as current profits and losses, and continue to be capitalized until the acquisition and construction of assets or the resumption of production activities.

(4). Calculation of Borrowing Costs

The capitalization period is the period from the date of commencement of capitalization of borrowing costs to the date of cessation of capitalization, excluding any period over which capitalization is suspended. Capitalization of borrowing costs commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities of acquisition, construction that are necessary to prepare the asset for its intended use are in progress, and ceases when the assets become ready for their intended use. When the parts of the qualifying assets acquired or constructed that are eligible for capitalization are completed separately, and each part is available for use in other parts of the construction process or can be sold externally, and for the purpose of making the parts of the assets ready for use or necessary for the sales status, the acquisition or construction activities have been substantially completed, the Group ceases the capitalization of the borrowing costs related to the parts of the assets. Capitalization of borrowing costs is suspended when the acquisition, construction activities are interrupted abnormally for a period of more than three months.

## **19. Intangible Assets**

(1). The Valuation Method of Invisible Assets

- Initial measurement

The intangible assets are measured at the actual cost at the time of

acquisition, including the purchase price, related taxes and fees, and other expenditures directly attributable to the intended use of the assets. On the premise that the exchange of non-monetary assets possesses commercial essence and the fair value of assets exchanged or converted can be reliably measured, the entry value of intangible assets exchanged for non-monetary assets is determined on the basis of the fair value of assets exchanged, unless there is conclusive evidence that the fair value of assets exchanged is more reliable; and the exchange of non-monetary assets that does not meet the above premise is not satisfactory. The book value of the converted assets and the relevant taxes and fees payable shall be used as the cost of the converted intangible assets, and the profit and loss shall not be recognized.

- Subsequent measurement

When intangible assets are acquired, their service life is analyzed and judged.

For intangible assets with limited service life, they shall be amortized by the straight-line method within the period of economic benefits brought to the company; if the period of economic benefits brought to the company by intangible assets cannot be foreseen, they shall be regarded as tangible assets with uncertain service life and shall not be amortized.

The service life of intangible assets with uncertain service life is reviewed during each accounting period. If there is evidence that the service life of intangible assets is limited, the service life of intangible assets is estimated and amortized according to the straight-line method within the period of economic benefits to the company.

(2). Estimation of the service life of intangible assets with limited service life

Item	Estimated useful lives	Estimated method
Land use right	50-70 years	Land use warrant or the term of service agreed upon in the agreement
Patents and know-how	10 years	Number of years that are expected to produce economic benefits for the company
Technical, financial and management software	5 years	Computer technology update cycle

(3). Research and development expenditure



The company's internal research and development project expenditure is divided into research stage expenditure and development stage expenditure.

Expenditures incurred during the research phase are included in current profits and losses.

Expenditures in the development stage satisfy the following conditions at the same time, and are recognized as intangible assets. Expenditures in the development stage that fail to meet the following conditions are included in current profits and losses:

- It is technically feasible to complete the intangible assets so that they can be used or sold.
- Having the intention to complete the intangible assets and use or sell them;
- The ways in which intangible assets generate economic benefits include proving that the products produced by the intangible assets exist in the market or that the intangible assets themselves exist in the market, and that the intangible assets will be used internally, which can prove their usefulness.
- There are sufficient technical, financial and other resources to support the development of the intangible assets and the ability to use or sell the intangible assets.
- Expenditures attributable to the development phase of intangible assets can be measured reliably.

If it is impossible to distinguish the expenditure at the research stage from that at the development stage, all the R&D expenditure incurred shall be included in the current profits and losses.

(4). Principles of provision for impairment of intangible assets:

For intangible assets with limited service life, if there are obvious signs of impairment, the impairment test will be conducted at the end of the term.

Signs of impairment include the following:

- A certain intangible asset has been replaced by other new technologies, which has a significant negative impact on its ability to create economic benefits for enterprises.
- The market value of an intangible asset has fallen sharply in the current period, and the remaining amortization period is not

expected to resume.

- A certain intangible asset has exceeded the legal protection period, but still has some use value.
- Others are sufficient to prove that a certain intangible asset has actually been impaired.

For intangible assets with uncertain service life, impairment tests are conducted at the end of each period.

Where there is impairment of intangible assets, the recoverable amount shall be estimated. The recoverable amount is determined according to the higher present value of the future cash flow of intangible assets and the net amount after deducting disposal expenses from the fair value of intangible assets.

When the recoverable amount of intangible assets is less than its book value, the book value of intangible assets shall be written down to the recoverable amount, and the amount of the write-down shall be recognized as the loss of impairment of intangible assets, which shall be included in the current profits and losses, and the corresponding provision for impairment of intangible assets shall be made.

After the loss of impairment of intangible assets is confirmed, the cost of depreciation or amortization of impaired intangible assets will be adjusted accordingly in the future so that the book value of the adjusted intangible assets can be systematically apportioned (deducting the estimated net residual value) within the remaining service life of the intangible assets.

Once the loss of impairment of intangible assets has been confirmed, it shall not be reversed in the future accounting period

## **20. Long-term deferred expenses**

Long-term deferred expenses refer to expenses that have occurred but should be amortized over a period of more than one year due to the current and subsequent periods.

Long term deferred expenses are averagely amortized within the benefit period. The improvement expenses of the leased fixed assets are averagely amortized within the shorter of the lease term and the remaining useful life of the leased assets. The preparation expenses of the subsidiary shall be

included in the profit and loss of the month when the subsidiary starts production and operation.

## **21. Employee Benefits**

Employee remuneration refers to various forms of remuneration or compensation given by enterprises to obtain services provided by employees or to terminate labor relations. Employees' salaries include short-term salaries, after-service benefits, dismissal benefits and other long-term employee benefits. The benefits provided by the enterprise to employees' spouses, children, dependents, deceased employees' survivors and other beneficiaries also belong to employees' salaries.

During the accounting period when employees provide services, the company recognizes the short-term remuneration actually incurred as liabilities and includes the current profits and losses or the cost of related assets. If the employee welfare is non-monetary, it shall be measured at fair value.

When employees provide services that increase their right to pay absence in the future, the company recognizes the remuneration of employees related to cumulative paid absence and measures the expected increase in payment amount due to cumulative non-exercise of rights. The company recognizes the salaries of employees related to non-cumulative paid absences during the actual absence of employees.

The Company recognizes the salaries payable when the profit sharing plan meets the following conditions:

- The legal or presumptive obligation to pay employees' remuneration is due to past events.
- The amount of employees' compensation obligations due to profit-sharing schemes can be reliably estimated.

If it falls into one of the following three situations, it shall be deemed that the amount of the obligation can be reliably estimated:

- The company has determined the amount of remuneration payable before the approval of the financial report.
- The formal terms of the short-term profit-sharing plan include ways to determine the amount of remuneration.
- Past practices provide clear evidence for our company to determine the amount of its presumptive obligations.

During the accounting period when employees provide services, the amount of deposits payable calculated according to the set-up withdrawal plan shall be recognized as liabilities, and shall be included in current profits and losses or the cost of related assets. According to the set-up withdrawal plan, if it is not expected to pay amount of money within 12 months after the end of the annual reporting period for providing relevant services, amount of money shall be measured as the amount after discount.

In accordance with the discount rate, the company discounts the obligations arising from setting up the benefit plan to determine the present value and current service cost of setting up the benefit plan obligations. The discount rate is determined according to the market rate of return of bonds or high-quality corporate bonds in the active market that match the balance sheet date with the period of obligation to set a benefit plan and currency. If there are assets in the benefit plan, the deficit or surplus formed by the present value of the obligation to set the benefit plan minus the fair value of the assets of the benefit plan shall be recognized as a net liability or net asset of the benefit plan. The welfare obligations arising from the establishment of the benefit plan belong to the period during which the employees provide services and are included in the current profits and losses or the cost of related assets. Under the beneficiary plan, the past service cost will be recognized as current cost as soon as possible on the following dates:

- When modifying the beneficiary plan.
- When the company confirms the relevant restructuring fees or dismissal benefits. When setting up the benefit plan settlement, confirm a settlement gain or loss.

Where the company provides dismissal benefits to employees, the remuneration liabilities of employees arising from the dismissal benefits shall be recognized as early as possible in the following two cases, and shall be included in the current profits and losses:

- The company cannot unilaterally withdraw the dismissal benefits provided by the termination of the labor relations program or the proposed reduction.
- When the company confirms the costs or expenses associated with the



reorganization involving payment of dismissal benefits. In accordance with the provisions of the dismissal plan, the company reasonably predicts and confirms the salaries payable to employees arising from the dismissal benefits. The relevant provisions on short-term remuneration shall apply if the dismissal benefits are expected to be paid in full within twelve months after the end of the confirmed annual reporting period; if the dismissal benefits are not expected to be paid in full within twelve months after the end of the annual reporting period, the relevant provisions on other long-term employee benefits shall apply.

Other long-term employee benefits provided by the company to employees that meet the requirements for setting up a withdrawal plan shall be handled in accordance with the relevant provisions on setting up a withdrawal plan. In addition to this, the relevant provisions on the establishment of benefit plans shall apply to the recognition and measurement of other long-term employees' net liabilities or net assets. At the end of the reporting period, the salary costs incurred by other long-term employee benefits are recognized as the following components:

- Service cost.
- Net interest on other long-term employees' welfare liabilities or net assets.
- Re-measure changes in other long-term employees' net welfare liabilities or net assets. The total net amount of the above items shall be included in the current profits and losses or the cost of related assets.

## **22. Estimated Liabilities**

The lawsuit ,product quality assurance ,liability assurance ,loss contract and reconstruction involved in the Company ,which will require the delivery of assets ,provision of labor service and wholes amount can be measured reliably will be confirmed as estimated liabilities.

### **(1). Confirmation principle of estimated liabilities**

The obligation related to contingency meeting following conditions will be confirmed as estimated liabilities:

- Such obligation is the present obligation undertaken by the Company;
- The fulfillment of such obligation will result economic loss;

- The amount of such obligation can be measured reliably.

(2). Measurement method of various estimated liabilities

The initial measurement will be conducted based on the optimum estimation of expense required for fulfilling present obligation.

**23. Revenue recognition**

The company's business income mainly includes sales of goods (real estate) income, income from providing labor services and income from the transfer of the right to use assets.

(1). Sale of goods

- Significant risks and rewards of ownership of goods have been transferred to the buyer;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- Revenue from the sale of goods is measured at the fair value of the consideration received or receivable under the sales contract or agreement.
- The sales contracts/orders signed between the Company and its customers (mainly electronic equipment manufacturers) contain various trading terms. The Company judges the transfer timing of major risks and rewards according to the trading terms, and recognizes revenue accordingly. Depending on the trading terms, the income is usually recognized when the goods are delivered and received, or when they are received by the carrier.

(2). Principles of recognition and measurement of the income from the provision of labor services and the income from construction contracts according to the percentage of completion method:

The company starts and completes the services in the same accounting year, and confirms the income when completing the services.

The beginning and completion of the company's labor services belong to different accounting years. On the balance sheet day, when the results of the labor transactions can be reliably estimated, the related labor revenue will be confirmed by the completion percentage method on the balance sheet day. The completion schedule of the labor transaction shall be determined according to the measurement of the completed work.

If the results of labor transaction provided on the balance sheet date cannot be reliably estimated, the following cases shall be dealt with separately:

- If the incurred labor cost is expected to be compensated, the income from the service shall be recognized according to the amount of the labor cost incurred, and the labor cost shall be carried over according to the same amount.
- If the incurred labor cost is not expected to be compensated, the incurred labor cost shall be included in the profits and losses of the current period, and the income from the provision of labor service shall not be recognized.

(3). Principles of Recognition and Measurement of Transferred Asset Use Right Income

Revenue is recognized when the economic benefits associated with the transaction can flow into the company and the amount of revenue can be reliably measured.

**24. Government Grants**

Government subsidy refers to the company's acquisition of monetary or non-monetary assets from the government free of charge, but does not include the capital invested by the government as the owner of the company. Government subsidies are recognized when they meet the conditions attached to government subsidies and can be received. Where a government subsidy is a monetary asset, it shall be measured according to the amount received or receivable. If the government subsidies are non-monetary assets, they shall be measured at fair value. Government subsidies are divided into assets-related government subsidies and revenue-related government subsidies. The government subsidy obtained by the company for the purchase, construction or other formation of long-term assets is used as the government subsidy related to assets. The company's government subsidies other than those related to assets are used as government subsidies related to revenue. Government subsidies related to assets are recognized as deferred earnings, and other earnings or Extra-Business earnings are recorded in stages in accordance with reasonable and systematic methods during the useful life of relevant assets. The government subsidy related to income is recognized as deferred income if it is used to compensate the related expenses or losses of the

company in the following period, and other income or Extra-Business income is included in the period of affirming the relevant expenses; if the government subsidy is used to compensate the related expenses or losses incurred by the company, other income or Extra-Business income in the current period shall be directly included. If the recognized government subsidy needs to be returned, the book value of the related assets shall be reduced at the initial confirmation, and the book value of the assets shall be adjusted; when there are relevant deferred gains, the book balance of the related deferred gains shall be reduced, and the excess part shall be included in the current profits and losses; when there are no deferred gains, the current profits and losses shall be directly recorded in the current profits and losses.

## **25. Deferred Tax Assets and Deferred Tax Liabilities**

The deferred income tax assets and deferred income tax liabilities are calculated and confirmed on the basis of the difference between the tax basis of assets and liabilities and their book value (temporary difference). For deductible losses that can be deducted from taxable income in future years according to the provisions of the Tax Law, the deferred income tax assets shall be recognized as temporary differences.

For the temporary differences arising from the initial recognition of goodwill, the corresponding deferred income tax liabilities are not recognized. The corresponding deferred income tax assets and deferred income tax liabilities are not recognized for the temporary differences formed by the initial recognition of assets or liabilities in the non-enterprise merger transactions that neither affect accounting profits nor affect the amount of taxable income (or deductible losses). On the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the applicable tax rates for the period during which the assets are expected to be recovered or the liabilities are paid off.

The confirmation of deferred income tax assets is limited to the amount of taxable income that the company is likely to obtain to offset the deductible temporary differences, deductible losses and tax deductions. The deferred income tax assets and deferred



income tax liabilities arising from temporary differences in investment between subsidiaries and joint ventures shall be recognized. However, the company can control the time when the temporary difference will be reversed, and the temporary difference will probably not be reversed in the foreseeable future, and will not be confirmed.

## **26. Operating Lease and Finance Lea**

A lease is classified as either a finance lease or an operating lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

### **(1). Accounting Treatment of Business Lease**

- The rental fees paid for the leased assets of the Company shall be apportioned according to the straight-line method during the whole lease period without deduction of the rent-free period and shall be included in the current expenses. Other methods are more systematic and reasonable, and other methods can be adopted. The initial direct expenses paid by the company in connection with the lease transaction shall be included in the current expenses. When the lessor of the assets bears the rent-related expenses that should be borne by the company, the company deducts this part of the expenses from the total rent, and shares the deducted rent expenses in the lease period and counts them into the current expenses.
- The rental fees charged by the company for leased assets shall be apportioned according to the straight-line method during the whole lease period without deducting the rent-free period, and shall be recognized as rental income. Other methods are more systematic and reasonable, and other methods can be adopted. The initial direct expenses paid by the company in connection with the lease transaction shall be included in the current expenses; if the amount is large, it shall be capitalized and the current income shall be recorded in stages on the same basis as the lease income during the whole lease period. When the company undertakes the rent-related expenses that should be borne by

the lessee, the company deducts these expenses from the total rental income and distributes them within the lease period according to the balance of the deducted rental income.

## (2). Accounting Processing of Financial Lease

- Financing Rental Assets: The company shall use the lower of the fair value of the leased assets and the present value of the minimum lease payment on the lease start date as the entry value of the leased assets, and depreciate them according to the depreciation policy of its own fixed assets; and use the minimum lease payment as the entry value of the long-term accounts payable, and the difference between them as the unrecognized financing expenses. The company adopts the method of real interest rate to amortize the unrecognized financing expenses during the asset lease period, which is included in the financial expenses. The initial direct expenses incurred by the company are included in the value of the rented assets.
- Financing leased assets: On the beginning of the lease, the company recognizes the difference between the sum of the receivable financial lease and the unsecured residual value and its present value as unrealized financing income and the lease income during the period of future receipt of rent. The initial direct expenses incurred by the company in connection with the lease transaction are included in the initial measurement of the financial lease receivable and the amount of revenue recognized during the lease period is reduced.

## **27. Discontinued operations and Assets held for sale**

### (1). Discontinued operations

The Group classifies a component that is separately identifiable, and the component either has been disposed of or is classified as held for sale, and satisfies one of the following conditions as a discontinued operation.

- It represents a separate major line of business or separate geographical area of operations;
- This component is part of a disposal plan for an independent major business or a major business area.
- It is a subsidiary acquired exclusively with a special purpose to resale

- For the Group's discontinued operations during the current period, the profit and loss from continuing operations and the profit and loss from discontinued operations are respectively presented in the income statement, and the information previously presented as the profit and loss from continuing operations is reclassified as the profit and loss from discontinued operations in the comparable accounting period in the income statement of the comparative period.

(2). Recognition criteria for holding components or non-current assets for sale

When the Group recovers its book value mainly through the sale rather than the continuous use of a non-current asset or disposal group, the non-current asset or disposal group is classified as holding for sale.

Disposal group refers to a group of assets disposed of as a whole through sale or other means in a transaction, and liabilities directly related to these assets transferred in the transaction.

The Group divides non-current assets or disposal groups that simultaneously meet the following requirements into holding categories for sale:

- According to the usual practice of selling such assets or disposal groups in similar transactions, the non-current assets or disposal groups can be sold immediately in their current situation
- The sale is very likely, that is, the Group has made a resolution on a sale plan and has signed a legally binding purchase agreement with other parties. It is expected that the sale will be completed within one year.

(3). Assets held for sale

For holding a fixed asset for sale, the company adjusts the estimated net residual value of the fixed asset so that the estimated net residual value of the fixed asset can reflect its fair value minus the amount of disposal expenses, but it must not exceed the original book value of the fixed asset when it meets the conditions for sale. The difference between the original book value and the adjusted estimated net residual value is regarded as impairment of the assets. Losses are recorded in current profits and losses.

Other non-current assets or disposal groups that meet the requirements of holding intangible assets for sale shall be treated in accordance with the above principles, but excluding deferred income tax assets, financial assets regulated by Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments, investment real estate and biological assets measured at fair value, and contractual rights arising from insurance contracts.

When a non-current asset or disposal group is classified as holding for sale but no longer meets the criteria for holding for sale or when the non-current asset is removed from the disposal group holding for sale, the company ceases to classify it as holding for sale and measures it according to the lower of the following two amounts: The non-current asset or disposal group must be available for immediate sale in their present condition based on similar transactions of assets selling or disposal groups:

- Amount adjusted for depreciation, amortization or impairment, which is classified as holding pre-sale book value, and which should have been recognized under the assumption that it is not classified as holding pre-sale book value.
- The recoverable amount on the date of deciding not to sell any more.

## **28. Fair Value Measurement**

Unless otherwise specified, the Group determines fair value measurement as below:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques



mainly include the market approach, the income approach and the cost approach.

## **29. Related Parties**

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Company is under common control only from the State and that have no other related party relationships are not regarded as related parties.

The company's affiliates include, but are not limited to:

- (1). The parent company of the company;
- (2). The subsidiary company of the company;
- (3). Other enterprises controlled by the same parent company with the company;
- (4). Investors who exercise joint control over the company
- (5). Investors who exert significant influence on the company;
- (6). The joint venture of the company, including subsidiaries of the joint venture;
- (7). The joint ventures of the company, including subsidiaries of the joint venture;
- (8). Individuals of the company's main investors and their close family members;
- (9). Key managers of the company or its parent company and family members closely related to them;
- (10). The company's main investors, key managers and their close family members control and co-control other enterprises.

## **III. Changes in Key Accounting Policies and Estimates**

### **1. Changes in accounting policies**

- (1). Content and Cause of Change

As of December 31, 2020, the company has not changed its accounting policies.

### **2. Changes in accounting estimates**

According to the resolution of the board of directors of the company, for the sake of caution, in order to make more reasonable provision for bad debt reserves of

the company, the corresponding receivables of the current year are grouped and combined according to the credit risk characteristics. The bad debt reserves are calculated and withdrawn by the combination of credit risk characteristics and aging analysis. Compared with the original method, the provision for bad debts in this year is 1,233,968.38 yuan .

#### IV. Positive accounting error correction

None

#### V. Profit distribution

According to the provisions of the articles of association of the company, the after-tax profit of the Group shall be divided the following order and regulations.

- Cover the deficit
- Withdrawal 10% of surplus reserve fund
- Pay dividends

#### VI. Taxation

##### 1. Main taxes and tax rates

<i>Taxes</i>	<i>Tax basis</i>	<i>Tax rates</i>
Added-value tax	Taxable sales revenue	13%、9%、6%、5%
Urban maintenance & construction tax	Transfer tax payable	7%
Educational surcharge	Turnover tax payable	3%
Local educational surcharge	Turnover tax payable	2%
Property tax	80%of the original value of the property, or rental income	1.2%、 12%
Enterprise income tax	Taxable income	25%

##### 2. Preferential tax policy:

The Group and its subsidiaries have not enjoyed the preferential tax policy.

#### VII. Enterprise merger and consolidated financial statements

##### 1. Subsidiary company situation

subsidiary	Location	registered	Registered capital	Scope of business	stake (%)		Percentage of voting rights (%)	way
					Direct	Indirect		
Baoji heating power Co., Ltd.	Baoji city	Baoji city	10,997.00	Develop & operate central heating projects	100		100	Transfer

Baoji city Redevelopment Construction Investment Co., Ltd.	Baoji city	Baoji city	306,000.00	City Redevelopment Construction Investment	100		100	Transfer
Baoji Water Supply Co., Ltd.	Baoji city	Baoji city	5,000.00	Tap water production and sales	100		100	Transfer
Baoji City Old Town Renovation Construction Investment Co., Ltd.	Baoji city	Baoji city	2,913.30	estate development and management, housing demolition	100		100	Transfer
Baoji Famen Tourism Development & Construction Co., Ltd.	Baoji city	Baoji city	7,010.00	Tourism project development construction	100		100	Transfer
Baoji Public transport Co., Ltd.	Baoji city	Baoji city	7,000.00	Transportation and automobiles leasing	100		100	Transfer
Baoji natural gas Co., Ltd.	Baoji city	Baoji city	14,800.00	Gas supply	100		100	Transfer
Baoji environmental sanitation construction Co., Ltd.	Baoji city	Baoji city	618.00	Development and construction of sanitation facilities	100		100	Transfer
Baoji Zhongshui Water company	Baoji city	Baoji city	11,670.60	Sewage treatment and recycling, network construction	100		100	Transfer
Baoji new town Redevelopment Construction Investment Co., Ltd.	Baoji city	Baoji city	36,000.00	Urban construction and infrastructure investment, real estate development property management	66.67		66.67	Transfer
Baoji Public parking construction management Co., Ltd.	Baoji city	Baoji city	100.00	Investment, construction & operation of parking lot construction	100		100	Transfer
Baoji Financial holding Co., Ltd.	Baoji city	Baoji city	10,000.00	Capital operation & asset management	54.45		54.45	Set up
Baoji Urban investment asset management company	Baoji city	Baoji city	200	Asset management & property management	100		100	Set up
Baoji Airport limited liability company	Baoji city	Baoji city	2,000.00	Domestic Air Passenger and Freight Transportation Sales Agent; Provides Service Facilities for Air Transportation; Airport Energy	100		100	Set up

				Transfer, Air Garbage and Sewage Treatment				
Shanxi Bao tai da Industrial Investment Co., Ltd.	Baoji city	Baoji city	30,000.00	Land development and consolidation; project management	45		45	Set up
Shanxi Zhong Bao Da Industrial Investment Co., Ltd.	Baoji city	Baoji city	100,000.00	Land Development and Arrangement; Real Estate Development and Construction	46		46	Set up
Baoji DeChengYing Fund Partnership Fund (Limited Partnership)	Baoji city	Baoji city	5,010.00	Investment, venture capital, investment consulting, business management consulting	39.92	29.94	69.86	Set up
Shaanxi Taibai Mountain Green Park Lodge Hotel Co., Ltd.	Baoji city	Baoji city	1,000.00	accommodation; meals; swimming; parking; wine, beverages, retailing of small goods	100		100	Set up

## 2. Subjects newly incorporated into the scope of merger this year

No.	Gradation	Item	Net assets at the end of the year	Net profit for the year	Control
1	3	Baoji City Zhize Green Source Heat Co., Ltd.	5,000,000.00		Investment set-up
2	3	Baoji runzelian Gas Engineering Co., Ltd	1,493,462.09	493,462.09	Investment set-up
3	4	Baoji linxijing Landscape Engineering Co., Ltd	373,914.06	373,914.06	Investment set-up
4	3	Zhongsheng Zhicheng Asset Management Co., Ltd	53,864,906.85	3,864,906.85	Investment set-up
5	4	Shaanxi Baoda Business Management Co., Ltd	-261,352.41	-261,352.41	Investment set-up

## VIII. Notes to the consolidated financial statements

The following amounts are in RMB unless otherwise specified

### 1. Monetary funds

	<i>Closing balance</i>	<i>Beginning balance</i>
Cash on hand	243,289.98	343,373.26
Bank deposits	4,983,349,476.69	5,128,064,666.64
Other monetary funds	2,765,918,076.47	964,566,104.11
<b>Total amount</b>	<b>7,749,510,843.14</b>	<b>6,092,974,144.01</b>

Note: In the case of mortgage, pledge and other restricted use, see (51) assets with limited ownership or right of use.



2. Financial Assets Measured at Fair Value and Their Changes Included in Current Profits and Losses

	<u>Closing balance</u>	<u>Beginning balance</u>
Financial assets measured by fair value and included into the current gains and losses		
Debt instrument investment	19,150,000.00	
Package tool investment		
<b>Total</b>	<b>19,150,000.00</b>	

3. Notes receivable

(1). Classification

Classification	Closing balance	Beginning balance
Bank Acceptance Bill	330,000,696.70	3,587,800.00
Commercial Acceptance Bill	251,300,000.00	
<b>Total</b>	<b>581,300,696.70</b>	<b>3,587,800.00</b>

(2). Notes receivable pledged by the company at the end of the period: 324,140,000.00 yuan.

(3). Notes receivable endorsed by the company to non-bank parties at the end of the period but not matured at the balance sheet date: none.

(4). Notes receivable discounted but not yet due by the company at the end of the period: none.

4. Accounts receivable

	Closing balance				Carrying amount
	Book Value		Provision for bad and doubtful debts		
	Amount	(%)	Amount	(%)	
Individually significant and assessed for impairment individually	12,406,457.00	2.46	12,406,457.00-	100	0.00
Collectively assessed for impairment based on credit risk characteristics risk-free combinations	492,388,238.81	97.54	30,943,635.87	6.28	461,444,602.94
Individually insignificant but assessed for impairment individually					

<b>504,794,695.81</b>	<b>100</b>	<b>43,350,092.87</b>	<b>461,444,602.94</b>
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*Opening balance*

	<i>Book Value</i>		<i>Provision for bad and doubtful debts</i>		<i>Carrying amount</i>
	Amount	(%)	Amount	(%)	
Individually significant and assessed for impairment individually	12,406,457.00	2.34	12,406,457.00	100	
Collectively assessed for impairment based on credit risk characteristics risk-free combinations	518,029,359.01	97.66	9,379,872.03	1.81	508,649,486.98
Individually insignificant but assessed for impairment individually					
	<b>530,435,816.01</b>	<b>100</b>	<b>21,786,329.03</b>		<b>508,649,486.98</b>

- a) Units of accounts receivable with significant individual amounts and provision for bad debts at the end of the period:

	<i>Book Value</i>		<i>Provision for bad and doubtful debts</i>		<i>Giving reasons</i>
	Amount	(%)	Amount	(%)	
Baoji Pharmaceutical Glass Factory	12,406,457.00	100	12,406,457.00	100	Enterprise bankruptcy
Total	12,406,457.00	100	12,406,457.00	100	Enterprise bankruptcy

- b) Accounts receivable without risk portfolio

	<i>Book Value</i>		<i>Provision for bad and doubtful debts</i>		<i>Giving reasons</i>
	Amount	(%)	Amount	(%)	
Receivables from government departments	885,986.72	0	0	0	Receivables from government departments
Total	885,986.72	0	0	0	Recourse

- c) In credit portfolio, accounts receivable with provision for bad debts are

calculated by age analysis method

Aging	Ending amount			Beginning amount		
	Book balance		Bad debt reserves	Book balance		Provision of bad debt
	Amount	Ratio (%)		Amount	Ratio (%)	
Within a year	339,915,986.81	69.15		252,716,651.64	81.18	1,259,996.85
1 to 2 years	105,594,389.84	21.48	5,276,133.04	31,131,932.45	10.00	933,957.96
2 to 3 years	20,979,893.62	4.27	2,097,989.36	3,884,833.00	1.25	194,241.65
3 to 4 years	2,045,297.37	0.42	613,589.22	140,520.40	0.05	14,052.04
4to 5 years	21,520.40	0.01	10,760.20	503,488.01	0.16	100,675.46
Over 5 years	22,945,164.05	4.67	22,945,164.05	22,923,375.38	7.36	6,876,948.07
<b>Total</b>	<b>491,502,252.09</b>	<b>100.00</b>	<b>30,943,635.87</b>	<b>311,300,800.88</b>	<b>100.00</b>	<b>9,379,872.03</b>

d) Top 5 Units of Accounts receivable

Name of debtor	Nature of receivable	Amount	Aging	Proportion of total accounts receivable %
Baoji water investment ecology Co., Ltd	Equipmen t sales and progress payment	241,024,707.69	Within 1 year/1-2years	47.75
Shenzhen xinqiyuan Industrial Development Co., Ltd	Factoring payment	50,000,000.00	Within 1 year	9.91
Shenzhen Huaxi Qianhai commercial factoring Co., Ltd	Factoring payment	35,640,999.07	Within 1 year	7.06
Xi'an Kelun Real Estate Development Co., Ltd	Factoring payment	25,114,847.72	Within 1 year	4.98
Shaanxi jinrunda Real Estate Development Co., Ltd	Factoring payment	18,463,554.00	Within 1 year	3.66
<b>Total</b>		<b>370,244,108.48</b>		<b>73.36</b>

- e) The provision for bad debts in the current period: the provision for bad debts in the current period is 21,563,763.84 yuan; the provision for bad debts in the current period is 0 yuan.
- f) There is no arrears of shareholders holding more than 5% (including 5%) of the company's shares and other related parties in the accounts receivable.

g) There is no actual write-off of accounts receivable in the current period.

## 5. Prepayments

Aging	Ending amount		Beginning amount	
	Amount	ratio ( % )	Amount	ratio ( % )
Within 1 year	670,640,814.06	32.70	1,010,584,371.02	41.54
1 to 2 years	173,827,276.14	8.47	358,875,064.50	14.75
2 to 3 years	326,387,514.71	15.91	1,013,886,152.94	41.67
Over 3 years	880,334,412.79	42.92	49,713,179.46	2.04
<b>Total</b>	<b>2,051,190,017.70</b>	<b>100.00</b>	<b>2,433,058,767.92</b>	<b>100</b>

(1). The reasons for not timely settlement of the important prepayment in excess of one year:

Company name	Amount	Time occurrence	Reason
Baoji High-tech Industrial Development Zone	198,706,871.76	over 3 years	Settlement by contract
Beijing property rights Bats Exchange Inc	110,208,826.90	1-2 years	Earnest money for land
Baoji Gaoxin Garden Sanitation Municipal Construction Management Co., Ltd.	88,000,000.00	2- 3 years	Settlement by contract
Development and Construction Management Committee of Panlong new district, Baoji	69,000,000.00	2-3 years	Earnest money for land
Baoji Huaxia (Group) Real Estate Development Co., Ltd	52,397,245.38	1-2 years /2-3 years/ over 3 years	Settlement by contract
<b>Total</b>	<b>518,312,944.04</b>		--

(2). Top 5 units of Prepayment

Company name	Amount	Time occurrence
Baoji High-tech Industrial Development Zone	198,706,871.76	over 3 years
Beijing property rights Bats Exchange Inc	110,208,826.90	1-2 years
Development and Construction Management	69,000,000.00	2-3 years



Committee of Panlong new district, Baoji		
Baoji Gaoxin Garden Sanitation Municipal Construction Management Co., Ltd.	88,000,000.00	1 to 2 years
Baoji Huaxia (Group) Real Estate Development Co., Ltd	52,397,245.38	1-2 years /2-3 years/ over 3 years
<b>Total</b>	<b>518,463,444.04</b>	--

(3). In the current period, there are no prepayments to shareholders or related parties who hold 5% or more voting shares of the Group.

## 6. Other receivables

	<i>Ending amount</i>	<i>Beginning amount</i>
Interest receivable	323,220,834.53	239,176,519.71
Dividend receivable	6,266.91	878.18
Other accounts receivable	7,507,814,482.18	9,267,329,792.31
<b>Total</b>	<b>7,831,041,583.62</b>	<b>9,506,507,190.20</b>

### (1). Interest receivable

	<i>Ending amount</i>	<i>Beginning amount</i>
Fixed time deposits		11,475,000.00
Interest on loan	124,251,760.99	110,701,716.78
Entrusted loans	198,969,073.54	100,216,469.60
Bond investment		16,783,333.33
<b>Total</b>	<b>323,220,834.53</b>	<b>239,176,519.71</b>

### (2). Dividend receivable

	<i>Ending amount</i>	<i>Beginning amount</i>
Dividends available for sale of financial assets	6,266.91	878.18
<b>Total</b>	<b>6,266.91</b>	<b>878.18</b>

### (3). Other accounts receivable

	<i>Closing balance</i>			
	<i>Book Value</i>		<i>Provision for bad and doubtful debts</i>	<i>Carrying amount</i>
	<i>Amount</i>	<i>(%)</i>	<i>Amount</i>	<i>(%)</i>
Individually significant and				0%

assessed for impairment individually					
Collectively assessed for impairment based on credit risk characteristics	8,276,955,349.09	99.98	769,968,323.41	9.30	7,506,987,025.68
Individually insignificant but assessed for impairment individually	1,754,374.96	0.02	926,918.46	52.83	827,456.50
	<b>8,278,709,724.05</b>	<b>100</b>	<b>770,895,241.87</b>		<b>7,507,814,482.18</b>

*Opening balance*

	<i>Book Value</i>		<i>Provision for bad and doubtful debts</i>		<i>Carrying amount</i>
	<i>Amount</i>	<i>(%)</i>	<i>Amount</i>	<i>(%)</i>	
Individually significant and assessed for impairment individually		0	-	0	
Collectively assessed for impairment based on credit risk characteristics	9,855,343,599.11	99.98	588,841,263.30	5.97	9,266,502,335.81
Individually insignificant but assessed for impairment individually	1,743,848.36	0.02	916,391.86	52.55	827,456.50
	<b>9,857,087,447.47</b>	<b>100.00</b>	<b>589,757,655.16</b>		<b>9,267,329,792.31</b>

- a) Other accounts receivable units with significant individual amount and provision for bad debts at the end of the period: None
- b) Other receivables with a provision for bad debts, though not significant at the end of the period:

	<i>Closing balance</i>	<i>Bad debt</i>
Changan Luo	123,267.36	123,267.36
Xi'an Huaqin Property Management Co., Ltd.	1,531,107.60	703,651.10

Baoji Tourism (Group) Co., Ltd.	100,000.00	100,000.00
<b>Total</b>	<b>1,754,374.96</b>	<b>926,918.46</b>

- c) In the credit portfolio, other receivables prepared for bad debts are calculated according to the age analysis method:

Aging	Closing balance			Opening balance		
	Book balance		Bad debt reserve	Book balance		Bad debt reserve
	Sum	%		sum	%	
Within 1 year	590,353,933.20	19.07		2,012,263,616.24	20.43	9,155,513.94
1 to 2 years	387,854,292.62	12.53	19,392,714.64	2,379,537,762.74	24.14	71,383,364.42
2 to 3 years	1,050,490,028.36	33.94	105,049,002.84	3,076,043,555.89	31.21	153,802,177.81
3 to 4 years	380,170,023.18	12.28	114,051,006.95	1,516,967,710.56	15.39	151,696,301.56
4 to 5 years	309,583,018.53	10.00	154,791,509.26	583,553,805.33	5.92	116,710,761.07
Over 5 years	376,684,089.72	12.18	376,684,089.72	286,977,148.35	2.91	86,093,144.50
<b>Total</b>	<b>3,095,135,385.61</b>	<b>100</b>	<b>769,968,323.41</b>	<b>9,855,343,599.11</b>	<b>100</b>	<b>588,841,263.30</b>

- d) Top 5 units of other accounts receivable

Company name	Nature of receivable	Sum	Aging	Proportion %
Baoji South railway station area demolition & resettlement construction headquarters	Construction fund	2,143,522,057.65	1-2 years/2-3 years/ 3-4 years/over 5 years	25.90
Baoji Geely Automobile Co., Ltd.	Borrowing	1,724,000,000.00	3-4 years/4-5 years/ over 5 years	20.83
Baoji Gaoxin Industry Development Corporation	Borrowing	614,231,657.40	2-3 years/3-4 years/ 4-5 years	7.42
Baoji Ruyi Yinxian Cultural Tourism Investment Management Co., Ltd.	Borrowing	364,483,105.55	2-3 years/3-4 years	4.40
Shaanxi Taibaishan Investment Group Co., Ltd.	Borrowing	318,000,000.00	Within 1 year /1-2 years	3.84
<b>Total</b>		<b>5,164,236,820.60</b>		<b>62.39</b>

e) The provision of bad debts in the current period:

The allowance for bad debts is 181,137,586.71yuan in the current period, and the allowance for recovering or transferring bad debts is 0.00 yuan in the current period.

f) In the other accounts receivable, there are no shareholders who hold more than 5%(including 5%) of the Group, and other related party units in arrears.

## 7. Inventory

(1). Inventory details:

	<i>Closing balance</i>			<i>Opening balance</i>		
	<i>Book value</i>	<i>Provision for impairment</i>	<i>Carrying amount</i>	<i>Book value</i>	<i>Provision for impairment</i>	<i>Carrying amount</i>
Raw materials	95,181,071.21		95,181,071.21	96,018,459.80		96,018,459.80
Inventory goods	2,334,245,822.11		2,334,245,822.11	1,455,021,506.28		1,455,021,506.28
Low-value consumables	168,866.21		168,866.21	168,866.21		168,866.21
In products	507,382.88		507,382.88	643,605.29		643,605.29
Construction	39,659,635.77		39,659,635.77	24,593,701.58		24,593,701.58
Development cost	11,432,049,881.83		11,432,049,881.83	11,175,249,076.40		11,175,249,076.40
<b>Total</b>	<b>13,901,812,660.01</b>		<b>13,901,812,660.01</b>	<b>12,751,695,215.56</b>		<b>12,751,695,215.56</b>

Note: The closing balance of development costs is 11,432,049,881.83 yuan, of which the capitalized interest balance is RMB 2,061,065,799.55

## 8. Non-current assets expiring within one year

	<i>Closing balance</i>	<i>Opening balance</i>
Held-to-maturity investments		1,000,000,000.00
<b>Total</b>		<b>1,000,000,000.00</b>

## 9. Other Current Assets



	<i>Closing balance</i>	<i>Opening balance</i>
Bank financial products	57,233,240.00	212,190,000.00
Value added tax retained	93,337,492.60	55,244,103.36
Corporate income tax payable in advance	2,079,302.52	2,079,302.52
Other taxes paid in advance	21,973,772.01	83,805,422.06
<b>Total amount</b>	<b>174,623,807.13</b>	<b>353,318,827.94</b>

(1). Financial products details:

	<i>Closing Book balance</i>
Shanty town reconstruction Industrial Bank Baoji branch 64090	3,210,000.00
Structured deposits (Industrial Bank) 64090	17,800,000.00
GF Securities makes more profit	20,223,240.00
GF Huibao No. 1 90 day period	16,000,000.00
<b>Total</b>	<b>57,233,240.00</b>

**10. Available-for-sale financial assets**

	<i>Ending amount</i>	<i>Beginning amount</i>
Available-for-sale financial assets with cost measure	748,297,175.24	300,100,000.00
Available-for-sale equity instruments		749,297,175.24
Including: Measured at fair value		
Measured by cost	748,297,175.24	749,297,175.24
other		
<b>Total</b>	<b>748,297,175.24</b>	<b>1,049,397,175.24</b>

(1). Sellable debt instruments

	<i>Ending amount</i>	<i>Beginning amount</i>
China Resources Trust Fund		- 300,000,000.00
financial products		10,100,000.00
<b>Total</b>		<b>310,100,000.00</b>

(2). Equity instruments available-for-sale with cost measure

	<i>Ending amount</i>	<i>Beginning amount</i>
Chang'an Bank co., Ltd	216,510,929.64	216,510,929.64
Shannxi Qi Shan Chang'an village bank co., Ltd.	4,506,900.00	4,506,900.00
Hanzhong Road Parking Lot	19,759,764.40	19,759,764.40
Shannxi financial asset management co., Ltd.	50,000,000.00	50,000,000.00
Baoji Ding xin assets management& development co., Ltd..	100,000.00	100,000.00
Baoji zhongshui new energy Co., Ltd	3,000,000.00	3,000,000.00
Baoji gaoxin industry development company	4,852,581.78	4,852,581.78
Baoji city urbanization construction fund	200,000,000.00	200,000,000.00
Shaanxi Investment and financing guarantee Co., Ltd.	106,475,807.54	106,475,807.54
Xi'an Waterfall Asset Management Co., Ltd.	1,007,854.17	1,007,854.17
Shaanxi Group Commercial Vehicle Co., Ltd.	140,000,000.00	140,000,000.00
Meixian Credit Cooperative		1,000,000.00
Xi'an Xigao Investment Yingshi Investment Fund Partnership (Limited Partnership)	2,083,337.71	2,083,337.71
<b>Total</b>	<b>748,297,175.24</b>	<b>749,297,175.24</b>

## 11. Held-to-maturity investment

### (1). Classification situation

	<i>Ending amount</i>	<i>Beginning amount</i>
Trust products	232,000,000.00	232,000,000.00
Entrust loans	334,765,175.00	5,152,013,848.88
Others	1,786,618,658.00	
<b>Total</b>	<b>2,353,383,833.00</b>	<b>5,384,013,848.88</b>

(2). Important hold-to-maturity investments

Item	Face value	Coupon rate	Actual interest rate	Due date
Changan Trust	232,000,000.00	6.90%	6.90%	2021/1/19
合 计	232,000,000.00			

Note: Changan Trust is the Changan Ning-haoqing Automobile Collective Fund Trust Plan of Zhejiang Geely Automobile Sales Co., Ltd., which is entrusted by Changan International Trust Co., Ltd. to subscribe.

**12. Long-term equity investment**

(1). Long-term equity investment classification

Item	Beginning amount	Increase in current	Decrease in current	Ending amount
Investment for subsidiary				
Investments in joint ventures				
Investments in associates	1,197,626,646.50	18,866,094.03		1,216,492,740.53
Sub-total	1,197,626,646.50	18,866,094.03		1,216,492,740.53
Less: Provision for impairment of Long-term equity investment				
Total	1,197,626,646.50	18,866,094.03		1,216,492,740.53

(2). Long-term equity investment details:

Investee	Beginning amount	Increase/Decrease in current period				
		Additional investment	Disinvestment	Investment income recognised under equity method	Other comprehensive income	other equity movement
Joint ventures:						
Sun-total						
Associates						
Shannxi Linbei coal industry development co., Ltd.	197,613,136.05			-16,525,597.59		
Baoji Zhong Sheng new building materials co., Ltd.	15,338,310.27			2,931,511.00		
Shannxi Fa Men Temple cultural development	518,956,644.55			-25,895,439.60		

Investee	Beginning amount	Increase/Decrease in current period				
		Additional investment	Disinvestment	Investment income recognised under equity method	Other comprehensive income	other equity movement
co., Ltd.						
Baoji Zhong Ran city gas development corporation	230,018,454.07			60,099,897.85		
Baoji Zhong Ran clean energy co., Ltd.	24,684,878.48			-1,654,225.05		
Shaanxi Tourism Group Qi Shan Zhou Culture Tourism Industry Development Co., Ltd	54,522,272.69			-1,929,189.07		
Baoji ChengTou underground pipeline co., Ltd.	9,500,000.00					
Baoji comprehensive bonded area investment and construction co Ltd.	3,923,036.11	6,000,000.00		-280,207.40		
Baoji BQT new energy co., Ltd.	11,156,278.94			-307,620.76		
Baoji big data LLC	2,130,943.90			467,023.47		
Shaanxi ejiter Manufacturing Technology Co., Ltd	2,753,033.49			-217,019.70		
Shaanxi xinhuicheng Industrial Development Co., Ltd	127,029,657.95			-8,120,572.62		
Shaanxi Xinrun JIAYE Real Estate Development Co., Ltd		100,000.00		4,197,533.50		
<b>Total</b>	<b>1,197,626,646.50</b>	<b>6,100,000.00</b>		<b>12,766,094.03</b>		

(Continued)

Investee	Increase or decrease in the current period			Ending amount	Shareholding ratio (%)
	Announcement of cash dividends or profits	Provision for impairment reduction	Others		



Joint ventures:					
Sub-total					
Associates					
Shannxi Lin Bei coal industry developmentco.,Ltd.				181,087,538.46	26
Baoji Zhong Sheng new building materials co., Ltd.				18,269,821.27	37.5
ShannxiFamen Temple cultural development co., Ltd.				493,061,204.95	43 75
Baoji Zhong Ran city gas developmentcorporation				290,118,351.92	36
Baoji Zhong Ran clean energy co., Ltd.				23,030,653.43	49
Shaanxi Tourism Group Qi Shan Zhou Culture Tourism Industry Development Co., Ltd				52,593,083.62	23.81
Baoji ChengTou underground pipeline co., Ltd.				9,500,000.00	48.72
Baoji comprehensive bonded area investment and construction co Ltd.				9,642,828.71	40
Baoji BQT new energy co., Ltd.				10,848,658.18	40

Baoji big data LLC				2,597,967.37	45
Shaanxi ejiter Manufacturing Technology Co., Ltd				2,536,013.79	30
Shaanxi Xinhui Honesty Industry Development Co., Ltd.				118,909,085.33	35
Shaanxi Xinrun JIAYE Real Estate Development Co., Ltd				4,297,533.50	30
<b>Total</b>				<b>1,216,492,740.53</b>	

Note: The increased registered capital of Shaanxi Xinrun JIAYE Real Estate Development Co., Ltd. in the current period is RMB 30 million, with a shareholding ratio of 30%.

### 13. long-term receivables

	<i>Ending amount</i>	<i>Beginning amount</i>
Financing lease		
Payment by instalments for providing services		
Others	5,433,301,901.71	
<b>Total</b>	<b>5,433,301,901.71</b>	

Note: The ending balance of long-term receivables is the amount collected and paid by China Development Bank.

### 14. Investment properties

#### (1). Investment real estate using cost measurement model:

<i>Item</i>	<i>Building</i>	<i>Land use rights</i>	<i>Construction in progress</i>	<i>Total</i>
cost				
Beginning amount	1,473,914.79			1,473,914.79
Additions during the year				
Purchase				
Transferred to inventory, fixed assets, construction in				

progress				
Other increases				
Decrease during the period				
Disposal				
.Other transfers				
Ending amount	1,473,914.79			1,473,914.79
Accumulated depreciation & amortization				
Beginning amount	186,695.86			186,695.86
Additions during the year	46,673.96			46,673.96
Depreciation /amortization	46,673.96			46,673.96
Other transferred				
Decrease during the year				
Disposal				
Other transfers				
Ending amount	233,369.82			233,369.82
Provision for impairment				
Beginning amount				
Additionsduring the year				
Provision for impairment reduction				
Others				
Decrease during the year				
Disposal				
Other transfers				
Ending amount				
Book value				
Ending book value	1,240,544.97			1,240,544.97
Beginning book value	1,287,218.93			1,287,218.93

## 15. Fixed assets

(1). The Group's fixed assets are as follows:

Item	buildings& fixture	Machinery & equipment	Transport equipment	Electronic equipment	Office equipment	Road & bridge infrastructure	Pipe Network facilities	Others	Total
Original value of fixed assets									
Beginning amount	2,498,388,003.11	415,177,614.04	402,405,491.9 6	5,757,930.71	35,379,142.60	776,278,670.85	1,445,861,457.03	2,878,106,060.84	8,457,354,371.1 4
Additions during the year	74,631,191.98	16,128,224.66	85,505,560.38	1,624,336.25	3,330,201.67	0.00	463,178,264.95	1,010,282.78	645,408,062.67
Purchase	56,696,371.02	8,596,576.73	1,743,437.54	682,733.42	3,330,201.67	0.00	0.00	1,010,282.78	72,059,603.16
Transferred from Construction in process	17,934,820.96	7,198,727.58	83,762,122.84	941,602.83	0.00	0.00	349,316,876.77	0.00	459,154,150.98
Other increase	0.00	332,920.35	0.00	0.00	0.00	0.00	113,861,388.18	0.00	114,194,308.53
Current decrease	3,091,565.13	-1,975,891.03	527,113.51	1,326.00	75,878.04	0.00	79,873,719.85	204,473.36	81,798,184.86
Disposal /abandonmen t	3,068,586.03	56,265.27	592,516.51	1,326.00	85,778.04	0.00	6,249,888.46	204,473.36	10,258,833.67
Other transfer	22,979.10	-2,032,156.30	-65,403.00	0.00	-9,900.00	0.00	73,623,831.39	0.00	71,539,351.19



Item	buildings& fixture	Machinery & equipment	Transport equipment	Electronic equipment	Office equipment	Road & bridge infrastructure	Pipe Network facilities	Others	Total
Ending amount	2,569,927,629.96	433,281,729.73	487,383,938.8 3	7,380,940.96	38,633,466.23	776,278,670.85	1,829,166,002.13	2,878,911,870.26	9,020,964,248.9 5
Accumulated depreciation									
Beginning amount	667,076,051.78	273,905,878.51	272,154,176.1 9	2,636,279.26	25,119,167.06	170,916,392.52	730,255,474.30	541,021,015.60	2,683,084,435.2 2
Additions during the year	67,678,301.10	19,725,680.42	47,718,216.87	718,052.08	2,395,187.17	16,827,575.60	102,960,101.89	43,400,302.53	301,423,417.66
Provision	67,678,301.10	19,725,680.42	47,718,216.87	718,052.08	2,395,187.17	16,827,575.60	102,960,101.89	43,400,302.53	301,423,417.66
Other increase	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Current decrease	1,259,805.50	-737,774.65	390,776.53	571.64	669,476.56	0.00	72,280,157.90	201,054.57	74,064,068.05
Disposal	1,259,805.50	55,452.60	412,607.45	571.64	83,210.25	0.00	5,730,266.84	201,054.57	7,742,968.85
Other transfer	0.00	-793,227.25	-21,830.92	0.00	586,266.31	0.00	66,549,891.06	0.00	66,321,099.20
Ending amount	733,494,547.38	294,369,333.58	319,481,616.5 3	3,353,759.70	26,844,877.67	187,743,968.12	760,935,418.29	584,220,263.56	2,910,443,784.8 3
Impairment loss									
Opening amount									

Item	buildings& fixture	Machinery & equipment	Transport equipment	Electronic equipment	Office equipment	Road & bridge infrastructure	Pipe Network facilities	Others	Total
Current increase									
provision									
Current decrease									
Disposal									
Ending amount									
Book value									
Ending book value	1,836,433,082.58	138,912,396.15	167,902,322.3 0	4,027,181.26	11,788,588.56	588,534,702.73	1,068,230,583.84	2,294,691,606.70	6,110,520,464.1 2
Beginning book value	1,831,311,951.33	141,271,735.53	130,251,315.7 7	3,121,651.45	10,259,975.54	605,362,278.33	715,605,982.73	2,337,085,045.24	5,774,269,935.9 2

- (2). Mortgage of fixed assets at the end of the reporting period: None
- (3). There is no provision for impairment at the end of the period when the amount that cannot be recovered is lower than the book value.
- (4). As of December 31, 2020 the original value of public welfare assets was 4,959,814,337.40 yuan, with a total depreciation of 1,027,576,619.94yuan and a net value of 3,932,237,717.46 yuan.

Non-profit assets	Item	Original value	Depreciation	Net value
Fengjiashan Reservoir	Other	2,848,779,974.55	569,755,994.91	2,279,023,979.64
Wolong Temple Weihe Bridge	Road & bridge infrastructure	48,898,900.00	9,915,610.28	38,983,289.72
Phoenix Bridge	Road & bridge infrastructure	75,089,600.00	15,226,502.22	59,863,097.78
Ecological governance of Weihe City	Road & bridge infrastructure	114,031,410.50	19,819,745.16	94,211,665.34
Flood control and ecological control of the Jinling River estuary	Road & bridge infrastructure	12,616,197.14	2,192,815.22	10,423,381.92
Flood control and ecological management of Qingjiang River estuary	Road & bridge infrastructure	17,954,502.46	3,120,663.52	14,833,838.94
Urban river improvement project	Road & bridge infrastructure	2,933,496.46	509,869.62	2,423,626.84
Administrative Center No. 12367	buildings& fixture	854,908,956.00	175,833,149.01	679,075,806.99
Administration Center Building 45	buildings& fixture	162,255,636.00	33,371,880.39	128,883,755.61
Logistics Park Convention and Exhibition Center	buildings& fixture	317,591,100.00	60,871,627.50	256,719,472.50
Futan Bridge	Road & bridge infrastructure	51,429,033.19	10,428,665.06	41,000,368.13
Panlong Bridge (Daijiawan Weihe Bridge)	Road & bridge infrastructure	118,014,581.94	23,930,734.67	94,083,847.27
Futan Bridge and Daima Bridge	Road & bridge infrastructure	318,496,355.43	101,758,632.69	216,737,722.74

Greening along the railway and the triangle	Road & bridge infrastructure	13,358,323.90	667,916.20	12,690,407.70
North Side Road	Road & bridge infrastructure	3,456,269.83	172,813.49	3,283,456.34
<b>Total</b>		<b>4,959,814,337.40</b>	<b>1,027,576,619.94</b>	<b>3,932,237,717.46</b>

## 16. Construction inprogress

### (1). Construction in progress situation:

Item	Ending amount			Beginning amount		
	Carrying amount	Provision for impairment	Book value	Carrying amount	Provision for impairment	Book value
Heat pipe network facilities	321,908,301.70		321,908,301.70	447,159,989.69		447,159,989.69
Road & bridge infrastructure construction	3,285,540,856.50		3,285,540,856.50	2,928,443,376.38		2,928,443,376.38
Water supply pipe network	72,921,524.10		72,921,524.10	254,803,433.50		254,803,433.50
Bus station	10,892,311.60		10,892,311.60	10,637,688.56		10,637,688.56
Gas station	38,528,050.77		38,528,050.77	10,029,568.70		10,029,568.70
Landfill engineering	152,652,264.19		152,652,264.19	151,889,005.08		151,889,005.08
Reclaimed water reuse expansion engineering	1,733,036.39		1,733,036.39	1,975,541.08		1,975,541.08
Industrial park	155,813.18		155,813.18	155,882.82		155,882.82
Public toilets of the sanitation department	682,936.83		682,936.83	682,936.83		682,936.83
Baoji Grand Theater	650,815,557.13		650,815,557.13	166,251,237.11		166,251,237.11
Other projects	220,586,847.34		220,586,847.34	120,711,327.06		120,711,327.06
Engineering materials	27,586,383.95		27,586,383.95	14,246,909.13		14,246,909.13
<b>Total</b>	<b>4,784,003,883.68</b>		<b>4,784,003,883.68</b>	<b>4,106,986,895.94</b>		<b>4,106,986,895.94</b>

Note: No provision for impairment is made because there is no recoverable amount below the book value at the end of the period.

**(2). Engineering materials**

	<i>Ending amount</i>	<i>Beginning amount</i>
Uninstalled equipment		
Engineering materials	27,586,383.95	14,246,909.13
<b>Total</b>	<b>27,586,383.95</b>	<b>14,246,909.13</b>

**(3). As of December 31, 2020, the construction in progress includes**

**3324420555.33 yuan of public welfare assets**

	<i>Ending amount</i>	<i>Book value</i>
Road and bridge		
infrastructure	3,285,540,856.50	3,285,540,856.50
construction		
Others	38,879,698.83	38,879,698.83
<b>Total</b>	<b>3,324,420,555.33</b>	<b>3,324,420,555.33</b>

**17. Intangible assets**

<i>Item</i>	<i>Land use right</i>	<i>software</i>	<i>Proprietary right</i>	<i>Others</i>	<i>Total</i>
Original book value					
Beginning amount	447,115,786.42	4,369,819.03	26,000,000.00	561,232.80	478,046,838.25
Current increase	8,457,929.03	2,247,277.69			10,705,206.72
Purchase	8,457,929.03	2,247,277.69			10,705,206.72
Internal research & Development					
Corporate merger increase					



Other increases					
Current decrease	5,124,022.03				5,124,022.03
Disposal	5,124,022.03				5,124,022.03
Other transfers					
Ending amount	450,449,693.42	6,617,096.72	26,000,000.00	561,232.80	483,628,022.94
Accumulated amortization					
Beginning amount	89,267,394.87	1,127,565.29	26,000,000.00	561,232.80	116,956,192.96
Current Increases	8,678,706.51	1,020,664.19			9,699,370.70
Provision	8,678,706.51	1,020,664.19			9,699,370.70
Other increase	-	-	-	-	-
Current decrease	538,837.26				538,837.26
Disposal	538,837.26				538,837.26
Other decrease					
Ending amount	97,407,264.12	2,148,229.48	26,000,000.00	561,232.80	126,116,726.40
Provision impairment					
Beginning amount					
Current increase					
Provision					
Other increases					
Current decrease					
Disposal					
Other decrease					
Ending amount					
Book value					
Ending book value	353,042,429.30	4,468,867.24	0.00	0.00	357,511,296.54
Beginning book value	357,848,391.55	3,242,253.74	0.00	0.00	361,090,645.29

## 18. Goodwill

<i>Name of investee or events from which goodwill arose</i>	<i>Beginning amount</i>	<i>Current increase</i>	<i>Current decrease</i>	<i>Ending amount</i>
Book value	<b>118,482,738.72</b>			<b>118,482,738.72</b>
Feng Xian gas company.	5,382,048.51			5,382,048.51
Xi'an Qixing Real Estate Development Co., Ltd.	113,100,690.21			113,100,690.21
Impairment provision total				
Feng Xian gas company				
Xi'an Qixing Real Estate Development Co., Ltd.				
Book value total	<b>118,482,738.72</b>			<b>118,482,738.72</b>
Feng Xian gas company	5,382,048.51			5,382,048.51
Xi'an Qixing Real Estate Development Co., Ltd.	113,100,690.21			113,100,690.21

Note: The subsidiary Baoji Natural Gas Co., Ltd. acquired all the equity of fengxian'an Gas Industry Co., Ltd. in 2013, and the part whose transfer price is higher than the fair value is included in the goodwill. There is no sign of impairment after testing this year. In 2018, the subsidiary zhongbaoda Industrial Investment Co., Ltd. acquired all the equity of Xi'an Qixing Real Estate Development Co., Ltd. in a debt bearing manner, and the part with the transfer price higher than the fair value was included in the goodwill, and there was no sign of impairment after testing this year.

## 19. Long-term deferred expenses

<i>Item</i>	<i>Beginning amount</i>	<i>Current Increase</i>	<i>Current amortization</i>	<i>Other Decrease</i>	<i>Ending amount</i>	<i>Reason of other decrease</i>
Site use fee	2,816,070.04		109,264.70		2,706,805.34	
Financing Guarantee Fee	10,173,756.70		3,748,233.46		6,425,523.24	
Office Decoration	6,365,819.40	1,132,432.84	778,531.86		6,719,720.38	
Stereo garage inspection fee	13,389.20	350,995.96	184,996.24		179,388.92	
Rental fee	45,560.00		24,644.00		20,916.00	
Others	1,270,566.23	14,702,045.03	14,870,751.35		1,101,859.91	
<b>Total</b>	<b>20,685,161.57</b>	<b>16,185,473.83</b>	<b>19,716,421.61</b>		<b>17,154,213.79</b>	

## 20. Deferred tax assets and deferred tax liabilities

<i>Item</i>	<i>Ending amount</i>		<i>Beginning amount</i>	
	<i>Deferred income tax assets</i>	<i>Deductible temporary difference</i>	<i>Deferred income tax assets</i>	<i>Deductible temporary differences</i>
Deferred tax assets	<b>77,124,014.35</b>	<b>416,934,810.65</b>	<b>46,310,360.86</b>	<b>308,735,739.07</b>
Impairment of assets	77,124,014.35	416,934,810.65	46,310,360.86	308,735,739.07
Start-up fee				
Deductible loss				
Changes in fair value of available-for-sale financial assets				
Unrealized profits from internal transactions				
Tax				
Other				
Deferred income tax liabilities	<b>117,814,183.23</b>	<b>471,256,732.92</b>	<b>120,152,794.26</b>	<b>480,611,177.04</b>

<i>Item</i>	<i>Ending amount</i>		<i>Beginning amount</i>	
	<i>Deferred income tax assets</i>	<i>Deductible temporary difference</i>	<i>Deferred income tax assets</i>	<i>Deductible temporary differences</i>
Valuation of trading financial instruments and derivative financial instruments				
Changes in fair value of available-for-sale financial assets included in other comprehensive income				
Changes in fair value of financial assets included in other comprehensive income (new standard applies)				
Changes in fair value of investment real estate				
Other	117,814,183.23	471,256,732.92	120,152,794.26	480,611,177.04

## 21. Other non-current assets

<i>Item</i>	<i>Ending amount</i>	<i>Beginning amount</i>
Advance payment for works	30,750.00	30,750.00
Prepayment of land		
loan by mandate		200,000,000.00
Total	30,750.00	200,030,750.00

## 22. Short-term loans

### (1). Loan type

<i>Item</i>	<i>Ending amount</i>	<i>Beginning amount</i>
Pledge loan		
Mortgage loan	60,000,000.00	
Guaranteed loan	1,137,000,000.00	359,000,000.00
Debt of Honor	100,000,000.00	
<b>Total</b>	<b>1,297,000,000.00</b>	<b>359,000,000.00</b>

(2). The details of Current loan

<i>Name of loan units</i>	<i>Borrowing amount</i>	<i>life of loan</i>	<i>Annual interest( %)</i>
Industrial Bank Baoji branch	300,000,000.00	2020/9/2-2021/9/1	4.90
Hengfeng bank Baoji branch	120,000,000.00	2020/6/30-2021/6/29	5.00
Baoji branch of China CITIC Bank	200,000,000.00	2020/9/17-2021/9/16	4.98
Bohai bank Xi'an Branch Business Department	50,000,000.00	2020/10/14-2021/10/13	4.51
Bohai bank Xi'an Branch Business Department	50,000,000.00	2020/12/18-2021/12/17	5.00
China CITIC Bank Baoji Park Road sub branch	52,000,000.00	2020/9/30-2021/9/20	4.80
China CITIC Bank Baoji Park Road sub branch	45,000,000.00	2020/10/15-2021/9/20	4.80
Zheshang Bank Xi'an Branch	10,000,000.00	2020/5/25-2021/5/24	4.90
Shaanxi Baoji Jintai Rural Commercial Bank Co., Ltd	40,000,000.00	2020/6/18-2021/6/17	6.60
Xi'an Bank Co., Ltd. Baoji Branch	200,000,000.00	2020/9/29-2021/9/28	4.30
Baoji branch of Chang'an Bank Co., Ltd	180,000,000.00	2020/6/28-2021/6/27	8.50
Xi'an international land port commercial factoring Co., Ltd	50,000,000.00	2020/9/15-2021/9/14	9.50
<b>Total</b>	<b>1,297,000,000.00</b>		

**23. Notes payable**

<i>Item</i>	<i>Closing Balance</i>	<i>Opening balance</i>
-------------	------------------------	------------------------



trade acceptance	3,010,643,445.47	
Bank acceptance	1,256,210.00	1,168,529,839.41
<b>Total</b>	<b>3,011,899,655.47</b>	<b>1,168,529,839.41</b>

Account age	Ending amount		Beginning amount	
	Amount	Percent(%)	Amount	Percent(%)
Within 1 year (including 1 year)	290,133,031.51	47.36	449,396,486.06	75.96
1-2 years ( including 2 years )	229,509,173.84	37.46	65,466,719.22	11.07
2-3 years (including 3 years)	38,989,965.46	6.36	39,319,654.18	6.65
Over 3 years	54,028,732.49	8.82	37,417,642.76	6.32
<b>Total</b>	<b>612,660,903.30</b>	<b>100</b>	<b>591,600,502.22</b>	<b>100</b>

#### 24. Accounts payable

There are no payable of shareholders units who hold more than 5%(include 5%) voting shares of the Group Company in the ending balance of accounts payable.

##### (1). Top 5 the Ending amount

<i>Parties Name</i>	<i>Ending amount</i>
Zhejiang Geely new energy Commercial Vehicle Development Co., Ltd	48,720,000.00
Shanxi New Energy Automobile Industry Co., Ltd.	26,026,000.00
Baoji zhongran Compressed Natural Gas Co., Ltd	26,590,708.11
Baoji urban construction engineering company	24,352,460.91
Baoji Chengyu Real Estate Development Co., Ltd	21,826,398.72
<b>Total</b>	<b>147,515,567.74</b>

## 25. Advance payment

### (1). Category

<i>Item</i>	<i>Ending amount</i>	<i>Beginning amount</i>
Advance payment for goods	801,512,411.37	1,298,411,671.93
<b>Total</b>	<b>801,512,411.37</b>	<b>1,298,411,671.93</b>

(2). There are no prepayments to shareholders who hold 5% or more voting shares of the Group Company in the current balances.

(3). In the current balance, no settled unfinished project payment has been made for the construction contract.

(4). There is no advance payment of related party in the end of this report period.

(5). A large amount of advance payment those are more than 1 year at the end of the account

<i>Parties name</i>	<i>Amount</i>	<i>Account age</i>	<i>Arrears content</i>
Trade Union Committee of Baoji Cigarette Factory	68,308,597.00	1-2 years	Advance payment
<b>Total</b>	<b>68,308,597.00</b>		

### (6). Aging Analysis

<i>Account age</i>	<i>Ending amount</i>		<i>Beginning amount</i>	
	<i>amount</i>	<i>Percent a(%)</i>	<i>amount</i>	<i>Percent a(%)</i>
Within 1 year ( including1 year )	419,737,592.54	52.37	491,226,236.63	37.83
1-2 years (including 2 years )	129,151,944.96	16.11	140,328,217.21	10.81
2-3 years (including 3 years)	45,291,594.43	5.65	518,980,800.69	39.97
Over 3 years	207,331,279.44	25.87	147,876,417.40	11.39
<b>Total</b>	<b>801,512,411.37</b>	<b>100</b>	<b>1,298,411,671.93</b>	<b>100</b>

## 26. Employee compensation

(1). Employee benefits payable:

<i>Item</i>	<i>Beginning amount</i>	<i>Current increase</i>	<i>Current decrease</i>	<i>Ending amount</i>
Short-term employee benefits	21,084,919.06	392,712,847.75	393,682,149.22	20,115,617.59
Post-employment benefits	469,456.25	18,395,177.29	18,391,020.27	473,613.27
Termination benefits				0.00
Other benefits due within 1 year				0.00
<b>Total</b>	<b>21,554,375.31</b>	<b>411,108,025.04</b>	<b>412,073,169.49</b>	<b>20,589,230.86</b>

(2). Short-term employee benefits

<i>Item</i>	<i>Beginning amount</i>	<i>Current increase</i>	<i>Current decrease</i>	<i>Ending amount</i>
Salaries, bonuses, allowances and subsidies	19,756,444.25	314,013,187.65	314,233,927.86	19,535,704.04
Employee benefits	10,299.93	26,020,188.29	25,973,181.26	57,306.96
Social insurance premium	-75,563.77	9,149,133.63	9,160,384.22	-86,814.36
Including: Medical insurance premium	-75,563.77	8,827,400.09	8,838,506.52	-86,670.20
Supplementary medical insurance premium	0.00	53,892.00	53,892.00	0.00
Industrial injury insurance premium	0.00	255,054.93	255,199.09	-144.16
Maternity insurance premium	0.00	12,786.61	12,786.61	0.00
Housing fund	97,671.94	35,431,837.32	35,508,460.60	21,048.66
Employee union and education expenses	1,296,066.71	7,922,066.81	8,629,761.23	588,372.29
Short-term compensated absences	0.00	0.00	0.00	0.00
Short-term profit sharing plan	0.00	0.00	0.00	0.00
Non-monetary benefits	0.00	176,434.05	176,434.05	0.00
<b>Total</b>	<b>21,084,919.06</b>	<b>392,712,847.75</b>	<b>393,682,149.22</b>	<b>20,115,617.59</b>

(3). Defined contribution plans

<i>Item</i>	<i>Beginning amount</i>	<i>Current increase</i>	<i>Current decrease</i>	<i>Ending amount</i>
Basic endowment insurance	234,703.01	11,692,161.80	11,673,144.63	253,720.18
Unemployment insurance	-57,468.64	147,835.49	148,279.64	-57,912.79
Enterprise annuity payment	292,221.88	6,554,680.00	6,569,096.00	277,805.88
Commercial insurance		500.00	500.00	0.00
<b>Total</b>	<b>469,456.25</b>	<b>18,395,177.29</b>	<b>18,391,020.27</b>	<b>473,613.27</b>

**27. Payable taxes**

<i>Item</i>	<i>Ending amount</i>	<i>Beginning amount</i>
Value-added tax	16,779,842.72	9,671,220.01
Corporate income tax	177,609,871.23	166,114,689.26
Urban maintenance and construction tax	2,263,405.71	1,944,216.07
Property tax	1,153,168.06	1,193,763.01
Land use tax	641,737.23	567,556.29
Stamp tax	1,466,825.49	1,293,667.98
Individual income tax	107,138.64	225,497.75
Resource tax	5,049,027.93	4,994,080.57
Increment tax on land value	234,276.57	99,627.13
Educational surcharge	995,521.98	863,356.03
Additional to local education expenses	618,210.64	522,003.99
Water conservancy fund	569,753.32	976,735.10
Residual fund	3,636.06	6,085.87
Other taxes and fees	724,574.51	636,927.27
<b>Total</b>	<b>208,216,990.09</b>	<b>189,109,426.33</b>

**28. Other payables**

	<i>Ending amount</i>	<i>Beginning amount</i>
Interest payable	394,042,863.46	378,301,224.36
Dividends payable		5,563,082.76
Other payables	2,428,167,237.93	2,544,061,067.65
<b>Total</b>	<b>2,822,210,101.39</b>	<b>2,927,925,374.77</b>

(1). Interest payable details

	<i>Ending amount</i>	<i>Beginning amount</i>
Interest on Long-term Loans Payable by Stages	18,440,552.05	12,472,907.36
Corporate bond interests	199,245,220.33	168,110,416.67
Short-term loans interests payable	176,357,091.08	197,717,900.33
<b>Total</b>	<b>394,042,863.46</b>	<b>378,301,224.36</b>

(2). Dividends payable details

	<i>Ending amount</i>	<i>Beginning amount</i>
Ordinary stock dividends		5,563,082.76
<b>Total</b>		<b>5,563,082.76</b>

(3). Other payables

a) Category

	<i>Ending amount</i>	<i>Beginning amount</i>
Other payables	2,428,167,237.93	2,544,061,067.65
<b>Total</b>	<b>2,428,167,237.93</b>	<b>2,544,061,067.65</b>

- b) There are no other payables to shareholders who hold 5% or more voting shares of the Group Company in the current balances.
- c) There is no other payables of related parties in the end of this report period.(Note. 9)



d) Details of other payables are as follows:

<i>Parties name</i>	<i>Amount</i>	<i>Account age</i>	<i>Reason which not been repaid or transferred for more than one year.</i>
Baoji city underground pipe gallery Co., Ltd	609,500,000.00	2-3 years/over 3 years	Unsettled
Baoji City Finance Bureau	370,500,000.00	1-2 year/2-3 years	Exchange bonds
<b>Total</b>	<b>980,000,000.00</b>		

e) Aging Analysis

<i>Account age</i>	<i>Ending amount</i>		<i>Beginning amount</i>	
	<i>Amount</i>	<i>(%)</i>	<i>Amount</i>	<i>(%)</i>
Within 1 year(include)	1,662,634,459.43	68.47	1,408,157,920.15	55.35
1-2 years (including 2 years)	467,010,966.28	19.23	671,407,924.05	26.39
2-3 years (including 3 years)	116,556,512.54	4.80	334,415,338.74	13.14
Over 3 years	181,965,299.68	7.49	130,079,884.71	5.12
<b>Total</b>	<b>2,428,167,237.93</b>	<b>100.00</b>	<b>2,544,061,067.6</b>	<b>100</b>

## 29. Non-Current Liabilities Due within one Year

(1). Details of non-current liabilities

	<i>Ending amount</i>	<i>Beginning amount</i>
Long-term loan due within 1 year	839,000,000.00	1,377,700,000.00
Bonds payable due within 1 year	1,517,469,698.15	1,000,000,000.00
Long-term payable due within 1 year		
<b>Total</b>	<b>2,356,469,698.15</b>	<b>2,377,700,000.00</b>

(2). Details of long-term Loans due within one year

a) Pledge loan

<i>Name of loan units</i>	<i>Borrowing amount</i>	<i>Life of loan</i>	<i>Annual interest rate</i>	<i>Pledge matter</i>
Shaanxi Branch of China Development Bank	60,000,000.00	2013/11/29-2022/9/25	4.9	Pledge of accounts receivable
Bank of Beijing	42,000,000.00	2016/4/18-2024/4/18	4.75	Fugu Quanxing coal electricity Magnesium Industry Co., Ltd. pledged the equity of Xi'an Qixing Real Estate Development Co., Ltd
<b>Total</b>	<b>102,000,000.00</b>			

b) Guaranteed loan

<i>Name of loan units</i>	<i>Borrowing amount</i>	<i>Life of loan</i>	<i>Annual interest rate</i>	<i>Mortgaged property</i>
Minsheng Bank Baoji branch	140,000,000.00	2019/11/26-2021/11/26	5.3	Shaanxi Taibaishan Investment Group Co., Ltd
Hengfeng bank Baoji branch	269,500,000.00	2018/6/28-2021/6/27	5.985	Shaanxi Taibaishan Investment Group Co., Ltd
Xi'an Bank Co., Ltd. Baoji Branch	500,000.00	2020/3/31-2023/3/20	4.98	Xi'an hi tech Industry Development Corporation
Changan Bank Baoji Chuangxin Road branch	95,000,000.00	2016/3/22-2020/3/18	7	Baoji Gaoxin Industry Development

Baoji branch of ICBC	50,000,000.00	2020/10/15-2028/10/14	4.3	Corporation Baoji Investment (Group) Co., Ltd.
China agricultural development key construction fund Co., Ltd	60,000,000.00	2015/12/30-2025/12/30	1.2	Baoji Investment (Group) Co., Ltd.
<b>Total</b>	<b>561,000,000.00</b>			

c) Mortgage loan

<i>Name of loan units</i>	<i>Borrowing amount</i>	<i>Life of loan</i>	<i>Annual interest rate</i>	<i>Pawn</i>
Shaanxi Branch of China Development Bank	60,000,000.00	2013/11/29-2022/9/25	4.9	Land & construction in progress
<b>Total</b>	<b>60,000,000.00</b>			

d) Credit loan

<i>Name of loan units</i>	<i>Borrowing amount</i>	<i>Life of loan</i>	<i>Annual interest rate</i>
Huaxia Bank Co., Ltd. Xi'an Branch	100,000,000.00	2016/11/30-2024/11/30	4.9834
China Construction Bank Baoji high tech Avenue sub branch	16,000,000.00	2020/5/15-2028/5/14	4.3
<b>Total</b>	<b>116,000,000.00</b>		

Details of bonds payable due within one year

bonds	par value	issue date	deadline	amount	Opening balance	Premium amortization	Closing balance
16 Baotou 01	1,000,000,000.00	2016/3/25	60 months	992,500,000.00	998,250,000.00	1,500,000.00	999,750,000.00
Overseas debt	544,584,600.00	2018/12/18	36 months	538,108,574.45	547,437,769.63	-29,718,071.48	517,719,698.15

30. Long-term Loans

(1). Long-term loans type

	<i>Ending amount</i>	<i>Beginning amount</i>
Pledge loan	6,752,040,000.00	6,909,830,000.00
Mortgage loan	60,000,000.00	44,000,000.00
Guaranteed loan	2,243,500,000.00	945,480,000.00
Debt of Honor	2,499,387,666.67	9,482,836,486.67
<b>Total</b>	<b>11,554,927,666.67</b>	<b>17,382,146,486.67</b>

(2). Pledge loan

<i>Name of loan units</i>	<i>Borrowing amount</i>	<i>Life of loan</i>	<i>Pledge</i>
Construction Bank Baoji Jintai Branch	384,000,000.00	2017/5/26-2037/5/27	All rights and benefits under development projects
Agricultural Bank of China Baoji Jintai District Sub-branch	1,112,080,000.00	2017/1/23-2036/11/19	All rights and benefits under development
Everbright Bank Baoji Branch	440,620,000.00	2017/6/9-2036/11/19	All rights and benefits under development
ICBC Baoji Branch	338,000,000.00	2017/6/20-2032/6/9	All rights and benefits under development
China Agricultural Development Bank Baoji Branch	507,100,000.00	2017/5/29-2037/12/11	All rights and benefits under development
China Development Bank Affordable Housing Construction Loan	928,150,000.00	2016/6/24-2041/05/10	Accounts receivable related to development projects
China Development Bank Affordable Housing Construction Loan	687,090,000.00	2016/12/2-2041/5/10	Accounts receivable related to development projects
Industrial Bank Baoji Branch	2,130,000,000.00	2016/7/29-2034/7/28	All rights and benefits under development
Beijing bank	105,000,000.00	2016/4/18-2024/4/18	Qixing estate eqity
Shaanxi Branch of China Development Bank	120,000,000.00	2013/11/29-2022/9/25	Pledge of accounts receivable
<b>Total</b>	<b>6,752,040,000.00</b>		

(3). Mortgage loan

<i>Name of loan units</i>	<i>Borrowing amount</i>	<i>Life of loan</i>	Mortgaged property
Shaanxi Branch of China Development Bank	60,000,000.00	2013/11/29-2022/9/25	Construction project under construction
<b>Total</b>	<b>60,000,000.00</b>		

(4). Guaranteed loan

<i>Name of loan units</i>	<i>Borrowing amount</i>	<i>Life of loan</i>	Guarantor
Agricultural Development Bank of China Baoji branch	840,000,000.00	2020/11/20-2035/11/19	Baoji Thermal Power Co., Ltd
China agricultural development key construction fund Co., Ltd	8,000,000.00	2015/12/31-2025/12/31	Baoji city development group co. Ltd.,
China agricultural development key construction fund Co., Ltd	16,000,000.00	2015/12/30-2025/12/30	Baoji city development group co. Ltd.,
Xi'an Bank baoji branch	197,000,000.00	2020/3/31-2023/3/20	Baoji city development group co. Ltd.,
Industrial and Commercial Bank of China Baoji branch	1,182,500,000.00	2020/10/9-2028/10/15	Baoji Hi-Tech Industry Development Corporation
<b>Total</b>	<b>2,243,500,000.00</b>		

(5). Credit loan

<i>Name of loan units</i>	<i>Borrowing amount</i>	<i>Life of loan</i>
Xi'an Bank baoji branch	135,000,000.00	2017/3/7-2022/3/6



Baoji City Finance Bureau	41,666,666.67	2015/1/21-2027/4/29
Wastewater Treatment Plant	27,000,000.00	
Huaxia Bank Co., Ltd. Xi'an Branch	1,100,000,000.00	2016/11/30-2024/11/30
Dongling Zinc Industry Co., Ltd.	54,721,000.00	2017/2/3-2022/2/2
Everbright Bank Baoji Branch	150,000,000.00	2019/2/22-2022/2/21
China Construction Bank Baoji high tech Avenue sub branch	206,000,000.00	2020/5/18-2028/5/17
China Construction Bank Baoji high tech Avenue sub branch	485,000,000.00	2020/5/26-2028/5/25
Xi'an Bank baoji branch	200,000,000.00	2020/12/28-2023/12/27
Xi'an Bank baoji branch	100,000,000.00	2020/6/28-2023/6/27
<b>Total</b>	<b>2,499,387,666.67</b>	

### 31. Bonds payable

#### (1). Bonds payable

	<i>Ending amount</i>	<i>Beginning amount</i>
No.16 Bao tou 01		998,250,000.00
2017 Third issue of corporate bonds	637,957,142.86	797,328,571.43
2017 second issue of corporate bonds	998,230,000.00	997,050,000.00
2017 medium-term notes	597,000,000.00	595,200,000.00
2018 Baocheng investment PPN001	496,750,000.00	495,250,000.00
2018 Baocheng investment MTN001	597,120,000.00	596,040,000.00
2018 Baocheng investment PPN002	495,750,000.00	494,250,000.00
Foreign debt		547,437,769.63
2019 Baocheng investment PPN001	198,050,000.00	197,450,000.00

	<i>Ending amount</i>	<i>Beginning amount</i>
2019 Baocheng investment PPN002	365,930,000.00	364,746,000.00
2020 Baocheng investment PPN001	424,794,054.80	
2020 Baocheng investment MTN001	995,875,000.00	
<b>Total</b>	<b>5,807,456,197.66</b>	<b>6,083,002,341.06</b>

(2). Bonds payable increase or decrease, Private placement bonds PPN are due on September 16, 2020, adjusted to non-current liabilities due within one year.

<i>Name of the Bond</i>	<i>Nominal value</i>	<i>Issuing date</i>	<i>Bond period</i>	<i>Issuance</i>	<i>Beginning amount</i>	<i>Current issue</i>	<i>Amortization of premium/discount</i>	<i>Current pay</i>	<i>Ending amount</i>
2017 Third issue of corporate bonds	800,000,000.00	2017/4/18	84Months	795,600,000.00	797,328,571.43		628,571.43	160,000,000.00	637,957,142.86
2017 second issue of corporate bonds	1,000,000,000.00	2017/7/14	60Months	994,100,000.00	997,050,000.00		1,180,000.00		998,230,000.00
2017 medium-term notes	600,000,000.00	2017/9/6	60Months	591,000,000.00	595,200,000.00		1,800,000.00		597,000,000.00
2018 Baocheng investment PPN001	500,000,000.00	2018/3/29	60Months	492,500,000.00	495,250,000.00		1,500,000.00		496,750,000.00
18 Baocheng investment MTN001	600,000,000.00	2018/9/6	60Months	594,600,000.00	596,040,000.00		1,080,000.00		597,120,000.00
2018 Baocheng investment PPN002	500,000,000.00	2018/11/6	60Months	492,500,000.00	494,250,000.00		1,500,000.00		495,750,000.00
2019 Baocheng investment PPN001	200,000,000.00	2019/3/25	60Months	197,000,000.00	197,450,000.00		600,000.00		198,050,000.00
2019 Baocheng investment PPN002	370,000,000.00	2019/8/23	60Months	364,450,000.00	364,746,000.00		1,184,000.00		365,930,000.00
2020 Baocheng investment PPN001	430,000,000.00	2020/1/13	60Months	423,550,000.00		423,550,000.00	1,244,054.80		424,794,054.80
20 Baocheng Tou MTN001	1,000,000,000.00	2020/7/31	60Months	995,500,000.00		995,500,000.00	375,000.00		995,875,000.00
<b>Total</b>	<b>6,000,000,000.00</b>			<b>5,940,800,000.00</b>	<b>4,537,314,571.43</b>	<b>1,419,050,000.00</b>	<b>11,091,626.23</b>	<b>160,000,000.00</b>	<b>5,807,456,197.66</b>

Note: 16 Baotou 01 bonds due on March 24, 2021 and overseas bonds due on December 29, 2021 are adjusted to non-current liabilities due within one year.

### 32. Long-term payables

<i>Item</i>	<i>Beginning amount</i>	<i>Current increase</i>	<i>Current decrease</i>	<i>Ending amount</i>
National debt refunds	101,103,886.00		59,179,992.80	41,923,893.20
Special purpose fund	4,696,837,138.00	899,797,962.83	100,315,851.93	5,496,319,248.90
Financial appropriation	806,729,739.62	445,610,443.00	446,468,154.88	805,872,027.74
Special bond payments	200,000,000.00			200,000,000.00
Other Grants		5,926,248,608.34		5,926,248,608.34
<b>Total</b>	<b>5,804,670,763.62</b>	<b>7,271,657,014.17</b>	<b>605,963,999.61</b>	<b>12,470,363,778.18</b>

### 33. Deferred revenue

<i>Item</i>	<i>Beginning amount</i>	<i>Current increase</i>	<i>Current decrease</i>	<i>Ending amount</i>	<i>Reasons</i>
Government subsidies					
Related to assets	336,154,921.45	255,477,281.05	66,370,404.94	525,261,797.56	Government Subsidies
Related to earnings					
<b>Total</b>	<b>336,154,921.45</b>	<b>255,477,281.05</b>	<b>66,370,404.94</b>	<b>525,261,797.56</b>	

### 34. Other Non-current Liabilities

<i>Item</i>	<i>Beginning amount</i>	<i>Current increase</i>	<i>Current decrease</i>	<i>Ending amount</i>
Network entry fees	169,045,238.59	51,578,000.00	106,086,823.64	114,536,414.95
<b>Total</b>	<b>169,045,238.59</b>	<b>51,578,000.00</b>	<b>106,086,823.64</b>	<b>114,536,414.95</b>

### 35. Subscribed Capital

<i>Item</i>	<i>Beginning amount</i>	<i>Current increase/decrease ( +, - )</i>					<i>Ending amount</i>
		<i>Issue New shares</i>	<i>Send shares</i>	<i>Provident fund transfer</i>	<i>Others</i>	<i>Sub-total</i>	
Baoji government state-owned assets supervision and administration commission	1.3 billion						1.3 billion
The sum of shares	1.3 billion						1.3 billion

### 36. Capital surplus

<i>Item</i>	<i>Beginning amount</i>	<i>Current increase</i>	<i>Current decrease</i>	<i>Ending amount</i>
Capital premium (Equity)				
a. Capital invested by investors	3,331,900,609.42			3,331,900,609.42
Influence of enterprise merger under the same control				
Others				
Sub-total	3,331,900,609.42			3,331,900,609.42
Other capital reserves				
The original institutional capital	4,651,651,692.81	44,149,600.00	1,344,835.80	4,694,456,457.01
The balance of government relocation compensation				
Sub-total	4,651,651,692.81	44,149,600.00	1,344,835.80	4,694,456,457.01
<b>Total</b>	<b>7,983,552,302.23</b>	<b>44,149,600.00</b>	<b>1,344,835.80</b>	<b>8,026,357,066.43</b>

Note: The increased capital reserve in the current period is the capital reserve of 1344835.80 yuan written off by the subsidiary Baoji Xincheng investment, construction and Development Co., Ltd. according to the document of Baoji high tech Industrial Development Zone Management Committee (baogaoxin Weifa [2020] No. 405); At the same time, adjust the accounts of the land transfer fees repeatedly paid in previous years, and increase the capital accumulation fund by 44,149,600.00 yuan.

### 37. Surplus reserves

<i>Item</i>	<i>Beginning amount</i>	<i>Current increase</i>	<i>Current decrease</i>	<i>Ending amount</i>
Legal surplus	41,033.76			41,033.76
Discretionary surplus reserve;				
Reserve fund				
venture expansion fund;				



Others			
<b>Total</b>	<b>41,033.76</b>		<b>41,033.76</b>

The current legal surplus reserve is increased by the 10% of after-tax profit.

### 38. Undistributed Profits

<i>Item</i>	<i>Amount</i>
Undistributed profit before last year's adjustment	1,291,316,018.16
Adjusting the total number of unallocated profits at the beginning of the year (Loss expressed with -)	
Other adjustment factors	
Unadjusted profit at the beginning of the year	1,291,316,018.16
Add: Net profit attributable to owners of the parent company	95,414,522.56
Other adjustment factors	528,949.25
Ending balance of current year	<b>1,387,259,489.97</b>

### 39. Operating Income and operating Costs

(1). List the operating income and operating cost according to income types

<i>Item</i>	<i>Current period</i>	<i>Prior period</i>
Revenue of main business	5,885,907,739.53	4,882,354,908.63
Other revenue of main business	132,769,190.16	267,913,962.51
<b>Total</b>	<b>6,018,676,929.69</b>	5,150,268,871.14
Cost of main operations	5,687,464,226.32	4,699,976,902.99
Cost of other operations	54,679,991.98	72,711,781.78
<b>Total</b>	<b>5,742,144,218.30</b>	4,772,688,684.77

(2). Revenue of main business listed according to industry

<i>Item</i>	<i>Current period</i>		
	<i>Operating revenue</i>	<i>Operating cost</i>	<i>Gross profit</i>
Main operations			
Heat supply	710,831,484.75	566,480,405.93	144,351,078.82
Water supply	168,804,694.09	121,190,972.33	47,613,721.76
Public transport services	193,720,688.77	302,014,261.36	-108,293,572.59
House sales	645,545,245.38	610,717,051.09	34,828,194.29
Natural gas sales	38,256,254.87	34,910,448.60	3,345,806.27
Financing services and interest income	24,011,022.81	12,892,060.45	11,118,962.36
Project Construction Income	115,613,193.59	95,122,401.82	20,490,791.77

Other goods sales	3,964,277,073.92	3,924,502,146.60	39,774,927.32
Other	24,848,081.35	19,634,478.14	5,213,603.21
Total	<b>5,885,907,739.53</b>	<b>5,687,464,226.32</b>	<b>198,443,513.21</b>
Other operations			
Entrusted Loans and Interest Income from Loans	65,570,147.61	35,549,529.72	30,020,617.89
Bus advertising revenue	20,750,183.84	7,039,901.23	13,710,282.61
Others	46,448,858.71	12,090,561.03	34,358,297.68
Total	<b>132,769,190.16</b>	<b>54,679,991.98</b>	<b>78,089,198.18</b>

<i>Item</i>	Prior period		
	<i>Operating revenue</i>	<i>Operating cost</i>	<i>Gross profit</i>
Main operations			
Heat supply	736,391,781.96	559,708,421.67	176,683,360.29
Water supply	168,611,056.91	111,032,826.79	57,578,230.12
Public transport services	233,462,885.57	358,448,445.83	-124,985,560.26
House sales	65,725,630.83	60,300,564.60	5,425,066.23
Natural gas sales	35,345,281.98	32,367,675.74	2,977,606.24
Financing services and interest income	27,653,168.71	15,757,613.09	11,895,555.62
Project Construction Income	103,675,820.41	95,631,545.23	8,044,275.18
Other goods sales	3,495,064,512.89	3,454,809,861.50	40,254,651.39
Other	16,424,769.37	11,919,948.54	4,504,820.83
Total	<b>4,882,354,908.63</b>	<b>4,699,976,902.99</b>	<b>182,378,005.64</b>
Other operations			
Entrusted Loans and Interest Income from Loans	163,838,429.56	45,968,043.75	117,870,385.81
Bus advertising revenue	32,048,975.42	12,871,420.26	19,177,555.16
Others	72,026,557.53	13,872,317.77	58,154,239.76
Total	<b>267,913,962.51</b>	<b>72,711,781.78</b>	<b>195,202,180.73</b>

#### 40. Tax and associate charge

<i>Item</i>	<i>Current period</i>	<i>Prior period</i>
Value add tax		
Urban maintenance and construction tax	3,448,945.07	1,747,390.08
Additional educational fee	1,571,127.29	655,733.91
Additional local educational fee	547,502.15	407,818.54
Resource tax	20,509,223.14	21,252,385.78

Land value increment tax	2,265,096.72	356,385.09
Building tax	4,979,073.73	4,607,464.84
Land use tax	2,558,284.16	1,655,490.98
Deed tax	67,528.50	
Stamp tax	3,757,118.59	2,468,678.32
Water Conservancy Construction Fund	1,287,732.92	2,730,458.30
Other taxes	3,271,511.58	2,690,551.07
<b>Total</b>	<b>44,263,143.85</b>	<b>38,572,356.91</b>

#### 41. Sales expense

<i>Item</i>	<i>Current period</i>	<i>Prior period</i>
Salary and Welfare for the employees	14,757,035.78	13,433,756.95
Office allowance	63,204.29	65,377.54
Travelling expenses	19,646.83	3,349.08
Advertisement expenses	6,619,104.11	515,981.00
Business entertainment expenses	19,674.82	3,305.18
Amortization of intangible assets	110,633.30	
Fix fee	1,222,314.75	2,539,106.92
Material consumption	146,441.40	85,276.45
Depreciation expense	577,741.87	298,010.09
Taxation	291,755.57	
Labor cost	7,016,200.75	1,156,692.76
Others	4,812,468.25	1,573,778.69
<b>Total</b>	<b>35,656,221.72</b>	<b>19,674,634.66</b>

#### 42. General and administrative expenses

<i>Item</i>	<i>Current period</i>	<i>Prior period</i>
Salary and Welfare for the employees	104,985,292.85	89,430,142.65
Office expenses	2,442,613.11	2,400,747.95
Travelling expenses	702,778.59	1,046,012.22
Business entertainment expenses	662,013.77	691,776.84
Vehicle cost	1,349,876.10	1,104,231.27
Repair cost	1,023,258.82	1,237,616.72
Material consumption	544,167.93	420,936.29
Depreciation expenses	99,784,838.39	90,487,950.00
Amortization of intangible assets	10,130,138.44	11,638,075.72
Taxes	1,019,659.49	186,409.07
Water and electricity	2,376,515.63	1,667,918.50



Insurance expenses	2,562,745.12	15,965,332.80
Intermediary agency fee	7,796,343.84	8,130,024.07
Labor cost	3,917,319.85	3,519,527.90
Others	18,008,099.41	16,890,168.78
<b>Total</b>	<b>257,305,661.34</b>	<b>244,816,870.78</b>

#### 43. Financial expenses

<i>Item</i>	<i>Current period</i>	<i>Prior period</i>
Interest payout	587,436,177.35	564,220,372.94
Less: Interest income	171,306,398.79	89,929,087.55
Exchange gains or losses	4,027,099.30	189,224,616.65
Service charge	42,341,098.60	67,520,971.52
Others	0.00	841.76
<b>Total</b>	<b>462,497,976.46</b>	<b>560,735,560.32</b>

#### 44. Other benefits

<i>Item</i>	<i>Current period</i>	<i>Prior period</i>
Subsidies for Heat Pipeline Network Facilities	136,632,865.86	231,044,547.07
Urban Public Transport Policy Subsidies	93,361,941.00	94,530,852.00
Natural gas subsidy	2,334,122.00	185,991,242.00
Renovation Subsidies for Low-rent Housing and Shantytowns	18,672,818.83	9,865,800.00
Financial Subsidies for Urban Infrastructure Construction	49,411.33	33,414.05
Subsidy for Reclaimed Water Pipeline Network	8,594,732.00	8,000,000.00
Others	577,407,465.70	190,250,309.29
<b>Total</b>	<b>837,053,356.72</b>	<b>719,716,164.41</b>

Note: government subsidy documents: Baoshi CBZ [2020] No.76, Baoshi CBZ [2020] No.85, Baoshi CBZ [2020] No.86, Baoshi CBJ [2020] no.275, Baoshi CBJ [2020] No.276.

#### 45. Investment income

<i>Item</i>	<i>Current period</i>	<i>Prior period</i>
Long-term Equity Investment Income Accounted by Cost Method	0.00	
Long-term Equity Investment Income Accounted by Equity Method	12,766,094.03	28,143,751.56
Disposal of investment income from long-term equity investment	0.00	-200,000.00
Investment income of financial assets measured at fair value and whose changes are included in the current profit or loss during the holding period	157,284.09	2,167,747.73
Investment income from disposal of financial assets measured at fair value and whose changes are included in the current profit and loss	287,643.91	5,817,043.91
Investment income of held-to-maturity investments during the holding period	11,485,380.82	4,926,789.04
Investment income of available-for-sale financial assets during the holding period	5,852,869.66	13,212,793.17
Investment income from disposal of available-for-sale financial assets	0.00	0.00
After losing control, the remaining equity is re-measured at fair value	0.00	0.00
Others	20,537,283.29	8,371,941.40
<b>Total</b>	<b>51,086,555.80</b>	<b>62,440,066.81</b>

#### 46. Assets impairment loss

<i>Item</i>	<i>Current period</i>	<i>Prior period</i>
Bad debt loss	205,363,175.71	162,239,877.36
Inventory impairment		
<b>Total</b>	<b>205,363,175.71</b>	<b>162,239,877.36</b>

#### 47. Assets disposal

<i>Item</i>	<i>Current period</i>	<i>Prior period</i>	Amount included in non-recurrent gains and losses
Total Proceeds from Disposal of Non-Current Assets	-3,329,492.43	4,320,366.75	
Among : income from disposal of fixed assets	-1,860,865.99	909,082.36	
Income from disposal of intangible assets	-1,468,626.44	3,411,284.39	
<b>Total</b>	<b>-3,329,492.43</b>	<b>4,320,366.75</b>	



**48. Non-operating revenue**

<i>Item</i>	<i>Current period</i>	<i>Prior period</i>
Profit on disposal of non-current assets		
Profit on debt restructuring		
Accept donate		
Breach of contract compensation income		3,000.00
Other profits	11,614,152.37	12,326,703.05
<b>Total</b>	<b>11,614,152.37</b>	<b>12,329,703.05</b>

**49. Non-operating expenses**

<i>Item</i>	<i>Current period</i>	<i>Prior period</i>
Loss from disposing non-current assets		
Donation expenditure	16,000.00	470,480.87
Asset retirement and damage losses	17,375.27	
Damages, liquidated damages and fines	10,249,751.80	5,752,198.50
Other expenses	261,148.81	978,977.74
<b>Total</b>	<b>10,544,275.88</b>	<b>7,201,657.11</b>

**50. Income tax expenses**

<i>Item</i>	<i>Current period</i>	<i>Prior period</i>
Current income tax by tax law and relevant provisions	41,094,956.53	33,321,191.51
Deferred income tax adjustment	-20,819,494.59	-2,815,688.18
<b>Total</b>	<b>20,275,461.94</b>	<b>30,505,503.33</b>

**51. Supplemented data to Consolidated Cash flow Statement****(1). Adjusting Net Profit to Cash Flow of Operating Activities by Indirect Method**

<i>Item</i>	<i>Current period</i>	<i>Prior period</i>
Adjust net profit to cash flow of operating activities:		
net profit	146,201,366.95	112,640,915.55
Add: Asset impairment provision	205,201,297.76	159,197,328.99
Depreciation of Fixed Assets, Oil and Gas Assets and Productive Biological Assets	268,851,798.61	253,829,303.29

Amortization of intangible assets	9,698,122.70	7,903,698.78
Long-term amortization of pending expenses	25,716,462.41	18,322,421.26
Loss of disposal of fixed assets, intangible assets and other long-term assets		76,899.41
Loss of scrapping fixed assets	1,658,626.30	17,853.75
Loss from Fair Value Change	-9,150,000.00	
Financial expenses	631,079,292.96	556,703,794.99
Investment losses	-32,553,815.31	-61,210,902.18
Deferred Income Tax Assets Reduction	-30,815,097.82	-1,753,675.27
Increase in deferred income tax liabilities		
Decrease in inventory	-1,219,618,332.50	-1,198,400,762.91
Reduction of Operational Receivables	952,057,643.11	177,774,735.29
Increase in Operational Payable Items	918,720,425.38	1,335,009,930.69
Other		
Net cash flow from operating activities	1,867,047,790.55	1,360,111,541.64
Major investment and financing activities do not involve cash flow		
Net changes in cash and cash equivalents		
Cash year-end balance	5,292,017,204.89	5,155,271,221.69
Less: Initial number of cash	5,155,271,221.69	5,244,277,399.08
Add: Year end balance of cash		
Less: Initial number of cash		
Net Increase in Cash and Cash Equivalents	136,745,983.20	-89,006,177.39

(2). Cash and cash equivalents

<i>Item</i>	<i>Ending amount</i>	<i>Beginning amount</i>
Cash	5,292,017,204.89	5,155,271,221.69
Including: Cash on hand	243,289.98	343,373.26
Bank deposits that can be used for payment at any time.	4,983,349,476.69	5,128,064,666.64
Other monetary fund for payment at any time	308,424,438.22	26,863,181.79
Interbank payment		
Amount due from banks		
Dismantle interbank funds		
Cash equivalents		
Including: Bond investment due with three months		

Balance of cash and cash equivalents at the end of	5,292,017,204.89	5,155,271,221.69
Including: cash and cash equivalents limited use for parent company or subsidiary		

## 52. Assets subject to restrictions on ownership or use rights

Limited assets	Book value	Reason	Pledge	Limited maturity date	Notes
Certificates of deposit	90,000,000.00	Bank pledge	Bohai bank	December 9, 2021	
Loan margin	200,974,158.93	Customer mortgage loan			
Guarantee deposit	10,718,750.00	bank acceptance bill			
Guarantee deposit	130,587,755.19	bank acceptance bill			
Guarantee deposit	1,264,495,124.13	bank acceptance bill			
L / C deposit	760,717,850.00	Mortgage loan			
Bgxgy (2012) no.25/26 state owned land use right	1,864,046,300.00	Bank mortgage	Shaanxi Branch of China Development Bank	Sep. 25, 2022	
Construction in progress	110,000,000.00	Bank mortgage	Bank of Communications Baoji Branch	Dec. 30, 2022	
Receivables of construction projects	1,250,000,000.00	Bank pledge	Shaanxi Branch of China Development Bank	May. 10, 2041	
Receivables of construction projects	425,000,000.00	Bank pledge	Shaanxi Branch of China Development Bank	May. 10, 2041	
Receivables of construction projects	385,000,000.00	Bank pledge	Shaanxi Branch of China Development Bank	April. 22, 2024	
Receivables of construction projects	510,000,000.00	Bank pledge	Industrial Bank Baoji Branch	July. 28, 2034	
Equity pledge	9,500,000.00	Equity pledge	Industrial Trust	Dec. 22, 2021	
Notes receivable	324,140,000.00	Bank pledge	Zheshang Bank Xi'an Branch		

<i>Limited assets</i>	<i>Book value</i>	<i>Reason</i>	<i>Pledge</i>	<i>Limited maturity date</i>	<i>Notes</i>
Total	7,335,179,938.25				

Note: 1. Equity pledge: The company invested 9.5 million yuan in Baoji City Urban Investment Underground Comprehensive Pipe Corridor Co., Ltd. The joint venture borrowed from Xingye International Trust Co., Ltd. in the form of equity pledge, thus forming equity pledge.

2. Receivables of construction projects: In 2016, the company signed a pledge contract for accounts receivable with China Development Bank Co., Ltd. to provide a pledge guarantee for the company's loan to China Development Bank Co., Ltd. The accounts represent all the rights and benefits (including but not limited to the following from the "Baoji City 2016 shantytown renovation first phase government purchase agreement" signed by the company and Baoji Housing and Urban Construction Bureau on May 11, 2016 Procurement funds and other funds paid by Baoji Housing and Urban Construction Bureau under the Government Purchase Service Agreement).

## **IX. Related parties and related transactions**

### **1. The control of the Group company**

Name of the company	Relationship with the company	Enterprise type	shares (%)	voting rights (%)	Final control party of enterprise
State-owned Assets Supervision and Administration Commission of Baoji Municipal People's	Final control party	Government agency	100.00	100.00	State-owned assets supervision and commission of Baoji Municipal people's government

### **2. Subsidiary situation of the company**

<i>name of Subsidiary</i>	<i>Type of subsidiary</i>	<i>Enterprise type</i>	<i>Registered address</i>	<i>Legal representative</i>	<i>Business nature</i>
Heat power supply Co. Ltd.,	Wholly-owned	Co. Ltd.,	Baoji city	Cheng weixia	Central heating project development and operation



urban development and construction co. Ltd.,	Wholly-owned	Co. Ltd.,	Baoji city	Feng guangke	City construction and development
Water supply co. Ltd.,	Wholly-owned	Co. Ltd.,	Baoji city	Zhang hongke	Tap water production and sales
Old city investment and reconstruction co. Ltd.,	Wholly-owned	Co. Ltd.,	Baoji city	Sun wuqiang	Old city demolition, real estate development
Famen temple tourism development and construction co. Ltd.	Wholly-owned	Co. Ltd.,	Baoji city	Jiu xianyang	Tourism project development and construction
Public transport co. Ltd.,	Wholly-owned	Co. Ltd.,	Baoji city	Wu gaowan	Transportation and leasing of automobiles
Natural gas co. Ltd.,	Wholly-owned	Co. Ltd.,	Baoji city	Feng guangke	Nature gas supply
Sanitation construction co. Ltd.,	Wholly-owned	Co. Ltd.,	Baoji city	Yue ting	Development and construction of sanitation facilities
Baoji city water supply Co., Ltd.	Wholly-owned	Co. Ltd.,	Baoji city	Fan qi	Sewage treatment and recycling; pipeline construction
New city investment and construction and development co. Ltd.,	Holding	Co. Ltd.,	Baoji city	Wei xueqian	Investment in urban construction and infrastructure.
Public parking construction and management co. Ltd	Wholly-owned	Co. Ltd.,	Baoji city	Yang weidong	Parking lot investment & construction and operation
Financial holding co. Ltd.,	Holding	Co. Ltd.,	Baoji city	Feng yanjum	Capital operation and asset management;
Baoji Airport limited liability company	Wholly-owned	Co. Ltd.,	Baoji city	Zhang baochun	assenger and freight transport sales agents; air transport services
Baoji Chengtou Asset Management Co., Ltd	Wholly-owned	Co. Ltd	Baoji city	Wu di	Asset management; estate management
Shaanxi Baotaida Industrial Investment Co., Ltd.,	Holding	Co. Ltd.,	Baoji city	Yang weidong	Asset management; property management
Shaanxi Zhongbaoda Industrial Investment Co., Ltd.	Holding	Co. Ltd.,	Baoji city	Ren Yong Qiang	Land development, consolidation, etc.



Baoji Yongde Chuangying Equity Fund Partnership (Limited Partnership)	Holding	Partnership	Baoji city		Equity investment, venture capital, project investment
Shaanxi Taibai Mountain Qingyuan Villa Hotel Co., Ltd.	Wholly-owned	Co. Ltd.,	Baoji city	Yang Yaxiang	Accommodation; catering; swimming; parking services; retail of alcohol beverages and

( continued )

Subsidiary name	Registered Capital (ten thousand)	Stake (%)	Voting share (%)	Organization code
Thermal power supply Co. Ltd.,	10,997.00	100.00	100.00	73796495-5
urban development and construction co. Ltd.,	306,000.00	100.00	100.00	72733083-6
Water supply co. Ltd.,	5,000.00	100.00	100.00	22130844-7
Old city investment and reconstruction co. Ltd.,	2,913.30	100.00	100.00	76259081-X
Famen temple tourism development and construction co.	7,010.00	100.00	100.00	75521330-3
Public transport co. Ltd.,	7,000.00	100.00	100.00	22130563-3
Natural gas co. Ltd.,	14,800.00	100.00	100.00	22130724-1
Sanitation construction co. Ltd.,	618.00	100.00	100.00	67152892-2
Domestic sewage treatment co. Ltd.,	11,670.60	100.00	100.00	56710364-1
New city investment and construction and development	36,000.00	66.67	66.67	57069796-2
Public parking construction and management co. Ltd	100.00	100.00	100.00	07452932-9
Financial holding co. Ltd.,	10,000.00	40.14	54.45	MA6X926Q-3
Chengtou assets management co. Ltd.,	200.00	100.00	100.00	30566125-6
Baoji Airport limited liability company	2,000.00	100.00	100.00	MA6XDGG7-1
Shaanxi Baotaida Industrial Investment Co., Ltd.,	30,000.00	45.00	45.00	MA6XE1G3-3
Shaanxi Zhongbaoda Industrial Investment Co., Ltd.	100,000.00	46.00	46.00	MA6XA886-4
Baoji Yongde Chuangying Equity Fund Partnership (Limited	5,010.00	69.86	69.86	MA6XAFH28
Shaanxi Taibai Mountain Qingyuan Villa Hotel Co., Ltd.	1,000.00	100.00	100.00	22152616-1

### 3. The joint venture of the enterprise

Invested units	Form	Registered address	Business nature	Stack (%)	correlation
Coal development co. Ltd	Co. Ltd.,	Baoji city	Coal mines construction	26.00	Joint venture
Zhongsheng new building materials co. Ltd.,	Co. Ltd.,	Baoji city	Production and sales of concrete and products	37.50	Joint venture
Famen temple cultural development co. Ltd.,	Co. Ltd.,	Baoji city	Tourism scenic spot construction management	43.75	Joint venture
Zhongran urban gas development co. Ltd.,	Co. Ltd	Baoji city	Gas supply and production	36.00	Joint venture
Zhongran clean energy co. Ltd	Co. Ltd.,	Baoji city	Vehicle gas sales	49.00	Joint venture
Baoji Baoji Telaidian New Energy Co., Ltd.	Co. Ltd.,	Baoji city	Car charging system and equipment	40.00	Joint venture
Qishanzhou cultural tourism industry development co. Ltd.,	Co. Ltd.,	Baoji city	Tourism projects development and operation	23.81	Joint venture
Underground utility corridor Management co. Ltd.,	Co. Ltd	Baoji city	Underground utility corridor construction	48.72	Joint venture
Comprehensive bonded zone development co. Ltd.,	Co. Ltd.,	Baoji city	Land development and construction	40.00	Joint venture
Big date corporation co. Ltd.,	Co. Ltd	Baoji city	Software & information technology services	45.00	Joint venture
Shaanxi Xinhui Honesty Development Co., Ltd.	Co. Ltd.,	Baoji city	Real estate development	35.00	Joint venture
Shaanxi Aijiete Manufacturing Technology Co., Ltd.	Co. Ltd	Baoji city	Processing, cleaning, technical research and development, technical consulting and technical services	30.00	Joint venture
Shaanxi Xinrun JIAYE Real Estate Development Co., Ltd	Co. Ltd	Weinan City	Real estate consulting; Real estate agents; Real estate appraisal;	30.00	Joint venture

#### 4. There is no related party transaction in this period

#### 5. Related party receivables

##### (1). Category

<i>Item</i>	<i>Name of related party</i>	<i>Ending amount</i>	<i>Beginning amount</i>
Accounts receivable	Zhongran urban gas development co. Ltd.,	19,698,384.18	19,698,384.18
Other receivable	Zhongran urban gas development co. Ltd.,	532,838.04	532,838.04
Other receivable	Baoji People's government state Assets Supervision and Administration Committee	315,000,000.00	315,000,000.00
Other receivable	Baoji state-owned Assets Management Co., Ltd.	200,000,000.00	227,125,785.00
Other receivable	Famen temple cultural development co. Ltd.,	4,350,000.00	100,000,033.33
Other receivable	Baoji High-tech industry Investment Development Co., Ltd.	205,190,505.56	424,596,617.50

##### (2). Payable to related party

<i>Item</i>	<i>Name of related party</i>	<i>Ending amount</i>	<i>Beginning amount</i>
Other payable	Baoji Chengtou Underground Comprehensive Pipe Corridor Co., Ltd.	609,500,000.00	609,500,000.00

#### X. Commitments and contingencies

- As of December 31, 2020, the company does not need to disclose major commitments.
- The company guarantees the loans of 12 units in financial institutions, including Shaanxi Dongling industry and Trade Group Co., Ltd., Baoji Panlong new area development and Construction Co., Ltd. and Shaanxi famensi Culture Development Co., Ltd., with a guarantee balance of RMB 6 , 306.99 million.

Number	Guarantee	Guarantee balance	Creditor institution
1	Shaanxi Dongling Industry And Trade Group Co Ltd	10	Corporate debt
2	Baoji Panlong New Area Development and Construction Co., Ltd.	2.56	Agricultural development bank
3	Baoji Panlong New Area Development and Construction Co., Ltd.	2	China CITIC Bank
4	Baoji Cultural Tourism Industry Development Group Co., Ltd.	1.6875	Agricultural development bank
5	Baoji High-tech Industry Development Corporation	1.4536	Everbright Bank
6	Baoji High-tech Industry Development Corporation	1.1	Agricultural development bank
7	Baoji High-tech Industry Development Corporation	0.3706	yuandong Rentals
8	Baoji High-tech Industry Development Corporation	0.4459	yuandong Rentals
9	Baoji RuyiYinxiang Culture Tourism Investment Management Co., Ltd.	1.8228	Agricultural development bank
10	Shaanxi Bao Nitrogen Chemical Group Co., Ltd.	0.747	Changan Bank
11	Baoji City Caijiapo Economic and Technological Development Zone Municipal Engineering Co., Ltd.	1.538	Agricultural development bank
12	Baoji City Caijiapo Economic and Technological Development Co., Ltd.	1.18	Huarong Shipping Rental
13	Shaanxi Famen Temple Culture Development Co., Ltd.	2	Chinese votes
14	Baoji Panlong New Area Development and Construction Co., Ltd.	0.76	Huitong Financial Leasing
15	Shaanxi Famen Temple Culture Development Co., Ltd.	0.292	Minsheng Bank
16	Shaanxi Taibaishan Investment Group Co., Ltd.	0.2631	Shangao Financial Leasing
17	Baoji High-tech Industry Development Corporation	0.16	Shaanxi International Trust and Investment Co., Ltd.
18	Baoji Panlong New Area Development and Construction Co., Ltd.	0.2801	Western trust
19	Baoji Panlong New Area Development and Construction Co., Ltd.	0.0865	Western trust
20	Baoji Panlong New Area Development and Construction Co., Ltd.	0.082	Western trust
21	Baoji Panlong New Area Development and Construction Co., Ltd.	0.2316	Western trust
22	Baoji Panlong New Area Development and Construction Co., Ltd.	0.169	Western trust
23	Baoji Panlong New Area Development and Construction Co., Ltd.	0.308	Western Trust
24	Shaanxi Famen Temple Culture Development Co., Ltd.	0.7415	Luoyin Financial Leasing Co., Ltd.
25	Baoji High-tech Industry Development Corporation	0.04	Shaanxi International Trust and Investment Co., Ltd.



26	Baoji Panlong New Area Development and Construction Co., Ltd.	0.1612	Western Trust
27	Baoji Panlong New Area Development and Construction Co., Ltd.	0.1816	Western Trust
28	Baoji Panlong New Area Development and Construction Co., Ltd.	1.6	Chang'an trust
29	Baoji China Railway Construction Investment and Development Co., Ltd.	5.5	Huaxia Bank
30	Baoji High-tech Industry Development Corporation	1.12	CITIC Bank
31	Baoji Cultural Tourism Industry Development Group Co., Ltd.	0.03	Shaanxi International Trust and Investment Co., Ltd.
32	Baoji Cultural Tourism Industry Development Group Co., Ltd.	0.12	Shaanxi International Trust and Investment Co., Ltd.
33	Baoji Cultural Tourism Industry Development Group Co., Ltd.	0.118	Shaanxi International Trust and Investment Co., Ltd.
34	Baoji Cultural Tourism Industry Development Group Co., Ltd.	0.03	Shaanxi International Trust and Investment Co., Ltd.
35	Baoji Cultural Tourism Industry Development Group Co., Ltd.	0.015	Shaanxi International Trust and Investment Co., Ltd.
36	Baoji Cultural Tourism Industry Development Group Co., Ltd.	0.435	Shaanxi International Trust and Investment Co., Ltd.
37	Baoji Cultural Tourism Industry Development Group Co., Ltd.	0.1	Shaanxi International Trust and Investment Co., Ltd.
38	Baoji Cultural Tourism Industry Development Group Co., Ltd.	0.042	Shaanxi International Trust and Investment Co., Ltd.
39	Baoji Cultural Tourism Industry Development Group Co., Ltd.	0.093	Shaanxi International Trust and Investment Co., Ltd.
40	Baoji Cultural Tourism Industry Development Group Co., Ltd.	0.133	Shaanxi International Trust and Investment Co., Ltd.
41	Baoji Cultural Tourism Industry Development Group Co., Ltd.	0.125	Shaanxi International Trust and Investment Co., Ltd.
42	Baoji Cultural Tourism Industry Development Group Co., Ltd.	0.01	Shaanxi International Trust and Investment Co., Ltd.
43	Baoji Cultural Tourism Industry Development Group Co., Ltd.	0.023	Shaanxi International Trust and Investment Co., Ltd.
44	Baoji Cultural Tourism Industry Development Group Co., Ltd.	0.423	Shaanxi International Trust and Investment Co., Ltd.
45	Baoji Cultural Tourism Industry Development Group Co., Ltd.	0.762	Shaanxi International Trust and Investment Co., Ltd.
46	Baoji Cultural Tourism Industry Development Group Co., Ltd.	0.041	Shaanxi International Trust and Investment Co., Ltd.
47	Baoji Panlong New Area Development and Construction Co., Ltd.	0.234	Shaanxi International Trust and Investment Co., Ltd.
48	Baoji Panlong New Area Development and Construction Co., Ltd.	0.01	Shaanxi International Trust and Investment Co., Ltd.
49	Baoji High-tech Industry Development Corporation	0.2	CITIC Bank
50	Shaanxi Famen Temple Culture Development Co., Ltd.	1.3729	Huaxia Agricultural Bank of China Financial Leasing Co
51	Shaanxi Taibaishan Investment Group Co., Ltd.	0.2	Changan Bank meixian branch
52	Baoji Panlong New Area Development and Construction Co., Ltd.	0.13	Shaanxi International Trust and Investment Co., Ltd.
53	Shaanxi Taibaishan Investment Group Co.,	0.65	Changan Bank



	Ltd.		
54	Shaanxi Famen Temple Culture Development Co., Ltd.	0.8	Huaxia Bank
55	Baoji Panlong New Area Development and Construction Co., Ltd.	0.647	COFCO trust
56	Baoji Panlong New Area Development and Construction Co., Ltd.	0.214	COFCO trust
57	Baoji Panlong New Area Development and Construction Co., Ltd.	2.009	COFCO trust
58	Baoji Panlong New Area Development and Construction Co., Ltd.	1.44	CITIC Bank
59	Shaanxi Taibaishan Investment Group Co., Ltd.	2	CITIC Bank Baoji Branch
60	Shaanxi Famen Temple Culture Development Co., Ltd.	0.4	Bank of Communications
61	Baoji High-tech Industry Development Corporation	0.306	CITIC Bank
62	Baoji Panlong New Area Development and Construction Co., Ltd.	0.5	Everbright Bank
63	Baoji Panlong New Area Development and Construction Co., Ltd.	0.5	Everbright Bank
64	Baoji High-tech Industry Development Corporation	0.18	CITIC Bank
65	Baoji Panlong New Area Development and Construction Co., Ltd.	1.925	CITIC Bank
66	Shaanxi Famen Temple Culture Development Co., Ltd.	1	Hengfeng Bank Baoji Branch
67	Shaanxi Tourism Group Qishan Zhou Cultural Tourism Industry Development Co., Ltd.	0.3	CDB
68	Baoji High-tech Industry Development Corporation	0.95	Bank of Xi'an, Baoji branch
69	Baoji City Caijiapo Economic and Technological Development Co., Ltd.	0.1	CITIC Bank
70	Baoji High-tech Industry Development Corporation	1	Everbright Bank baoji Branch
71	Shaanxi Taibaishan Investment Group Co., Ltd.	0.77	Xi'an Juhua Network Microloan Co., Ltd.
72	Baoji Panlong New Area Development and Construction Co., Ltd.	1	Hengfeng Bank Xi'an Branch
73	Shaanxi Taibaishan Investment Group Co., Ltd.	0.15	Changan Bank Mei County Branch
74	Shaanxi Famen Temple Culture Development Co., Ltd.	0.5	Xi'an Bank Tower Branch
75	Shaanxi Taibaishan Investment Group Co., Ltd.	0.5	Everbright Bank
76	Baoji High-tech Industry Development Corporation	0.5	Bank of Communications
77	Shaanxi Taibaishan Investment Group Co., Ltd.	0.5	Everbright Bank
78	Shaanxi Taibaishan Investment Group Co., Ltd.	0.5	Everbright Bank
79	Baoji City Caijiapo Economic and Technological Development Co., Ltd.	0.2	CITIC Bank
<b>Total</b>		<b>63.0699</b>	

As of 31 December 2,020, the company has no pending litigation to be disclosed.

**XI. Event after the balance sheet date**

None

**XII. Termination of the business's main financial situation.**

None

**XIII. Capital management related information.**

None

**XIV. Other major matters**

None

**XV. Notes to the main items of the parent company's financial statements**

**1. Accounts receivable**

(1). Accounts receivable category disclose :

	Ending amount				
	Book Value		Provision for bad and doubtful debts		Carrying amount
	Amount	(%)	Amount	(%)	
Individually significant and assessed for impairment individually	10,039,783.77	75.28	-	0	10,039,783.77
Collectively assessed for impairment based on credit risk characteristics	3,297,297.60	24.72	2,988,172.40	90.62	309,125.20
Individually insignificant but assessed for impairment individually					
	<u>13,337,081.37</u>	<u>100%</u>	<u>2,988,172.40</u>		<u>10,348,908.97</u>

Collectively assessed for impairment based on credit risk characteristics	3,307,748.00	100	896,346.74	27.10	2,411,401.26
Individually insignificant but assessed for impairment individually					
	<u>13,330,655.06</u>	<u>100%</u>	<u>896,346.74</u>	<u>30.00</u>	<u>12,434,308.32</u>

- Accounts receivable with significant individual amount and provision for bad debts at the end of the period: At the end of the period, At the end of the period, the single accounts receivable with significant amount and single provision for bad debts amounting to RMB 10,039,783.77yuan are non-provision of bad debt provision for subsidiaries' receivables.
- The ageing analysis of the bad debts to receivables is as follows:

	Closing balance		
	Receivables	Bad debt preparation	Provision ratio (%)
Within 1 year (inclusive)	199,449.60	0.00	
1 to 2 years	115,448.00	5,772.40	5.00
2 to 3 years			
3 to 4 years			
4 to 5 years			
Over 5 years	2,982,400.00	2,982,400.00	100.00
Total	<b>3,297,297.60</b>	<b>2,988,172.40</b>	

(2). The provision of bad debts in the current period

In the current period, The amount of provision for bad debts in the current period is 2,091,825.66 yuan;

(3). There is no accounts receivable without actual write-off in the current period.

(4). Five largest accounts receivable by debtor at the end of the period

<i>Name of debtor</i>	<i>Amount</i>	<i>The proportion of total receivables %</i>	<i>Notes</i>
Shaanxi Zhongbaoda Industrial Investment Co., Ltd.	5,312,500.00	39.84	dealings

Baoji City Financial Holdings Limited	4,727,283.77	35.44	dealings
Central Enterprise Loan Management	2,982,400.00	22.36	dealings
Baoji City Tongji Water Co., Ltd.	234,897.60	1.76	dealings
Baoji City Chencang Jinxinan Water Co., Ltd.	80,000.00	0.60	Transfer of land
<b>Total</b>	<b>13,337,081.37</b>	<b>100.00</b>	

## 2. Other accounts receivable

	<i>Ending amount</i>	<i>Beginning amount</i>
Interest receivable	327,142,939.28	231,620,614.73
Dividend Receivable	215,567,828.36	215,567,828.36
Other accounts receivable	8,066,028,058.27	4,320,065,835.52
<b>Total</b>	<b>8,608,738,825.91</b>	<b>4,767,254,278.61</b>

### (1). Interest receivable

	<i>Ending amount</i>	<i>Beginning amount</i>
Fixed time deposits		
Entrusted loans	128,173,865.74	114,620,811.80
Interest on loan	198,969,073.54	100,216,469.60
Bond investment		16,783,333.33
<b>Total</b>	<b>327,142,939.28</b>	<b>231,620,614.73</b>

### (2). Dividend Receivable

	<i>Ending amount</i>	<i>Beginning amount</i>
Dividends receivable over one year old		
Baoji City Natural Gas Co., Ltd.	215,567,828.36	215,567,828.36
less: provision for impairment of Dividend Receivable		
<b>Total</b>	<b>215,567,828.36</b>	<b>215,567,828.36</b>

### (3). Classified disclosure

*Closing balance*

Category	<i>Book Value</i>		<i>Provision for bad and doubtful debts</i>		<i>Carrying amount</i>
	<i>Amount</i>	<i>(%)</i>	<i>Amount</i>	<i>(%)</i>	
Individually significant and assessed for impairment	6,797,987,767.29	80.67		0%	6,797,987,767.29
Individually					
Collectively assessed for impairment based on credit risk characteristics	1,628,550,996.36	19.33	360,510,705.38	22.14%	1,268,040,290.98
Individually insignificant but assessed for impairment					
Individually					
	<b>8,426,538,763.651</b>	<b>100%</b>	<b>255,740,791.69</b>	<b>22.14%</b>	<b>4,320,065,835.52</b>

Category	<i>Book Value</i>		<i>Provision for bad and doubtful debts</i>		<i>Carrying amount</i>
	<i>Amount</i>	<i>(%)</i>	<i>Amount</i>	<i>(%)</i>	
Individually significant and assessed for impairment	137,450,855.41	3%		0%	137,450,855.41
Individually					
Collectively assessed for impairment based on credit risk characteristics	4,438,355,771.80	97%	255,740,791.69	5.76%	4,182,614,980.11
Individually insignificant but assessed for impairment					
Individually					
	<b>4,575,806,627.21</b>	<b>100%</b>	<b>255,740,791.69</b>	<b>5.76%</b>	<b>4,320,065,835.52</b>

- Other receivables with significant individual amount and provision for bad debts at the end of the period: None
- Other receivables with significant amounts and individual provisions for bad debts at the end of the period amounted to 6,797,987,767.29 yuan,



which were not included in the provision of bad debts for other receivables of subsidiaries.

- The ageing analysis of the bad debts to receivables is as follows:

Account age	Ending amount			Beginning amount		
	Book value		provision	Book value		provision
	amount	Ratio %		amount	Ratio %	
Within 1 year	185,142,134.20	11.37	0.00	1,326,587,179.85	29.89	5,727,315.76
1 to 2 years	221,445,867.52	13.60	11,072,293.38	895,383,164.00	20.17	26,861,494.92
2 to 3 years	578,516,918.61	35.52	57,851,691.86	988,221,789.15	22.27	49,411,089.46
3 to 4 years	288,572,473.05	17.72	86,571,741.92	732,415,215.57	16.50	73,241,521.56
4 to 5 years	299,717,249.50	18.40	149,858,624.75	482,251,569.75	10.87	96,450,313.95
Over 5 years	55,156,353.48	3.39	55,156,353.48	13,496,853.48	0.30	4,049,056.04
<b>Total</b>	<b>1,628,550,996.36</b>	<b>100.00</b>	<b>360,510,705.38</b>	<b>4,438,355,771.80</b>	<b>100</b>	<b>255,740,791.69</b>

- (1). The provision of bad debts in the current period

The allowance for bad debts is 104,769,913.69 yuan in the current period, and the allowance for recovering or transferring bad debts is 0.00 yuan in the current period.

- (2). Other receivables not actually written off in the current period:

- (3). Category of other receivables

Nature of other account receivables	Ending amount	Beginning amount
Borrows	8,422,538,763.65	4,568,806,627.21
Guarantee fund	4,000,000.00	7,000,000.00
<b>Total</b>	<b>8,426,538,763.65</b>	<b>4,575,806,627.21</b>

- (4). Five largest accounts other receivable by debtor at the end of the period

Unit name	Nature	Ending amount	Account age	ratio	Bad Debt Reserve End Balance
Baoji Geely automobile co. Ltd.,	Borrows	1,724,000,000.00	3-4 years/4-5 years/over 5 years	20.46	111,500,000.00

High-tech investment and development co. Ltd.,	Borrows	604,623,534.60	2-3 years/3-4 years/4-5 years	7.18	42,289,781.41
Baoji RuyiYinxiang Culture Tourism Investment Management Co., Ltd.	Borrows	364,483,105.55	2-3 years/3-4 years	4.33	19,545,462.84
Shaanxi Taibaishan Investment Group Co., Ltd.	Borrows	318,000,000.00	With 1 years/1-2 years	3.77	10,700,000.00
Baoji people's government state-owned assets supervision committee	Share buybacks and loans	315,000,000.00	1-2 years	3.74	20,950,000.00
<b>Total</b>		<b>3,326,106,640.15</b>		<b>39.48</b>	<b>204,985,244.25</b>

### 3. Long-term equity investment

#### (1). Long-term equity investment classification

<i>Item</i>	<i>Beginning amount</i>	<i>Current increase</i>	<i>Current decrease</i>	<i>Ending amount</i>
Invest in subsidiaries	3,504,441,352.09	100,000,000.00		3,604,441,352.09
Invest in corporations				
Invest in joint ventures	267,689,388.75	6,000,000.00	18,267,970.59	255,421,418.16
<b>Sub-total</b>	<b>3,772,130,740.84</b>	<b>106,000,000.00</b>	<b>18,267,970.59</b>	<b>3,859,862,770.25</b>
Lese: Long-term equity investment impairment povision				
<b>Total</b>	<b>3,772,130,740.84</b>	<b>106,000,000.00</b>	<b>18,267,970.59</b>	<b>3,859,862,770.25</b>

#### (2). Long-term equity investment details

Invested unit	Accounting method	Beginning amount	Increase or decrease	Ending amount	Stack (%)
Baoji City Heat Co., Ltd.	cost	132,358,224.06		132,358,224.06	100
Baoji city investment & construction co. Ltd.,	cost	61,571,460.45		61,571,460.45	100
Baoji Water supply co. Ltd.	cost	140,885,856.74		140,885,856.74	100
Baoji old city reconstruction and investment co. Ltd.,	cost	77,863,905.24		77,863,905.24	100
Baoji Famen temple cultural development co. Ltd.,	cost	165,098,263.05		165,098,263.05	100
Baoji Public transaction co. Ltd.,	cost	71,442,743.15		71,442,743.15	100
Baoji nature gas co. Ltd	cost	148,491,146.84		148,491,146.84	100
Baoji sanitation construction co.Ltd.	cost	50,589,012.03		50,589,012.03	100
Baoji Zhongshui Water Co., Ltd.,	cost	55,565,000.00		55,565,000.00	100
Baoji New city investment and construction and development co. Ltd.,	cost	2,104,046,331.00		2,104,046,331.00	66.67
Baoji Public parking construction and management co. Ltd	Cost	1,000,000.00		1,000,000.00	100
Baoji Financial holding co. Ltd.,	Cost	54,450,000.00		54,450,000.00	54.45
Baoji Chengtou	Cost	32,817,953.00		32,817,953.00	100

Invested unit	Accounting method	Beginning amount	Increase or decrease	Ending amount	Stack (%)
assets management co. Ltd.,					
Baoji Airport limited liability company	cost	20,000,000.00		20,000,000.00	100
Shaanxi Baotaida Industrial Investment Co., Ltd	cost	67,500,000.00		67,500,000.00	45
Shaanxi Zhongbaoda Industrial Investment Co., Ltd.	cost	280,000,000.00	100,000,000.00	380,000,000.00	46
Baoji De Chengying Equity Fund Partnership	cost	20,507,178.11		20,507,178.11	69.86
Shaanxi Taibai Mountain Green Park Lodge Hotel Co., Ltd.		20,254,278.42		20,254,278.42	100
<b>Total</b>		<b>3,504,441,352.09</b>	<b>100,000,000.00</b>	<b>3,604,441,352.09</b>	

Invested unit	Accounting method	Beginning amount	Increase or decrease		Ending amount	Stack (%)
			Adjust	Equity investment preparation		
Shaanxi Linbei Coal Development Co., Ltd.	Equity	197,613,136.05	-16,525,597.59		181,087,538.46	26
Shaanxi Travel Group Qishan Zhou Cultural Tourism Industry Development Co., Ltd.	Equity	54,522,272.69	-1,929,189.07		52,593,083.62	23.81
Baoji City Investment Underground Integrated Corridor Co., Ltd.	Equity	9,500,000.00	-		9,500,000.00	48.72
Baoji Integrated	Equity	3,923,036.11	5,719,792.60		9,642,828.71	40



Bonded Area Investment and Construction Co., Ltd.						
Baoji City Data Co., Ltd.	Equity	2,130,943.90	467,023.47		2,597,967.37	45
Total		267,689,388.75	-12,267,970.59		255,421,418.16	

#### 4. Operating revenue and operating costs

(1). Operating income and operating costs are listed by category

<i>Item</i>	<i>Current period</i>	<i>Prior period</i>
Revenue of main business	3,307,812.37	28,963,271.83
Other revenue of main business	15,420,114.29	40,311,737.05
<b>Total</b>	<b>18,727,926.66</b>	<b>69,275,008.88</b>
main operation cost	3,131,056.57	32,999,671.54
Other operation cost		
<b>Total</b>	<b>3,131,056.57</b>	<b>32,999,671.54</b>

(2). Operating income, costs, and gross margin are listed by Business content:

<i>Item</i>	<i>Current balance</i>		
	<i>Revenue</i>	<i>cost</i>	<i>Gross profit</i>
Revenue of main business			
House sales	3,307,812.37	3,131,056.57	176,755.80
<b>Sub-total</b>	<b>3,307,812.37</b>	<b>3,131,056.57</b>	<b>176,755.80</b>
2.Other revenue of main business			
Interest revenue	15,420,114.29		15,420,114.29
<b>Sub-total</b>	<b>15,420,114.29</b>		<b>15,420,114.29</b>
<b>Total</b>	<b>18,727,926.66</b>	<b>3,131,056.57</b>	<b>15,596,870.09</b>

<i>Item</i>	<i>Prior period</i>		
	<i>Revenue</i>	<i>Cost</i>	<i>Gross profit</i>
1.Revenue of main business			
House sales	28,963,271.83	32,999,671.54	-4,036,399.71
<b>Sub-total</b>	<b>28,963,271.83</b>	<b>32,999,671.54</b>	<b>-4,036,399.71</b>



2 Other revenue of main business			
Property fee	40,311,737.05		40,311,737.05
<b>Sub-total</b>	<b>40,311,737.05</b>		<b>40,311,737.05</b>
<b>Total</b>	<b>69,275,008.88</b>	<b>32,999,671.54</b>	<b>36,275,337.34</b>

(3). The company's current customers are buyers.

## 5. Investment income

<i>Item</i>	<i>Current period</i>	<i>Prior period</i>
Income from Long-term equity investments calculated by cost method		
Income from Long-term equity investments calculated by equity method	-18,267,970.59	-22,749,566.16
Investment income from disposition of long-term equity investments		
Investment income obtained during the holding of trading financial assets		
Investment gains from holding investment gains from maturity	11,485,380.82	4,926,789.04
Investment gains from holding financial assets available for sale	2,701,425.05	11,633,507.77
Investment income from dealing with trading financial assets		5,550,597.44
Investment income from holding to maturity investment		
Investment gains from the sale of financial assets		
Other		
<b>Total</b>	<b>-4,081,164.72</b>	<b>-638,671.91</b>

## 6. Supplementary information on the parent company's cash flow statement.

<i>Item</i>	<i>Current period</i>	<i>Prior period</i>
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Adjust the net profit to the cash flow in business activities		
Net profit	-105,742,816.53	-358,265,150.66
Add: Impairment of assets	106,861,739.35	5,684,500.60
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	70,980,967.92	69,850,228.66
Amortization of intangible assets	4,372,552.98	4,372,552.98
Amortization of long-term prepaid expenses	8,628,059.88	4,592,575.90
Financial expenses ( Receipts fill with "-" )	499,006,545.13	456,172,063.85
Investment losses ( Receipts fill with "-" )	4,081,164.72	638,671.91
Deferred income tax assets decrease ( Increases fill with "-" )	-30,237,032.72	-845,362.59
Deferred tax debts increase ( Decrease fill with "-" )		0.00
Inventory decrease ( Increase fill with "-" )	-15,740,075.45	24,547,824.18
Operational receivable projects decrease ( Increase fill with "-" )	-384,523,440.18	188,115,264.99
Operational payable projects increase ( Decrease fill with "-" )	416,414,882.77	-166,878,465.77
Others (see Note 1 )		0.00
Net cash flow generated from operating activities	574,102,547.87	227,984,704.05
Major investments and financing activities not to involve cash payments.		
Net change in cash and cash equivalents		
Cash Ending balance at the end of year	466,029,834.46	880,446,105.29
Less: the beginning balance of cash	880,446,105.29	1,460,303,999.84
Add: Ending balance of cash equivalent		
Less: the beginning balance of cash equivalent		
Net increase in cash and cash equivalents	-414,416,270.83	-579,857,894.55

Baoji Investment (Group) Co., Ltd.

April 29, 2021



**Baoji Investment (Group) Company limited**

*CAC ZhengShenzi [2020] No.0370*

**CAC(special general partnership)**

**Baoji Investment (Group) Co., Ltd.**  
**Annual Report 2019**

CAC ZhengShenzi [2020] No.0370

# AUDITOR'S REPORT

*CAC ZhengShenzi [2020] No-0370*

To the shareholders of Baoji Investment (Group) Company limited,

We have audited the accompanying financial statements of Baoji City Investment(Group) Company limited (hereinafter referred to as the Group), which comprise the balance sheet as of December 31, 2019, and the income statement , statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and explanatory notes.

## **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with the Accounting standards for Business Enterprises.

In addition, we note that the public welfare assets is 7,291,182,623.39 yuan; with fixed assets 4,012,008,078.05 yuan(Note VIII (XIV)), Construction under construction 3,109,044,465.37 yuan(Note VIII (XV)) and Intangible assets 170,130,079.97 yuan (Note VIII (XVI)) .

## **Foundation for Forming Audit Opinions**

We have carried out the audit work in accordance with the provisions of the Chinese CPA Auditing Standards. The "CPA's Responsibility for Auditing Financial Statements" section of the audit report further elaborates our responsibilities under these standards. In accordance with the Code of Professional Ethics for Certified Public Accountants of China, we are independent of investment groups and have fulfilled other professional ethical responsibilities. We believe that the audit evidence we have obtained is adequate and appropriate and provides a basis for our opinions.



## **Responsibility of management and management to financial statements**

Investment group management (hereinafter referred to as management) is responsible for compiling financial statements in accordance with the provisions of enterprise accounting standards to achieve fair reflection, and to design, implement and maintain the necessary internal controls so that the financial statements do not contain major misstatements caused by fraud or error. In preparing consolidated financial statements, management is responsible for assessing the sustainability of investment groups, disclosing business-related matters (if applicable) and applying the sustainability assumption unless management plans to liquidate investment groups, stop operations or has no other realistic option.

The management is responsible for supervising the financial reporting process of the investment group.

## **Auditors ' Responsibility for Financial Statements**

Our goal is to obtain reasonable assurance as to whether the financial statements as a whole do not contain material misstatements due to fraud or error, and to issue audit reports containing audit opinions. Reasonable assurance is a high-level assurance, but it can not guarantee that audits carried out in accordance with audit standards will always be found in the presence of a major misstatement. Misreporting may be caused by fraud or error. If it is reasonably expected that misreporting alone or aggregately may affect the economic decisions made by users of financial statements on the basis of financial statements, it is generally considered to be significant.

In the process of carrying out audit work according to the auditing standards, we use professional judgment and maintain professional suspicion. At the same time, we also carry out the following tasks:

- 1、Identify and evaluate the risk of material misstatement of financial statements caused by fraud or error, design and implement audit procedures to deal with these risks, and obtain sufficient and appropriate audit evidence as the basis for issuing audit opinions. As fraud may involve collusion, forgery, intentional omission, false statements or override internal control, the risk of failing to detect significant misstatement due to fraud is higher than that of failing to detect significant misstatement due to error.

- 2、Understanding audit-related internal controls in order to design appropriate audit procedures is not intended to comment on the effectiveness of internal controls [If CPA's comment on the effectiveness of internal controls in the context of financial statement audits, the phrase "but the purpose is not to comment on the effectiveness of internal controls" should be deleted.

3 、 Evaluate the appropriateness of management's choice of accounting policies and the reasonableness of making accounting estimates and related disclosures.

4、 To draw a conclusion on the appropriateness of the assumption of going concern used by management. At the same time, according to the audit evidence obtained, we can draw a conclusion on whether there are significant uncertainties in the event or situation that may lead to serious doubts about the sustainability of the investment group. If we come to the conclusion that there are significant uncertainties, the auditing standards require us to draw the attention of the users of the financial statements to the relevant disclosures in the auditing reports; if the disclosures are insufficient, we should issue non-unreserved opinions. Our conclusions are based on information available as of the audit report date. However, future events or circumstances may lead to unsustainable operation of investment groups.

5 、 Evaluate the overall presentation, structure and content (including disclosure) of financial statements, and evaluate whether the financial statements fairly reflect relevant transactions and matters.

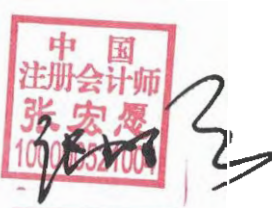
6 、 Obtain sufficient and appropriate audit evidence on the financial information of entities or business activities in investment groups to express audit opinions on financial statements. We are responsible for the execution of group audits and take full responsibility for audit opinions.

We communicate with the management on the scope, timing and major audit findings of the planned audit, including the internal control deficiencies that we identified in the audit.

CAC(special general partnership)

Chinese Certified Public Accountants:

Chinese Certified Public Accountants:



April 28, 2020



# Consolidated Balance Sheet

At Dec 31, 2019

Compiled by: Baoji Investment(Group) co., Ltd

Unit: RMB Yuan

Item	Note	Ending amount	Beginning amount
<b>Current assets</b>			
Monetary funds	VIII. 1	6,092,974,144.01	5,244,277,399.08
Financial assets measured by fair value and included into the current gains and losses	VIII. 2	-	234,740,198.58
Derivative financial assets			
Notes receivable	VIII. 3	3,587,800.00	668,940.00
Accounts receivable	VIII. 4	508,649,486.98	152,255,620.79
Accounts prepaid	VIII. 5	2,433,058,767.92	1,642,787,636.82
Other receivables	VIII. 6	9,506,507,190.20	10,149,967,124.84
Inventories	VIII. 7	12,751,695,215.56	11,549,843,990.52
Possession of assets for sale			
Non-current assets expiring within one year	VIII. 8	1,000,000,000.00	410,000,000.00
Other current assets	VIII. 9	353,318,827.94	493,399,417.87
<b>Total current assets</b>		<b>32,649,791,432.61</b>	<b>29,877,940,328.50</b>
<b>Non-current assets</b>			
Financial assets available-for-sale	VIII. 10	1,049,397,175.24	918,813,837.53
Held-to-maturity investments	VIII. 11	5,384,013,848.88	7,168,051,634.01
Long-term accounts receivable			
Long-term investment on stocks	VIII. 12	1,197,626,646.50	1,094,282,894.94
Investment property	VIII. 13	1,287,218.93	1,333,892.89
Fixed assets	VIII. 14	5,774,269,935.92	5,807,730,016.68
Construction in process	VIII. 15	4,106,986,895.94	3,374,072,297.91
Productive biological assets			
Oil and gas assets			
Intangible assets	VIII. 16	361,090,645.29	328,402,763.73
Development expenditure			
Business reputation	VIII. 17	118,482,738.72	118,482,738.72
Long-term deferred expenses	VIII. 18	20,685,161.57	15,887,820.27
Deferred income tax assets	VIII. 19	46,310,360.86	42,830,035.24
Other non-current assets	VIII. 20	200,030,750.00	535,859,800.90
<b>Total non-current assets</b>		<b>18,260,181,377.85</b>	<b>19,405,747,732.82</b>
<b>Total Assets</b>		<b>50,909,972,810.46</b>	<b>49,283,688,061.32</b>

Legal representative:

Person responsible for accounting work:

Head of accounting agency:



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# Consolidated Balance Sheet(Cont)

At Dec 31, 2019

Compiled by: Baoji Investment(Group) co., Ltd

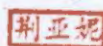
Unit: RMB Yuan

Item	Note	Ending amount	Beginning amount
<b>Current liabilities</b>			
Short-term loan	VIII. 21	359,000,000.00	353,300,000.00
Financial assets measured at fair value and changes recorded into current period profit or loss			
Derivative financial liabilities			
Notes payable	VIII. 22	1,168,529,839.41	197,032,165.45
Accounts payable	VIII. 23	591,600,502.22	458,240,248.54
Accounts received in advance	VIII. 24	1,298,411,671.93	1,237,057,845.19
Employee pay payable	VIII. 25	21,554,375.31	21,055,124.28
Taxes payable	VIII. 26	189,109,426.33	177,118,425.00
Other accounts payable	VIII. 27	2,927,925,374.77	3,543,413,998.52
Holding liabilities for sale			
Non-current liabilities due within one year	VIII. 28	2,377,700,000.00	1,542,300,000.00
Other current liabilities			
<b>Total Current Liabilities</b>		<b>8,933,831,189.97</b>	<b>7,529,517,806.98</b>
<b>Non-current liabilities</b>			
Long-term loans	VIII. 29	17,382,146,486.67	18,380,881,321.80
Bonds payable	VIII. 30	6,083,002,341.06	6,170,076,000.00
Include: Preferred stock			
Perpetual bond			
Long-term payable	VIII. 31	5,804,670,763.62	3,787,080,942.51
Long-term employee pay payable			
Estimated liabilities			
Deferred income	VIII. 32	336,154,921.45	231,890,225.98
Deferred income tax liability	VIII. 19	120,152,794.26	120,152,794.26
Other non-current liabilities	VIII. 33	169,045,238.59	477,750,694.17
<b>Total Non-current Liabilities</b>		<b>29,895,172,545.65</b>	<b>29,167,831,978.72</b>
<b>Total Liabilities</b>		<b>38,829,003,735.62</b>	<b>36,697,349,785.70</b>
<b>Owner' Equity</b>			
Paicl-up capital	VIII. 34	1,300,000,000.00	1,300,000,000.00
Other equity instruments			
Include: perferred stock			
perpetual bond			
Capital reserve	VIII. 35	7,983,552,302.23	8,659,902,302.23
Less:treasury stock			
Other comprehensive income			
Special reserve			
Surplus reserve	VIII. 36	41,033.76	41,033.76
Undistributed profit	VIII. 37	1,291,316,018.16	1,187,434,102.59
Total owners'equity attributable to holding company		10,574,909,354.15	11,147,377,438.58
Minority equity		1,506,059,720.69	1,438,960,837.04
<b>Total owners' Equity</b>		<b>12,080,969,074.84</b>	<b>12,586,338,275.62</b>
<b>Total liabilities and owners' equity</b>		<b>50,909,972,810.46</b>	<b>49,283,688,061.32</b>

Legal representative:

Person responsible for accounting work:

Head of accounting agency:



*[Handwritten signature]*



Consolidated Profit

2019

Compiled by: Baoji Investment(Group) co., Ltd

Unit: RMB Yuan

Item	Note	Ending amount	Beginning amount
<b>I. Gross revenues</b>		<b>5,150,268,871.14</b>	<b>1,825,763,793.33</b>
Less: operating cost	VIII. 38	4,772,688,684.77	1,453,297,140.24
Tax and associate charge	VIII. 39	38,572,356.91	52,704,193.44
Sales expense	VIII. 40	19,674,634.66	17,793,619.87
General and administrative expenses	VIII. 41	244,816,870.78	248,212,050.14
research and development cost			
Financial expenses	VIII. 42	560,735,560.32	358,673,640.73
Including: Interest costs			
Interest income			
Add: Other benefits	VIII. 43	719,716,164.41	247,407,784.98
Investment income(loss is filled by"-")	VIII. 44	62,440,066.81	92,435,251.28
Including: investment income from associates and joint ventures			-8,862,614.90
Fair value change gains (loss is filled by"-")			
Assets disposal (loss is filled by"-")	VIII. 45	-162,239,877.36	-172,173,782.94
Proceeds from disposal of assets (loss is filled by"-")	VIII. 46	4,320,366.75	-4,809,269.37
<b>II. Operating profit(loss is filled by"-")</b>		<b>138,017,484.31</b>	<b>-142,056,867.14</b>
Add: Non-operating revenue	VIII. 47	12,329,703.05	259,833,739.44
Less: Non-operating expenses	VIII. 48	7,201,657.11	1,719,413.85
<b>III. Total profits(loss is filled by"-")</b>		<b>143,145,530.25</b>	<b>116,057,458.45</b>
Less: Income tax	VIII. 49	30,505,503.33	5,231,722.31
<b>V. Net profits(loss is filled by"-")</b>		<b>112,640,026.92</b>	<b>110,825,736.14</b>
1.Classified according to business continuity			
a.Net profits from continuing operations(loss is filled by"-")			
b.Net operating profits(loss is filled by"-")			
2.Classified by ownership			
Net profit attributable to shareholders of the parent company		107,694,006.59	119,527,213.60
Minority shareholders' profit and loss		4,946,020.33	-8,701,477.46
<b>IV. Net of tax other comprehensive income</b>		-	-
The net income of other comprehensive income attributable to shareholders of the parent company		-	-
1.Other comprehensive income which cannot be reclassified into profit and loss later		-	-
a.Re-calculate and re-set the changes of net liabilities and net assets in beneficial plan			
b.Shares enjoyed in other comprehensive earning under profits and losses which cannot be reclassified by the investee under equity law			
2.Other comprehensive income which will be reclassified into profit and loss		-	-
a.Shares enjoyed in other comprehensive earning under profits and losses which can be reclassified by the investee under equity law			
b.Profit and loss of fair value of available financial assets			
c.Losses and profits of financial assets for sales which can be held until the expiration and also can be reclassified			
d.Effective portion of hedging profits and losses of cash flow			
e.Converted difference of foreign currency financial statements			
f.Other			
Net other comprehensive income attributable to minority shareholders after tax			
<b>VI. Comprehensive income</b>		<b>112,640,026.92</b>	<b>110,825,736.14</b>
Net profit attributable to Equity Holders of the Company		107,694,006.59	119,527,213.60
Minority interest income		4,946,020.33	-8,701,477.46

Legal representative:

Person responsible for accounting work:

Head of accounting agency:

强任  
印永  
6103030028454

荆亚妮

郭永成



# Cash Flow Statement

2019

Compiled by: Baoji Investment(Group) co., Ltd

Unit: RMB Yuan

Item	Note	Ending amount	Beginning amount
<b>I. Cash flow from operating activities</b>			
Cash received from sales of goods or rendering of services		5,542,487,162.85	2,223,888,960.52
Refund of taxes and levies		280.00	4,266.02
Cash received relating to other operating activities		3,278,833,453.35	2,345,577,954.12
<b>Sub-total of cash inflows</b>		<b>8,821,320,896.20</b>	<b>4,569,471,180.66</b>
Cash paid for goods and services		5,138,729,071.66	2,028,533,132.01
Cash paid to and on behalf of employees		448,303,831.24	335,772,718.29
Payments of taxes		105,734,005.83	112,610,997.80
Cash paid relating to other operating activities		1,768,442,445.83	1,498,803,417.56
<b>Subtotal of cash outflows</b>		<b>7,461,209,354.56</b>	<b>3,975,720,265.66</b>
<b>Net cash flow from operating activities</b>		<b>1,360,111,541.64</b>	<b>593,750,915.00</b>
<b>II. Cash flow from investing activities</b>			
Cash received from return of investments		2,393,436,736.24	1,397,664,380.09
Cash received from investments income		15,422,016.40	227,762,196.60
Net cash receipt from disposal of fixed assets,intangible assets and other long-term assets		2,051,568.77	66,877.31
Net cash received from disposal of subsidiaries and other business units		-	-
Cash received relating to other investing activities		108,455,181.70	96,185,811.95
<b>Sub-total of cash inflows</b>		<b>2,519,365,503.11</b>	<b>1,721,679,265.95</b>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		738,369,127.50	821,161,133.87
Cash paid for investment		1,992,312,352.11	1,929,814,211.59
Net cash paid by subsidiaries and other business units		-	-
Cash paid related to other investing activities		177,584,117.87	414,537,344.44
<b>Sub-total cash outflow relating investing activities</b>		<b>2,908,265,597.48</b>	<b>3,165,512,689.90</b>
<b>Cash flow generated from investing activities Net Amount</b>		<b>-388,900,094.37</b>	<b>-1,443,833,423.95</b>
<b>III. Cash flows from financing activities</b>			
Cash received from investors		129,650,000.00	354,100,000.00
Cash received from borrowings		1,169,003,484.00	3,207,328,946.67
The cash received by issuing bonds		908,688,600.00	1,805,896,000.00
Other cash received related to financing activities		535,457.58	202,198,796.78
<b>Sub-total of cash inflows</b>		<b>2,207,877,541.58</b>	<b>5,569,523,743.45</b>
Cash repayments of amounts borrowed		2,703,959,248.92	5,647,555,900.33
Cash payments for interest expenses and distribution of dividends or profits		545,138,622.61	474,770,415.07
Cash payments relating to other financing activities		18,997,294.71	151,267,038.81
<b>Sub-total of cash outflows</b>		<b>3,268,095,166.24</b>	<b>6,273,593,354.21</b>
<b>Net cash flows from financing activities</b>		<b>-1,060,217,624.66</b>	<b>-704,069,610.76</b>
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>			
<b>V. Net increase(decrease)in cash and cash equivalents</b>		<b>-89,006,177.39</b>	<b>-1,554,152,119.71</b>
Add:cash and cash equivalents beginning balance		5,244,277,399.08	6,535,339,120.75
<b>6.Cash and cash equivalents' ending balance</b>		<b>5,155,271,221.69</b>	<b>4,981,187,001.04</b>

Legal representative:

Person responsible for accounting work:

Head of accounting agency:



荆亚妮

荆亚妮

# Consolidated Statement of Changes in Owners' Equity

2019

Compiled by: Baoguo Investment(Group) Co., Ltd

Unit: RMB

Item	Paid-in Capital (share capital)	other equity instruments			capital surplus	less:treasur y stock	other comprehensive income	special reserve	surplus reserve	undistributed profit	Total	minority interest	total owner's equity
		preference d stock	preference d stock	perpetua l debt									
I.Previous Year Year-end Balance	1,300,000,000.00				8,645,648,023.81				41,033.76	1,188,446,905.62	11,134,135,963.19	1,423,673,376.62	12,557,809.11
Add: Changes in accounting policies													
Corrections of prior period errors										-187,460.42	-187,460.42	187,460.42	
Merger under the same control													
Other					14,254,278.42					-825,342.61	13,428,935.81	15,100,000.00	28,528.11
II.Opening balance for the year	1,300,000,000.00				8,659,902,302.23				41,033.76	1,187,434,102.59	11,147,377,438.58	1,438,960,837.04	12,586,338.22
III.Increase/Decrease of the year(loss is filled by "-")					-676,350,000.00					103,881,915.57	-572,468,084.43	67,098,883.65	-505,369.21
1.Consolidated income										107,694,006.59	107,694,006.59	4,946,020.33	112,640.01
2.Shareholders invest or reduce capital					-676,350,000.00					-3,812,091.02	-680,162,091.02	62,152,863.32	-618,009.21
a.Capital invested by the owner of common stock					50,000,000.00								50,000.00
b.Holders of other equity instruments invested capital													
c.Payment for shares attributed into owner's equity													
d.Other					-726,350,000.00					-3,812,091.02	-730,162,091.02	62,152,863.32	-668,009.21
3.Profits distribution													
a.Appropriation surplus reserve													
b.Distribution to owners(or shareholders)													
c.Others													
4.Internal transfers of owner's equity													
a.Capital reserves transferred to capital													
b.Surplus reserve transferred to capital													
c.Surplus reserve covering loss													
d.Setting Benefit Plan Change Amount to Transfer Retained													
e.Other													
5.Special reserve													
a.Appropriated in current period													
b.Use in current period													
6.Others													
IV.Closing balance of the Current Year	1,300,000,000.00				7,983,552,302.23				41,033.76	1,291,316,018.16	10,574,909,354.15	1,506,059,720.69	12,080,969.07

Legal representative:

Person responsible for accounting work:

Head of accounting agency:



*Handwritten signature of the head of accounting agency.*



# Consolidated Statement of Changes in Owners' Equity (continuu)

2019

单位: 人民币

Compiled by: Baoji Investment Group Co., Ltd.

Unit: RMB

Compiled by: Baoguang Investment Group Co., Ltd.

Unit: RMB

Item	Current period												
	Paid-in Capital (share capital)	other equity instruments			Owner's equity attributed to parent company							minority interest	total owner equity
		preferred stock	preferred stock	perpetual debt	capital surplus	less:treasu ry stock	other comprehensive income	special reserve	surplus reserve	undistributed profit	Total		
I.Previous Year Year-end Balance	1,300,000,000.00				8,502,122,023.81				41,033.76	1,103,843,023.70	10,906,006,081.27	1,061,360,991.36	11,967,367.0
Add: Changes in accounting policies											-		
Corrections of prior period errors					121,985,500.00					-41,247,681.84	80,737,818.16		80,737.8
Merger under the same control													
Other													
II. Opening balance for the year	1,300,000,000.00				8,624,107,523.81				41,033.76	1,062,595,341.86	10,986,743,899.43	1,061,360,991.36	12,048,104.8
III.Increase/Decrease of the year(loss is filled by"-")					21,540,500.00					125,851,563.76	147,392,063.76	362,312,385.26	509,704.4
1.Consolidated income										119,801,029.65	119,801,029.65	-8,318,552.90	111,482.4
2. Shareholders invest or reduce capital					21,540,500.00					6,050,534.11	27,591,034.11	370,630,938.16	398,221.9
a. Capital invested by the owner of common stock												339,000,000.00	339,000.0
b.Holders of other equity instruments invested capital													
c.Payment for shares attributed into owner's equity													
d. Other					21,540,500.00					6,050,534.11	27,591,034.11	31,630,938.16	59,221.9
3. Profits distribution											-		
a. Appropriation surplus reserve											-		
b. Distribution to owners(or shareholders)											-		
c. Others											-		
4. Internal transfers of owner's equity											-		
a. Capital reserves transferred to capital											-		
b. Surplus reserve transferred to capital											-		
c. Surplus reserve covering loss											-		
d.Setting Benefit Plan Change Amount to Transfer Retained Income											-		
e. Other											-		
5. Special reserve											-		
a.Appropriated in current period											-		
b. Use in current period											-		
6. Others											-		
IV. Closing balance of the Current Year	1,300,000,000.00				8,645,648,023.81				41,033.76	1,188,446,905.62	11,134,135,963.19	1,423,673,376.62	12,557,809.3

Legal representative:

Person responsible for accounting work:

Head of accounting agency:

强任  
印永  
0103030020464

荆亚妮

荆亚妮

# Parent Company Balance Sheet

At Dec 31, 2019

Compiled by: Baoji Investment(Group) co., Ltd

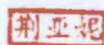
Unit: RMB Yuan

Item	Note	Ending amount	Beginning amount
<b>Current assets:</b>			
Monetary funds		880,446,105.29	1,460,303,999.84
Financial assets measured by fair value and included into the current gains and losses		-	183,168,000.00
Derivative financial assets			
Notes receivable			
Accounts receivable	XV.1	12,434,308.32	6,909,247.53
Accounts prepaid		2,732,778,946.74	3,265,247,515.01
Other receivables	XV.2	4,767,254,278.61	5,034,957,395.41
Inventories		1,491,894,869.05	1,516,442,693.23
Possession of assets for sale			
Non-current assets expiring within one year		1,000,000,000.00	
Other current assets			
<b>Total current assets</b>		<b>10,884,808,508.01</b>	<b>11,467,028,851.02</b>
<b>Non-current assets:</b>			
Financial assets available-for-sale		290,777,594.04	290,777,594.04
Held-to-maturity investments		9,926,798,048.88	11,277,564,834.01
Long-term accounts receivable			
Long-term investment on stocks	XV.3	3,772,130,740.84	3,738,880,307.00
Investment property			
Fixed assets		3,825,928,504.68	3,897,459,620.34
Construction in process		248,473,685.33	68,774,659.50
Project material			
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets		170,130,079.97	174,502,632.95
Development expenditure			
Business reputation			
Long-term deferred expenses		10,867,515.65	9,460,091.55
Deferred income tax assets		38,481,230.77	37,635,868.18
Other non-current assets			
<b>Total non-current assets</b>		<b>18,283,587,400.16</b>	<b>19,495,055,607.57</b>
<b>Total Assets</b>		<b>29,168,395,908.17</b>	<b>30,962,084,458.59</b>

Legal representative:

Person responsible for accounting work:

Head of accounting agency:



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# Baoji Investment (Group) Co., Ltd. Balance Sheet (Continue)

At Dec 31, 2019

Compiled by: Baoji Investment (Group) Co., Ltd

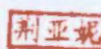
Unit: RMB Yuan

Item	Note	Ending amount	Beginning amount
<b>Current liabilities</b>			
Short-term loan		200,000,000.00	350,000,000.00
Financial assets measured at fair value and changes recorded into current period profit or loss			
Derivative financial liabilities			
Notes payable			
Accounts payable		25,711,298.20	25,083,906.27
Accounts received in advance		1,954,065.15	26,248,711.00
Employee pay payable			
Taxes payable		356,984.93	4,851,949.93
Other accounts payable		2,341,760,610.36	3,152,578,699.26
Holding liabilities for sale			
Non-current liabilities due within one year		1,499,700,000.00	440,500,000.00
Other current liabilities			
<b>Total Current Liabilities</b>		<b>4,069,482,958.64</b>	<b>3,999,263,266.46</b>
<b>Non-current liabilities</b>			
Long-term loans		11,785,778,820.00	12,527,998,253.00
Bonds payable		6,083,002,341.06	6,170,076,000.00
Include: Preferred stock			
Perpetual bond			
Long-term payable		505,065.00	505,065.00
Long-term employee pay payable			
Estimated liabilities			
Deffered incomes			
Deffered income tax liability			
Other non-current liabilities			
<b>Total Non-current Liabilities</b>		<b>17,869,286,226.06</b>	<b>18,698,579,318.00</b>
<b>Total Liabilities</b>		<b>21,938,769,184.70</b>	<b>22,697,842,584.46</b>
<b>Owner' Equity</b>			
Paicl-up capital		1,300,000,000.00	1,300,000,000.00
Other equity instruments			
Include: preferred stock			
perpetual bond			
Capital reserve		7,206,411,383.13	7,882,761,383.13
Less:treasury stock			
Other comprehensive income			
Special reserve			
Surplus reserve		41,033.76	41,033.76
Undistributed profit		-1,276,825,693.42	-918,560,542.76
<b>Total owners' Equity</b>		<b>7,229,626,723.47</b>	<b>8,264,241,874.13</b>
<b>Total liabilities and owners' equity</b>		<b>29,168,395,908.17</b>	<b>30,962,084,458.59</b>

Legal representative:

Person responsible for accounting work:

Head of accounting agency:



*[Handwritten signature]*



# Profit Statement Of Parent Company

2019

Compiled by: Baoji Investment(Group) co., Ltd

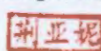
Unit: RMB Yuan

Item	Note	Ending amount	Beginning amount
<b>I. Gross revenues</b>	XV.4	69,275,008.88	109,471,373.59
Less : operating cost	XV.4	32,999,671.54	91,760,429.12
Tax and associate charge		311,538.55	19,256,746.47
Sales expense		-	152,920.00
General and administrative expenses		93,078,039.23	102,714,241.38
research and development cost			
Financial expenses		485,339,076.02	297,254,972.00
Including: Interest costs		443,156,479.17	497,726,994.78
Interest income		27,215,120.60	202,436,017.90
Loss of assets impairment		190,000,000.00	
Add: Other benefits		-638,671.91	-19,274,135.99
Investment income(loss is filled by"-")	XV.5		
Including: investment income from associates and joint ventures			
Fair value change gains (loss is filled by"-")		-5,684,500.60	-105,760,784.38
Assets disposal (loss is filled by"-")		-15,207.61	
<b>II. Operating profit(loss is filled by"-")</b>		<b>-358,791,696.58</b>	<b>-526,702,855.75</b>
Add: Non-operating revenue			255,430,900.00
Less: Non-operating expenses		318,816.67	918,762.45
<b>III. Total profits(loss is filled by"-")</b>		<b>-359,110,513.25</b>	<b>-272,190,718.20</b>
Less: Income tax		-845,362.59	-12,402,169.39
<b>IV. Net profits(loss is filled by"-")</b>		<b>-358,265,150.66</b>	<b>-259,788,548.81</b>
1.Classified according to business continuity			
2.Classified by ownership			
<b>V. Net of tax other comprehensive income</b>		-	-
1.Other comprehensive income which cannot be reclassified into profit and loss later		-	-
a.Re-calculate and re-set the changes of net liabilities and net assets in beneficial plan			
b.Shares enjoyed in other comprehensive earning under profits and losses which cannot be reclassified by the investee under equity law			
2.Other comprehensive income which will be reclassified into profit and loss		-	-
a.Shares enjoyed in other comprehensive earning under profits and losses which can be reclassified by the investee under equity law			
b.Profit and loss of fair value of available financial assets			
c.Losses and profits of financial assets for sales which can be held until the expiration and also can be reclassified			
d.Effective portion of hedging profits and losses of cash flow			
e.Converted difference of foreign currency financial statements			
f.Other			
<b>VI. Comprehensive income</b>		<b>-358,265,150.66</b>	<b>-259,788,548.81</b>

Legal representative:

Person responsible for accounting work:

Head of accounting agency:



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# Statement Of Parent Company Cash Flow

2019

Compiled by: Baoji Investment(Group) co., Ltd

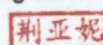
Unit: RMB Yuan

Item	Note	Ending amount	Beginning amount
<b>I. Cash flow from operating activities</b>			
Cash received from sales of goods or rendering of services		41,489,261.22	99,741,371.83
Refund of taxes and levies		-	4,266.02
Cash received relating to other operating activities		582,835,280.13	853,599,186.08
<b>Sub-total of cash inflows</b>		<b>624,324,541.35</b>	<b>953,344,823.93</b>
Cash paid for goods and services		13,824,169.72	95,738,898.29
Cash paid to and on behalf of employees		6,320,058.95	6,071,631.97
Payments of taxes		2,607,446.08	19,801,259.90
Cash paid relating to other operating activities		373,588,162.55	19,288,428.48
<b>Subtotal of cash outflows</b>		<b>396,339,837.30</b>	<b>140,900,218.64</b>
<b>Net cash flow from operating activities</b>		<b>227,984,704.05</b>	<b>812,444,605.29</b>
<b>II. Cash flow from investing activities</b>			
Cash received from return of investments		2,155,490,370.77	466,310,000.00
Cash received from investments income		5,340,458.30	117,692,867.86
Net cash receipt from disposal of fixed assets, intangible assets and other long-term assets		433,000.00	
Net cash received from disposal of subsidiaries and other business units			
Cash received relating to other investing activities			
<b>Sub-total of cash inflows</b>		<b>2,161,263,829.07</b>	<b>584,002,867.86</b>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		187,416,221.71	13,802,144.04
Cash paid for investment		2,102,305,599.08	1,002,500,000.00
Net cash paid by subsidiaries and other business units			
Cash paid related to other investing activities			310,000,000.00
<b>Sub-total cash outflow relating investing activities</b>		<b>2,289,721,820.79</b>	<b>1,326,302,144.04</b>
<b>Cash flow generated from investing activities Net Amount</b>		<b>-128,457,991.72</b>	<b>-742,299,276.18</b>
<b>III. Cash flows from financing activities</b>			
Cash received from investors		50,000,000.00	14,790,500.00
Cash received from borrowings		750,000,000.00	1,605,050,000.00
The cash received by issuing bonds		908,688,600.00	1,805,896,000.00
Other cash received related to financing activities			
<b>Sub-total of cash inflows</b>		<b>1,708,688,600.00</b>	<b>3,425,736,500.00</b>
Cash repayments of amounts borrowed		1,925,919,433.00	4,046,520,000.00
Cash payments for interest expenses and distribution of dividends or profits		443,156,479.17	435,459,747.26
Cash payments relating to other financing activities		18,997,294.71	20,400,000.00
<b>Sub-total of cash outflows</b>		<b>2,388,073,206.88</b>	<b>4,502,379,747.26</b>
<b>Net cash flows from financing activities</b>		<b>-679,384,606.88</b>	<b>-1,076,643,247.26</b>
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>			
<b>V. Net increase(decrease)in cash and cash equivalents</b>		<b>-579,857,894.55</b>	<b>-1,006,497,918.15</b>
Add: cash and cash equivalents beginning balance		1,460,303,999.84	2,466,801,917.99
<b>VI. Cash and cash equivalents' ending balance</b>		<b>880,446,105.29</b>	<b>1,460,303,999.84</b>

Legal representative:

Person responsible for accounting work:

Head of accounting agency:



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# Statement Of Equity Of Shareholders Of Parent Company

2019

Compiled by: Badji Investment(Group) co., Ltd

Unit: RMB Yuan

Item	Paid-in Capital (share capital)	other equity instruments			capital surplus	Current period					total owner's equity
		preferred stock	preferred stock	perpetual debt		less: treasury stock	other comprehensive income	special reserve	surplus reserve	undistributed profit	
I. Previous Year Year-end Balance	1,300,000,000.00				7,868,507,104.71				41,033.76	-918,560,542.76	8,249,987,595.71
Add: Changes in accounting policies											-
Corrections of prior period errors											-
Other					14,254,278.42						14,254,278.42
II. Opening balance for the year	1,300,000,000.00	-	-	-	7,882,761,383.13	-	-	-	41,033.76	-918,560,542.76	8,264,241,874.13
III. Increase/Decrease of the year (loss is filled by "-")	-	-	-	-	-676,350,000.00	-	-	-	-	-358,265,150.66	-1,034,615,150.66
1. Consolidated income										-358,265,150.66	-358,265,150.66
2. Shareholders invest or reduce capital	-	-	-	-	-676,350,000.00	-	-	-	-	-	-676,350,000.00
a. Capital invested by the owner of common stock					50,000,000.00						50,000,000.00
b. Holders of other equity instruments invested capital											-
c. Payment for shares attributed into owner's equity											-
d. Other					-726,350,000.00						-726,350,000.00
3. Profits distribution	-	-	-	-	-	-	-	-	-	-	-
a. Appropriation surplus reserve											-
b. Distribution to owners (or shareholders)											-
c. Others											-
4. Internal transfers of owner's equity	-	-	-	-	-	-	-	-	-	-	-
a. Capital reserves transferred to capital											-
b. Surplus reserve transferred to capital											-
c. Surplus reserve covering loss											-
d. Settling Benefit Plan Change Amount to Transfer Retained Income											-
e. Other											-
5. Special reserve	-	-	-	-	-	-	-	-	-	-	-
a. Appropriated in current period											-
b. Use in current period											-
6. Others											-
IV. Closing balance of the Current Year	1,300,000,000.00	-	-	-	7,206,411,383.13	-	-	-	41,033.76	-1,276,825,693.42	7,229,626,723.47

Legal representative:



Person responsible for accounting work:

俞正斌

Head of accounting agency:

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# Statement Of Equity Of Shareholders Of Parent Company (Continue)

2019

Compiled by: Baoji Investment(Group) co., Ltd

Unit: RMB Yuan

Item	Paid-in Capital (share capital)	other equity instruments			capital surplus	Previous amount					total owner's equity
		preferred stock	preferred stock	perpetual debt		less:treasury stock	other comprehensive income	special reserve	surplus reserve	undistributed profit	
I.Previous Year Year-end Balance	1,300,000,000.00				7,853,716,604.71	-	-		41,033.76	-637,037,938.39	8,496,719,700.08
Add: Changes in accounting policies											-
Corrections of prior period errors											-
Other											-
II. Opening balance for the year	1,300,000,000.00	-	-	-	7,853,716,604.71	-	-	-	41,033.76	-637,037,938.39	8,496,719,700.08
III.Increase/Decrease of the year(loss is filled by"-")	-	-	-	-	14,790,500.00	-	-	-	-	-261,522,604.37	-246,732,104.37
1.Consolidated income										-259,788,548.81	-259,788,548.81
2.Shareholders invest or reduce capital	-	-	-	-	14,790,500.00	-	-	-	-	-1,734,055.56	13,056,444.44
a.Capital invested by the owner of common stock											-
b.Holders of other equity instruments invested capital											-
c.Payment for shares attributed into owner's equity											-
d.Other					14,790,500.00					-1,734,055.56	13,056,444.44
3.Profits distribution	-	-	-	-	-	-	-	-	-	-	-
a.Appropriation surplus reserve											-
b.Distribution to owners(or shareholders)											-
c.Others											-
4.Internal transfers of owner's equity	-	-	-	-	-	-	-	-	-	-	-
a.Capital reserves transferred to capital											-
b.Surplus reserve transferred to capital											-
c.Surplus reserve covering loss											-
d.Setting Benefit Plan Change Amount to Transfer Retained Income											-
e.Other											-
5.Special reserve	-	-	-	-	-	-	-	-	-	-	-
a.Appropriated in current period											-
b.Use in current period											-
6.Others											-
IV. Closing balance of the Current Year	1,300,000,000.00	-	-	-	7,868,507,104.71	-	-	-	41,033.76	-918,560,542.76	8,249,987,595.71

Legal representative:

强任  
印永  
6102030020464

Person responsible for accounting work:

陈亚强  
陈亚强

Head of accounting agency:

张明



**BAOJI INVESTMENT GROUPCOMPANY LIMITED.**  
**NOTES TO FINANCIAL STATEMENTS**  
(Expressed in Yuan unless otherwise indicated)

**I. Company Status**

Company name	Baoji Investment Group Co., Ltd.
Credibility code	91610300797916453C
Registered address	Block C, Administrative Center Building #6, 125 BaoGuo Road, Baoji city, Shaanxi province of PRC.
Legal representative	Ren Yong qiang
registered capital	RMB 1,300,000,000
Operating scope	Urban construction and infrastructure investment, industrial investment, transportation investment, cultural education investment, tourism investment, ecological investment; real estate development; property management, and urban road & bridge charges.

**Establishment of the company**

Baoji Investment Group Co., Ltd. (hereinafter referred to as the Group) is a limited liability company established by Baoji Municipal People's Government, according to the *Determination of the Baoji city people's government on the Establishment of Baoji Investment GroupCo.,Ltd.(Baozhengfa[2006]66) issued on Dec 29, 2006*, with 53.44% equity of Baoji Construction Investment&Development Co., Ltd., 51.93% equity of Baoji Urban RedevelopmentConstruction Investment Co., Ltd.,57.96% equity of Baoji Heating Power Co. Ltd., 51.84% equity of Baoji Water SupplyCompany, and 61.34% equity of Baoji FamenTourism Development &Construction Co., Ltd. as well as certain cash as investment with a registered capital of RMB 300 million. The state-owned assets supervision and administration commission of Baoji city fulfilled the responsibilities of the state-owned assets authorized by the people's government of Baoji city.

On January 12, 2008, The People's Government of Baoji city allocated 100% of state-owned property rights of companies held by Baoji city Construction Bureau, (those are the Baoji Public Transport Co., Ltd., Baoji Natural Gas



Co.,Ltd., and Baoji Sanitation Construction Co., Ltd.) and the remaining equity of five companies transferred to the Group without compensation. (those are Baoji Urban Construction Investment development Co., Ltd., Baoji Urban Redevelopment Construction Investment Co., Ltd., Baoji Heating Power Co., Ltd., Baoji Water Supply Company, Baoji Famen Tourism Development & Construction Co., Ltd.), according to the document *Bao Zheng Fa [2008] No. 2*.

On December 10, 2009, based on Decision for Agreement of Increasing Registered Capital of Baoji Investment Group Co., Ltd. (*Bao Guo Zi Fa [2009] No. 369*), Baoji state-owned assets supervision & administration commission authorized the Group to increase its registered capital from RMB 300 million to RMB 1 billion, and changed the business registration on December 25, 2009.

In December 2013, Changan International Trust Co., Ltd. increased its capital by 300 million yuan with monetary fund, and the registered capital of Baoji Investment Group Co., Ltd. increased to RMB 1.3 billion. The variation registration work was completed in December 31, 2013.

On March 26, 2015, the State-owned Assets Supervision and Administration Commission of Baoji Municipal People's Government repurchased all the capital invested by Changan International Trust Co., Ltd., and change the Group as a limited liability company. (Wholly state-owned)

## **Approval of financial statements and reporting date for financial statements**

The financial statements shall be approved by the board of director of the Group on April 28, 2020.

## **II. Significant accounting policies and accounting estimates**

### **1. Basis of preparation**

The company's financial statements are based on the assumption of continuing operation, according to actual transactions and events, and in accordance with the Accounting Standards for Enterprises - Basic Standards issued by the Ministry of Finance (Ministry of Finance Decree No. 33, Ministry of Finance Decree No. 76), 42 specific accounting standards promulgated and revised on and after February 15, 2006, the Guidelines for the Application of Enterprise Accounting Standards, and the interpretation of Enterprise



Accounting Standards Interpretation and other relevant provisions (hereinafter referred to as "Enterprise Accounting Standards") preparation.

The Board of Directors of the Company is confident that the Company has sufficient operating capital and will be able to operate continuously for a foreseeable future period of not less than 12 months from the date of approval of this financial statement. Therefore, the board of directors continues to prepare the company's financial statements for the year 2018 as at 31 December 2018 on the basis of continuing operations..

**2. Statement for compliance with the Accounting Standards for Business Enterprises**

The financial statements in accordance with Accounting Standards for Business Enterprise, and truly and completely reflect the financial condition, operating achievements and cash flow of the company during the reporting period.

**3. Accounting period**

The accounting period is from 1 January to 31 December

**4. Operating cycle**

The Company takes the period from the acquisition of assets for processing to until the ultimate realization of cash or cash equivalents as a normal operating cycle. The Group takes 12months as an operating cycle and use it as a liquidity division standard for assets and liabilities.

**5. Functional currency**

The functional and presentation currency is RMB.

**6. Accounting basis and valuation principle**

The Group's accounting is based on accrual basis and debit and credit accounting method.

The accounting measurement attribute mainly include historical cost, replacement cost, net realizable value, present value, and fair value. When accounting elements are measured by the Group, the historical cost is generally adopted to ensure that the amount of accounting elements determined can be obtained and measured reliably.

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

(1). Business combination involving entities under the common control



The assets and liabilities obtained are measured at the carrying amount as recorded by the enterprise being combined at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combination (or the total face value of shares issued) is adjusted to share premium the capital reserve. If the balance of share premium is sufficient, any excess is adjusted to retained earnings.

The accounting policies adopted by the merger entity are inconsistent with the Group and shall be adjusted according to the accounting policies of the Group on the date of merger, and shall be confirmed according to the book value after adjustment.

Relevant professional expenditures directly attributed to the combination, including audit fee, appraisal fee, legal advice fee and etc., are charged to the income statement when occurs.

Any issuance costs occurring in the process of issuing equity securities are offset against the share premium. If the balance of share premium is insufficient, any excess is adjusted to retained earnings.

(2). Business combinations involving entities not under common control

The cost of a business combination paid by the acquirer is the aggregate of fair value at the acquisition date of assets given, liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquire plus any cost directly attributable to the business combination. Relevant professional expenditures directly attributed to the combination, including audit fee, appraisal fee, legal advice fee and etc., are charged to the income statement when occurs.

The difference between the fair value and the carrying amount of the assets given, liabilities incurred or assumed is recognized in profit or loss. Any excess of a business combination over the acquirer interest in the fair value of the acquired identifiable net assets is recognized as goodwill. Any excess of the acquirer interest in the fair value of the acquired identifiable net assets over the cost of a business combination is recognized in profit or loss.

The acquirer, at the acquisition date, allocates the cost of the business combination by recognizing the acquirer identifiable asset, liabilities and contingent liabilities at their fair value at the date of acquisition.



Subsidiary company is formed due to a business combination relationship, the parent company in the consolidated balance sheet on the acquisition date, of the merger of enterprises by the acquirer the identifiable assets, liabilities and contingent liabilities at fair value

#### **8. Preparation of consolidated financial statements**

The scope of financial statements consolidation is decided based on the control and the consolidated financial statements comprise the Company and its subsidiaries (including the divisible part of the enterprise, the investment unit and the structured subject controlled by the enterprise.).

If the Group holds the right to vote of half or less, but after considering the following facts and circumstances, the Group should be hold a vote to have the ability to dominated the investee related activities, as investors have power of enterprise:

- (1). The amount of voting rights held by the Group relative to the voting shares held by other investors, and the extent to which other investors shall have the right to vote.
- (2). The potential voting rights of the investor held by the Group and other investors, such as convertible corporate bonds, enforceable stock warrants, etc.
- (3). Other rights arising from other contractual arrangements.
- (4). The enterprise shall consider other relevant facts and circumstances, such as the exercise of the voting rights of the invested party in the past.

If the right to vote cannot have a significant impact on the return of the investor, and only related to the daily administrative activities of the invested entity, and the relevant activities are determined by the contractual arrangement, the Group need to evaluate the contract arrangement, in order to evaluated its power enjoyed by whether it is enough to have power over the investee.

The Group may difficult to judge whether its enjoy power enough to make it have power over the investee, in this case, the Group should consider the evidence that it has the practical ability to unilaterally lead the relevant activities of the invested entity, thereby determining whether it has the right to the investee. These considerations include, but are not limited to, the following:



- (1). Whether the Group is able to appoint or approve key managers of the invested entity;
- (2). Whether or not a material transaction by the invested entity is determined or denied for the Group's own benefit;
- (3). Whether to control the appointment procedures of the board of directors of the invested entity, or to obtain the power of agency from other voting holders;
- (4). There is a related party relationship between the key management personnel of the invested entity or the majority of the board of directors.

Where there is a particular relationship between the company and the investing party, the impact of this particular relationship should be duly considered in evaluating the company's power to the investor. Particular relationship usually include: the Key management of the investor is the incumbent or former employee of the enterprise, the operation of the invested party relies on the company, the significant part of the activity of the investor, the company participates in or is in the name of the company, The company's exposure to a variable return from the investor or to a variable return is far greater than the percentage of the voting or other similar rights held by the investing party.

In determining whether or not to control the investment party, the company shall make sure that it exercises its decision-making power in its own capacity as the principal or agent, and that in the case of other parties having decision-making power, it is also necessary to determine whether the other party will exercise the decision-making power on behalf of its agent.

The company should generally judge whether or not to control the whole investment party. But in very rare cases, where there is conclusive evidence that the following conditions are met and are in compliance with the relevant laws and regulations, the Company shall treat as part of the Investment Party (hereinafter referred to as "the part") as a divisible part of the investor (the individual body), and then determine whether or not to control the part (individual body):

- (1). The assets of that part are the sole source of reimbursement for that part of the liability or other interest in that part and cannot be used to repay other liabilities of the investor other than that



part

- (2). Except to the parties concerned in that part, the other party does not enjoy the rights relating to that part of the asset and does not have the right to be related to the remaining cash flow of that part of the asset.

All included in the scope of consolidated financial statements, a subsidiary of the accounting policies and accounting periods shall be consistent with the Group, and if not, the necessary adjustments should be made in accordance with the accounting policies and accounting period of the Group in the preparation of consolidated financial statements. The consolidated financial statements shall be based on the financial statements of the parent company and its subsidiaries, the parent company shall prepare the consolidated financial statements after offset the internal transaction between parent company and subsidiary and subsidiaries to each other.

- Unrealized internal transaction gains and losses arising from the sale of assets by the parent company to its subsidiaries, fully offsetting the "net profit attributable to the owner of the parent company"
- Unrealized internal transaction gains and losses incurred in the sale of assets by a subsidiary to the parent company are offset by the allocation of the parent company's share of the subsidiary to the "net profit attributable to the owner of the parent company" and "minority shareholder gain or loss".
- Unrealized internal transaction gains and losses arising from the sale of assets between subsidiaries are offset by the distribution of the parent company's share of the seller's subsidiary to the "net profit attributable to the owner of the parent company" and "minority shareholder gain or loss".
- The parent company's long-term equity investment held by the subsidiaries, should be regarded as the Group's inventory shares, and as a subtraction of owner's equity, the following "Less: inventory shares" in the consolidated balance sheet of the owner's equity item. The share of the long-term equity investment held by the subsidiaries is offset by the shares enjoyed by the corresponding subsidiaries.
- In the case of a temporary difference between the book value of assets and liabilities in the consolidated balance sheet and the



taxable basis off the consolidated balance sheet, the balance sheet shall be confirmed as "deferred income tax asset, or deferred income tax liability", and the income tax expense in the consolidated income statement shall be adjusted , except for the transaction or matters that are directly included in the owner's equity, and the deferred income tax related to the merger of enterprise.

- Non-controlling interest share presented separately in the consolidated balance sheet within shareholders' equity. Net profit or loss attributable to non-controlling shareholders is presented separately in the consolidated income statement below the net profit line item. Total comprehensive income attributable to non-controlling shareholders is presented separately in the consolidated income statement below the total comprehensive income line item.
- Where a subsidiary was disposal of during the reporting period, the identifiable assets, liabilities and results of operations of the subsidiaries are consolidated into consolidated financial statements up to the disposal date.
- The difference between the newly acquired long-term equity investment due to the purchase of minority equity and the share of identifiable net assets of the subsidiary in terms of the proportion of newly acquired equity holdings, and the disposal price obtained for partial disposal of the equity investment of the subsidiaries without losing control, both adjust the equity premium of capital reserves in the consolidated balance sheet. If equity premium in capital reserves is insufficient to offset, adjust retained earnings.

#### **9. Determination criteria for cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments, which are readily convertible into known amounts of other cash and are subject to an insignificant risk of change in value.

#### **10. Recognition and measurement of financial instruments**

##### **(1). Classification of financial instruments**

According to the financial assets held and purpose of bearing financial liabilities, it can be divided into as follow:



- Financial assets or liabilities that are measured at fair value and whose changes are included in the current profit and loss; and transactional financial assets or liabilities, and the financial assets or liabilities that designated a measurement of fair value and whose changes are included in the current profit and loss
- Held-to maturity investment
- Accounts receivable
- Available-for-sale financial assets
- Other financial liabilities

## (2). Recognition and measurement of financial instruments

Financial instruments include cash at bank and on hand, investments in debt and equity securities other than those classified as long-term equity investments, receivables, payables, loans and borrowings, bonds payable and share capital, etc.

- Financial assets and financial liabilities at fair value through profit or loss (including financial assets or financial liabilities held for trading)

Subsequent to initial recognition, financial assets and financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss

- Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method.

- Receivables

Receivables are the creditor's right of the Group to sell goods or provide labor service that are not quoted in an active market, including accounts receivable, other receivables, notes receivable, prepayment and long-term receivables and etc.

Receivables are initially recognized as the contracted or the agreement price, or the present value where they are of finance



nature. When collected or disposal of, the differences between carrying value and receipts are charged to profit or loss.

- Available-for-sale financial assets

Available-for-sale financial assets include no-derivative financial assets that are designated upon initial recognition as available for sales and other financial assets which do not fall into any of the above categories.

Available-for-sale investments in equity instruments whose fair value cannot be measured reliably are measured at cost subsequent to initial recognition. Other available-for-sale financial assets are measured at fair value subsequent to initial recognition and changes therein are generally recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses from monetary financial assets which are recognized directly in profit or loss. When an investment is derecognized, the gain or loss accumulated in other comprehensive income is reclassified to profit or loss. Dividend income is recognized in profit or loss when the investee approves the dividends. Interest is recognized in profit or loss using the effective interest method

- Other financial liabilities

Other financial liabilities are measured at total of fair value and relevant expenditures initially and subsequently at amortized cost.

### (3). Determination and measurement of transfer of financial assets

A financial asset is derecognized if any of the following conditions were met:

- The Group's contractual rights to the cash flows from the financial asset expire;
- If the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to transfer;
- If the financial asset has been transferred and the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but it gives up its control over the



financial asset.

In determining whether the transfer of financial assets satisfies the conditions of termination and confirmation of financial assets, the principle of substance over form is adopted. The company distinguishes financial assets transfer into the overall transfer and partial transfer of financial assets.

Where overall transfer of a financial asset in its entirety meets the criteria for termination of recognition, the difference between the two amounts below is recognized in profit or loss:

- The carrying value of the financial assets transferred;
- The sum of the consideration received from the transfer and any cumulative gain or loss that has been recognized directly in shareholders' equity.

Where partial transfer of a financial asset in its entirety meets the criteria for recognition, the difference between the two amounts below is recognized in profit or loss: If the partial transfer of financial assets satisfies the conditions for termination of confirmation, the book value of the transferred financial assets shall be apportioned between the termination of confirmation and the non-termination of confirmation according to their respective relative fair values, and the difference between the following two amounts shall be included in the current profits and losses:

- The book value of the termination confirmation part;
- The consideration of the termination confirmation part is the sum of the amount corresponding to the termination confirmation part in the cumulative change of fair value recorded in other comprehensive gains (where the transferred financial assets are sellable financial assets).

If the financial asset does not meet the conditions for the termination of confirmation, continue to identify the financial asset, and confirm the received consideration as a financial liability.

(4). Determination of the fair value of financial assets and financial liabilities

The Group adopts the fair value measurement of financial assets and financial liabilities in all direct reference to the active market quotation.

(5). Impairment of financial assets (not including accounts receivables).

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.

The impairment refers of the fact that the actual occurrence after the initial confirmation of the asset has an effect on the financial asset's future cash flow, and can make a reliable measurement of the impact.

- Held-to-maturity investments

The determination of impairment of held-to-maturity investments are in context of that of receivables.

- Available-for-sale financial assets

When a severely decline in the fair value of an available-for-sale assets has occurred or can be regarded as non-temporary after considering all the factors comprehensively, the impairment loss shall be recognized and the provision for impairment of available-for-sale financial assets shall be as per the negative balance between its fair value and its carrying amount. When an impairment loss of the financial assets available-for-sale is recognized, the cumulative loss generated from decline of fair value that had been recorded directly into the other comprehensive income, will be transferred out.

The impairment loss of available-for-sale equity instrument was recognized, the impairment loss shall not be transferred back through profit or loss.

A serious decline in the fair value of a company's equity for sale of financial assets means that the fair value has fallen by more than 50% per cent for the cost and that the period of continuous decline means January 1 to December 31.

#### **11. Provision impairment for Accounts Receivable**

Accounts receivables, which are prepared by the group company, including accounts receivables and other receivables.

The group company adopted the allowance method to calculate the bad debts of accounts receivables, at the end of period, the impairment test will be carried out separately or in combination, and the provision for bad debts will be included in the current profit and loss. Here is evidence to indicate that the receivables that are indeed uncollectible, according to the procedures as



the loss of bad debts write-off of the provision of bad debts after the approval of the group company.

The possible loss of bad debts shall be accounted for by the method of allowance. At the end of the period, the impairment test shall be carried out separately or in combination, and the provision for bad debts shall be calculated and recorded into the profits and losses of the current period. For the receivables which have solid evidence that they cannot be recovered, after approval by the company in accordance with the prescribed procedures, they will be used as bad debts loss and write off the bad debts withdrawn. The group company is prepared to disclosure the accounts receivables due to specific circumstances, the group company provide the following accounts receivables disclosure format for reference only.

- (1). The accounts receivables whose single balances are significant but are provided for individually

Category of combination items	Group determination basis
Group for counting and drawing bad debt reserves as per account age analysis method	The group company shall confirm the receivables with amount of more than 1 million RMB yuan (including 1 million), and other receivables amounting to 300,000 RMB yuan (including 300,000) as a single amount of significant receivables. There is a difference on the possibility of bad debt loss to the accounts receivables at different account ages.
Group for the open credit of the company and its subsidiaries	The accounts receivables of various accounting entities within mergence scope .Unless there is evidence, bad debt reserves shall not be counted and drawn.

- (2). The receivables to be prepared according to the credit risk characteristics

Name of Group	Method of provision for bad debts
Age combination	Account age analysis

Prepare the bad debts with the aging analysis method in the combination:

Account age	Accounts receivable (%)	Other receivables (%)
Within 1 year	0.5	0.5
1 to 2 years	3	3
2 to 3 years	5	5
3 to 4 years	10	10



4 to 5 years	20	20
Over 5 years	30	30

- (3). The amount of single item is not significant, but the receivables for the provision of bad debts are separately calculated.

Reason for the single item of provision of bad debts	Although the amount of single item is not large, it is objective evidence that there has been a reduction, such as: there is a dispute or involve litigation or arbitration; and the debtor may not be able to meet the payment obligations clearly.
Provision method	Impairment test alone according to the difference between the present value of future cash flow and the book value, if the impairment loss is confirmed, and the provision for bad debts is calculated.

## 12. Foreign Currency Transactions and Translation

- (1). Foreign Currency transactions are, on initial recognition, translated to RMB at the spot exchange rates at the date of transactions.

The balance of foreign currency monetary items is adjusted and translated into functional currency at balance sheet date using the spot exchange rate. Regarding the year-end differences of translation in foreign currency, except those special borrowing accounts under the acquisition, building or production of assets to be capitalized are capitalized and accounted into related assets cost, all the other differences are accounted into current profits and losses. The foreign currency non-monetary items at fair value are adjusted at adoption date of fair value using the spot exchange rate. The differences of translation between different currencies are accounted into current profit and losses or the other comprehensive incomes.

- (2). Conversion of Foreign Currency Financial Statements

When incorporating overseas subsidiaries, joint ventures, joint ventures and branches into the company's financial statements through consolidated statements and equity accounting, it is necessary to convert the financial statements of the company's overseas operations into the company's accounting base currency. Before converting the financial statements of a company's overseas operations, the accounting period and policies of the company's overseas operations shall be adjusted so as



to be consistent with the accounting period and policies of the company. The financial statements of the corresponding currencies (currencies other than the base currency) shall be prepared according to the adjusted accounting policies and the accounting period, and then the financial statements of the overseas operations shall be converted according to the following methods. The assets and liabilities in the balance sheet shall be converted at the spot exchange rate on the balance sheet date, the owner's equity items shall be converted at the spot exchange rate at the time of occurrence except for the "undistributed profit" items; the income and expenses items in the profit statement shall be converted at the spot exchange rate on the transaction occurrence date; and the resulting foreign currency financial statements shall be converted at the time of compiling the consolidated financial statements. In the statement, the owner's equity items in the consolidated balance sheet are listed separately as "the balance of conversion of foreign currency statements".

### **13. Confirmation and measurement of inventory**

#### **(1). Classification and inventory**

Inventories include raw materials, finished goods, and work in progress and reusable materials. Reusable materials include low-value consumables, spare parts, unsettled completed engineering, develop product and development cost etc.

#### **(2). Measurement method of cost of inventories**

Inventories recognized are calculated using the weighted average method. Consumables including low-value consumables and packing materials are amortized when they are used, and the amortization change are included in the cost of the related assets or recognized in profit or loss for the current period.

#### **(3). Basis for determining the net realizable value of inventories and method for provision for obsolete inventories**

At the balance sheet date, the inventories carried at the lower of cost net realizable value .

Net realizable value is estimated selling price in the ordinary course of business less the estimated costs to completion and the estimated costs



necessary to make the sale and related taxes. Net realizable value of finished goods, merchandises and raw materials for sale are the estimated selling price in the normal course of business less the estimated expenses and related taxes necessary to make the sale. Net realizable value of materials held for use in the production is measured based on the net realizable value of the finished goods in which they will be incorporated. The net realizable value of the quantity of inventory held to satisfy sales or service contracts is measured based on the contract price. If the quantities held by the Group are more than the quantities of inventories specified in sales contracts, the net realizable value of the excess portion of inventories is measured based on general selling prices.

Any excess of the cost over the net realizable value of each category of inventories is recognized as a provision for obsolete inventories, and is recognized in profit or loss.

(4). Inventory count system

The inventory system adopts the perpetual inventory system. On the balance sheet day, the inventory is thoroughly counted. The results of the inventory surplus and loss are processed before the closing of the final account and recorded into the current profits and losses. After approval by the shareholders' meeting or the board of directors, the balance shall be handled accordingly.

**14. Long-term equity investment**

(1). Investment cost of long-term equity investments

- a. Long-term equity investment formed in enterprise merger
  - If an enterprise under the same control is merged, the company takes the payment of cash, the transfer of non-cash assets or the undertaking of debts as the merger consideration. On the merger day, the initial investment cost of long-term equity investment is based on the share of the book value of the owner's equity of the merged party in the final controlling party's consolidated financial statements. The difference between the initial investment cost of long-term equity investment and the combined consideration paid shall be adjusted to the capital reserve; if the capital reserve is insufficient to reduce, the retained earnings shall be adjusted.



- Where the merger considers the issuance of equity securities as the merger consideration, the initial investment cost of the long-term equity investment shall be the share of the book value of the owner's equity of the merged party in the final controlling party's consolidated financial statements on the date of the merger. The capital reserve shall be adjusted according to the difference between the initial investment cost of long-term equity investment and the total par value of the issued shares, and the retained earnings shall be adjusted if the capital reserve is insufficient to reduce.
- The direct related expenses incurred by the merger, including audit fees, assessment fees and legal service fees paid for the merger, are included in the current profits and losses when the merger occurs.
- If the purchaser is directly related to the transaction costs of the equity securities issued as a consolidated consideration, he shall write off the capital reserve-capital premium or equity premium, and if the capital reserve-capital premium or the equity premium is insufficiently reduced, the surplus reserve and undistributed profits shall be reduced in turn; if the purchaser is directly related to the transaction costs of the debt securities issued as a consolidated consideration, the transaction costs shall be included in the debt securities. Initial confirmation amount.
- Through multiple transactions, the investee's shares under the same control are acquired step by step, and eventually the merger of enterprises is formed. It is judged whether the multiple transactions belong to the "package transaction" or not, and it is dealt with separately according to different situations.
- For a long-term equity investment in a subsidiary acquired through a business combination achieved in stages which do not form a bundled transaction and involving entities under common control, the Company determines the initial cost of the investment in accordance with the above policies. The difference between this initial cost and the sum of the carrying amount of previously-held investment and the consideration paid for the shares newly acquired is adjusted to capital premium in the capital reserve, with any excess adjusted to retained earnings.



- For a long-term equity investment obtained through a business combination not involving entities under common control, the initial cost comprises the aggregate of the fair value of assets transferred, liabilities incurred or assumed, and equity securities issued by the Company, in exchange for control of the acquire. For a long-term equity investment obtained through a business combination not involving entities under common control and achieved through multiple transactions in stages which do not form a bundled transaction, the initial cost comprises the carrying amount of the previously-held equity investment in the acquire immediately before the acquisition date, and the additional investment cost at the acquisition date.

b. Long-term equity investments acquired other than through a business combination

A long-term equity investment acquired other than through a business combination is initially recognized at the amount of cash paid if the Group acquires the investment by cash, or at the fair value of the equity securities issued if an investment is acquired by issuing equity securities.

(2). Follow-up measurement and profit and loss confirmation:

a. Subsequent measurement

- The investment of subsidiary companies is accounted for by cost method and is valued according to the initial investment cost. Adjust the cost of long-term equity investment when adding or recovering investment. The company's long-term equity investments with joint control or significant impact on the invested entity shall be accounted for by equity method unless the investment meets the conditions for holding the assets to be sold. If the initial investment cost of long-term equity investment is greater than the fair value share of the identifiable net assets of the investee, the initial investment cost of long-term equity investment shall not be adjusted; if the initial investment cost of long-term equity investment is less than the fair value share of the identifiable net assets of the investee, the difference shall be included in the current profits and losses, and the long-term equity investment shall be adjusted. For additional investment and other reasons, the company can exert significant



influence on the invested units or implement joint control but does not constitute control. The fair value of the original equity investment determined in accordance with Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments plus the sum of the newly added investment cost shall be regarded as the initial investment cost calculated according to the equity method. Where the original equity investment is classified as financial assets that can be sold, the difference between its fair value and Book value, as well as the cumulative changes in the fair value originally recorded in other comprehensive gains, are transferred to the current profits and losses which are accounted for by the equity method. For additional investment and other reasons, the company can control the invested units under different control. When preparing individual financial statements, the initial investment cost is calculated according to the original book value of equity investment plus the sum of additional investment cost. Other comprehensive returns of equity investment held prior to the purchase date recognized by the equity method shall be accounted for on the same basis as the assets or liabilities directly disposed of by the invested entity. Where the equity investment held before the purchase date is accounted for in accordance with the relevant provisions of Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments, the changes in the accumulative fair value originally included in other comprehensive gains shall be transferred to the profits and losses of the current period when they are accounted for by the cost method. If the company loses the joint control or significant influence on the invested unit due to the disposal of some equity investment, the remaining equity after disposal shall be accounted for according to Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments. The difference between the fair value and book value on the date of the loss of joint control or significant impact shall be included in the profits and losses of the current period. The other comprehensive returns of the original equity investment recognized by the equity method shall be accounted for on the same basis as the assets or



liabilities directly disposed of by the invested entity when the equity method is terminated. If the company loses control over the invested entity due to the disposal of some equity investments or other reasons, when preparing individual financial statements, the residual equity after disposal can exercise joint control or exert significant influence on the invested entity, it shall be accounted for by the equity method instead, and the residual equity shall be accounted for and adjusted by the equity method as soon as it is acquired. Where joint control or significant influence cannot be exercised on the invested entity, the accounting treatment shall be carried out in accordance with the relevant provisions of Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments. The difference between the fair value and book value on the date of loss of control shall be included in the profits and losses of the current period. If the company indirectly holds a part of equity investment in joint venture enterprises through venture capital institutions, mutual funds, trust companies or similar entities, including joint venture insurance funds, whether or not the above entities have a significant impact on this part of the investment, the company holds indirectly in accordance with the relevant provisions of Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments. This part of the investment is measured at fair value and its changes are recorded in profits and losses, and the rest is accounted for by equity method. Processing of other changes in the owner's rights and interests of the invested entity except net income and other comprehensive gains in equity method accounting: For other changes in the owner's rights and interests of the invested entity except net income and other comprehensive gains, the company calculates the share-holding proportion and adjusts the book value of long-term equity investment in accordance with the share-holding ratio, while the share-holding ratio remains unchanged. Increase or decrease capital reserve (other capital reserve).

- profit and loss adjustment
- Under the cost method, in addition to the declared but not yet paid



cash dividends or profits included in the actual payment or consideration at the time of the investment, the company recognizes the investment income according to the cash dividends or profits declared by the invested unit, regardless of whether the profit distribution is the distribution of net profits realized by the invested unit before or after the investment is made. Under the Equity Law, after a company has made a long-term equity investment, it shall recognize the investment income and other comprehensive income separately, and adjust the book value of the long-term equity investment according to the share of the net profit and loss and other comprehensive income realized by the invested unit that should be enjoyed or shared. An investment enterprise shall calculate its share according to the profit or cash dividend declared by the investee, and accordingly reduce the book value of long-term equity investment. The investing enterprise confirms the net loss incurred by the invested entity, and the book value of the long-term equity investment and other essentially constituting the long-term equity of the invested entity shall be written down to zero, unless the investing enterprise bears the obligation of additional loss. If the investee realizes the net profit later, the investment enterprise shall resume the recognition of the share of income after making up for the unrecognized share of loss. When confirming that an invested enterprise should enjoy the share of the net profit and loss of the invested unit, the following factors should be taken into account on the basis of the net profit of the invested unit's book: the invested unit is inconsistent with the accounting policy or period adopted by the company, and the financial statements of the invested unit are adjusted according to the accounting policy or period of the company; in order to obtain the identifiable items of the invested unit at the time of investment. Based on the fair value of assets and other assets, the net profit of the invested unit is adjusted and confirmed, and the unrealized internal transaction gains and losses between the company and the joint venture and the joint venture are offset by the portion of the company that belongs to the company according to the proportion that should be enjoyed. If the unrealized internal



transaction losses between the company and the invested entity belong to the loss of impairment of assets, they shall be confirmed in full. During the period of holding an investment, if the investee can provide a consolidated financial statement, it shall be accounted for on the basis of net profit and other equity changes in the consolidated financial statement. When dealing with long-term equity investment, the difference between its book value and the actual acquisition price shall be included in the current profits and losses. In dealing with long-term equity investment, which is accounted for by equity method, the part originally included in other comprehensive income shall be accounted for according to the corresponding proportion on the same basis as the assets or liabilities directly disposed of by the invested entity.

- (3). Criteria for determining the existence of joint control or significant influence over an investee

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (activities with significant impact on the returns of the arrangement) require the unanimous consent of the parties sharing control. The following factors are usually considered when assessing whether the Group can exercise joint control over an investee:

Whether no single participant party is in a position to control the investee's related activities unilaterally;

Whether strategic decisions relating to the investee's related activities require the unanimous consent of all participant parties that sharing of control. Significant influence is the power to participate in the financial and operating policy decisions of an investee but does not have control or joint control over those policies

- (4). Testing method of impairment of long-term equity investment and calculation method of impairment reserve:

- On the balance sheet date, we determine whether there are any signs of impairment of long-term equity investment of subsidiaries, joint ventures or joint ventures based on internal and external information. We test the impairment of long-term equity investment with signs of impairment and estimate its recoverable amount. The estimated results of recoverable



amount show that the recoverable amount of long-term equity investment is lower than its book value. The book value of long-term equity investment will be written down to the recoverable amount. The amount written down will be recognized as the loss of impairment of assets, recorded into current profits and losses, and the corresponding provision for impairment will be made. The recoverable amount refers to the higher value between the net value of assets (Asset group portfolio, the same below) after deducting disposal expenses and the present value of the expected future cash flow of assets. The net amount of the fair value of an asset minus the disposal expenses is determined by subtracting the amount directly attributable to the disposal expenses of the asset from the sale agreement price in a fair transaction. The present value of the expected future cash flow of assets is determined by choosing the appropriate pre-tax discount rate according to the expected future cash flow generated during the continuous use and final disposal of assets.

- Once the impairment loss of long-term equity investment has been confirmed, it shall not be reversed in the future accounting period.

#### **15. Investment properties**

Investment properties are properties held either to earn rental income or for capital appreciation or for both. The company carries out the initial measurement of investment real estate according to the cost. On the balance sheet day, the cost model is adopted to measure the investment real estate. Under the cost model, the depreciation method and impairment preparation method of buildings are consistent with the accounting method of fixed assets of the company, and the amortization method and impairment preparation method of land use right are consistent with the accounting method of intangible assets of the company. When an investment real estate is disposed of, or is permanently withdrawn from use and is not expected to benefit economically from its disposal, the confirmation of the investment real estate shall be terminated. When the company sells, transfers or scraps investment real estate or suffers damage to investment real estate, the amount of the disposal income after deducting its book value and related taxes and fees shall be included in the profits and losses of the current period. At the end of the period, the company judges whether the impairment reserve of investment real estate should be calculated according to the signs



of impairment of investment real estate. When the recoverable amount of investment real estate is lower than the book value, the impairment reserve of investment real estate should be calculated according to its difference. Once the loss of impairment of assets has been confirmed, it will not be reversed in the future accounting period.

## **16. Fixed Assets**

### **(1). Recognition of fixed assets**

Fixed assets represent the tangible assets held by the Group for use in production of goods, supply of services, for rental or for administrative purposes with useful lives over one accounting year. The cost of a purchased fixed asset comprise the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use.

### **(2). Fixed assets valuation method:**

- The fixed assets purchased shall be valued at the actual purchase price, packing fee, transportation fee, installation cost, relevant taxes paid and other expenditures directly attributable to the assets before the fixed assets reach the intended usable state.
- Self-built fixed assets shall be valued according to all expenditures actually incurred in the course of construction.
- The fixed assets invested by investors shall be accounted for according to the value recognized by the investors.
- The follow-up expenditure of fixed assets, according to whether these follow-up expenditures can improve the original expected profitability of related fixed assets, determines whether to capitalize them;
- The surplus of a fixed asset after loss of value estimated by the degree of old and new of that asset is deducted from the market price of the same or similar fixed asset as its entry value. If there is no active market for the same or similar fixed assets, the present value of the expected future cash flow of the fixed assets shall be regarded as the entry value.
- Fixed assets donated shall be valued at the market price of the same kind of assets or on the basis of the relevant vouchers provided; expenses incurred in accepting the donated fixed assets shall be included in the



value of the fixed assets.

- (3). The depreciation of fixed assets is calculated by the straight line method with the residual value rate of 2-5%. The depreciation years and depreciation rates of various types of fixed assets are as follows:

The depreciation of fixed assets is classified and deducted by the average method of years, and the depreciation rate is determined according to the category of fixed assets, the expected service life and the estimated net residual value rate. If the service life of each component of fixed assets is different or economic benefits are provided to the company in different ways, different depreciation rates or depreciation methods are selected to calculate and withdraw depreciation separately.

If the fixed assets leased by financial leasing can reasonably determine that the ownership of the leased assets will be acquired at the expiration of the lease term, depreciation shall be calculated within the useful life of the leased assets; if the ownership of the leased assets cannot be reasonably determined at the expiration of the lease term, depreciation shall be calculated within a relatively short period between the lease term and the useful life of the leased assets.

Category of Fixed Assets	Residual value rate%	Estimated useful life	Depreciation rate%
Buildings	2-5	30-40 years	2.38- 3.27
Machinery & equipment	2-5	10-15 years	6.33- 9.50
Conduction & pipe network equipment	2-5	11-15 years	6.33- 8.91
Transportation equipment	2-5	6-10 years	9.50-16.33
Office equipment	2-5	3-8 years	11.88-32.67
Electronic equipment	2-5	8-10 years	9.50-12.25
Other equipment	2-5	5-10 years	9.50-19.60

- (4). Testing methods for impairment of fixed assets and methods for calculating impairment reserves:

When the fixed asset is on holding for disposal;or when no future economic



benefit is expected to be generated from its use or disposal.

If there is impairment of fixed assets, the recoverable amount shall be estimated. The recoverable amount is determined by the higher present value of the future cash flow of fixed assets of the fixed assets category and the net amount after deducting disposal expenses from the fair value of the fixed assets.

If the recoverable amount of fixed assets is less than its book value, the book value of fixed assets shall be written down to the recoverable amount. The amount written down shall be recognized as the loss of fixed assets impairment, and shall be included in the current profits and losses, and the corresponding provision for the impairment of fixed assets shall be made.

After the loss of impairment of fixed assets is confirmed, the depreciation of impaired fixed assets will be adjusted accordingly in the future so that the adjusted book value of fixed assets can be apportioned systematically (deducting the estimated net residual value) in the remaining service life of the fixed assets.

Once the loss of impairment of fixed assets has been confirmed, it will not be reversed in the future accounting period.

#### **17. Construction in progress**

- (1). Accounting Principles for Construction-in-progress Projects: Construction under construction is accounted for according to actual cost. Transfer to fixed capital when the project reaches its intended usable state
- (2). Standards and time points for carrying over fixed assets in construction projects: The total expenditure incurred in a construction project before the construction of the asset reaches its intended usable state shall be regarded as the entry value of the fixed asset. If the fixed assets under construction have reached the intended usable state, but have not yet completed the final accounts, they shall be transferred to the fixed assets according to the estimated value according to the project budget, cost or actual cost of the project, and depreciated according to the depreciation policy of the company's fixed assets, and adjusted according to the actual cost after the completion of the final accounts. The original provisional price is adjusted, but the original depreciation is not adjusted.
- (3). The methods of impairment test and impairment preparation for construction projects are as follows:



At the end of each period, the company judges whether there are any possible signs of impairment in the construction projects under construction, including:

- Long-term suspension of construction and construction projects are not expected to restart in the next three years;
- The project has lagged behind both in performance and technology, and the economic benefits brought to the company are uncertain.
- Other cases which are sufficient to prove that impairment has occurred in the construction under construction;

If there are signs of impairment in a construction project under construction, the recoverable amount shall be estimated. If there are signs that a project under construction may be impaired, the company estimates its recoverable amount on the basis of a single project under construction. The recoverable amount is determined on the basis of the higher present value of the future cash flow of the construction project and the net amount after deducting the disposal expenses from the fair value of the construction project under construction. When the recoverable amount of the project under construction is less than its book value, the book value of the project under construction shall be written down to the recoverable amount. The amount of the written down shall be recognized as the loss of impairment of the project under construction and shall be included in the profits and losses of the current period, and the corresponding provision for impairment of the project under construction shall be made. Once the impairment loss of the construction in progress has been confirmed, it will not be reversed in the future accounting period.

## **18. Borrowing Costs**

### **(1). Recognition Principle of Capitalization of Borrowing Cost**

Borrowing costs include amortization of interest, discount or premium on borrowing, ancillary expenses and exchange differences arising from borrowing in foreign currencies.

If the borrowing expenses incurred by the company can be directly attributed to the purchase, construction or production of assets that meet the capitalization conditions, they shall be capitalized and accounted for in the cost of related assets; when other borrowing expenses occur, they shall be recognized as expenses according to the amount incurred, and



shall be included in the profits and losses of the current period.

Assets eligible for capitalization refer to fixed assets, investment real estate, inventory and other assets that require a considerable period of purchase, construction or production activities to achieve the intended usable or saleable state.

Capitalization begins when borrowing costs meet the following conditions:

- Asset expenditure has occurred. Asset expenditure includes expenditure incurred in the form of cash, transfer of non-cash assets or interest-bearing liabilities for the purchase, construction or production of assets eligible for capitalization.
- The cost of borrowing has already occurred.
- Estimation or production activities necessary to enable assets to reach the intended usable or marketable state have begun.

#### (2). Period of Capitalization of Borrowing Costs

The period of capitalization refers to the period from the beginning of capitalization of borrowing expenses to the end of capitalization. The period of suspension of capitalization of borrowing expenses is excluded.

Borrowing costs cease to be capitalized when assets eligible for capitalization are purchased, constructed or produced in a predetermined usable or marketable state.

When part of the assets that meet the capitalization conditions are completed separately and can be used separately, the borrowing cost of this part of assets ceases to be capitalized.

Where each part of the assets purchased, constructed or produced is completed separately, but can be used or sold out only after the completion of the whole project, the capitalization of borrowing costs shall cease when the whole project is completed.

#### (3). Suspension of Capitalization

During the capitalization period, exchange differences related to the principal and interest on a specific-purpose borrowing denominated in foreign currency are capitalized as part of the cost of the qualifying asset. The borrowing costs incurred during the interruption period are recognized as current profits and losses, and continue to be capitalized until the acquisition and construction of assets or the resumption of



production activities.

(4). Calculation of Borrowing Costs

The capitalization period is the period from the date of commencement of capitalization of borrowing costs to the date of cessation of capitalization, excluding any period over which capitalization is suspended. Capitalization of borrowing costs commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities of acquisition, construction that are necessary to prepare the asset for its intended use are in progress, and ceases when the assets become ready for their intended use. When the parts of the qualifying assets acquired or constructed that are eligible for capitalization are completed separately, and each part is available for use in other parts of the construction process or can be sold externally, and for the purpose of making the parts of the assets ready for use or necessary for the sales status, the acquisition or construction activities have been substantially completed, the Group ceases the capitalization of the borrowing costs related to the parts of the assets. Capitalization of borrowing costs is suspended when the acquisition, construction activities are interrupted abnormally for a period of more than three months.

**19. Intangible Assets**

(1). The Valuation Method of Invisible Assets

- Initial measurement

The intangible assets are measured at the actual cost at the time of acquisition, including the purchase price, related taxes and fees, and other expenditures directly attributable to the intended use of the assets. On the premise that the exchange of non-monetary assets possesses commercial essence and the fair value of assets exchanged or converted can be reliably measured, the entry value of intangible assets exchanged for non-monetary assets is determined on the basis of the fair value of assets exchanged, unless there is conclusive evidence that the fair value of assets exchanged is more reliable; and the exchange of non-monetary assets that does not meet the above premise is not satisfactory. The book value of the converted assets and the relevant taxes and fees payable shall be used as the cost of the converted intangible assets, and the profit and loss shall not be recognized.

- Subsequent measurement

When intangible assets are acquired, their service life is analyzed and



judged.

For intangible assets with limited service life, they shall be amortized by the straight-line method within the period of economic benefits brought to the company; if the period of economic benefits brought to the company by intangible assets cannot be foreseen, they shall be regarded as tangible assets with uncertain service life and shall not be amortized.

The service life of intangible assets with uncertain service life is reviewed during each accounting period. If there is evidence that the service life of intangible assets is limited, the service life of intangible assets is estimated and amortized according to the straight-line method within the period of economic benefits to the company.

(2). Estimation of the service life of intangible assets with limited service life

Item	Estimated useful lives	Estimated method
Land use right	50-70 years	Land use warrant or the term of service agreed upon in the agreement
Patents and know-how	10 years	Number of years that are expected to produce economic benefits for the company
Technical, financial and management software	5 years	Computer technology update cycle

(3). Research and development expenditure

The company's internal research and development project expenditure is divided into research stage expenditure and development stage expenditure.

Expenditures incurred during the research phase are included in current profits and losses.

Expenditures in the development stage satisfy the following conditions at the same time, and are recognized as intangible assets. Expenditures in the development stage that fail to meet the following conditions are included in current profits and losses:

- It is technically feasible to complete the intangible assets so that they can be used or sold.
- Having the intention to complete the intangible assets and use or sell them;
- The ways in which intangible assets generate economic benefits



include proving that the products produced by the intangible assets exist in the market or that the intangible assets themselves exist in the market, and that the intangible assets will be used internally, which can prove their usefulness.

- There are sufficient technical, financial and other resources to support the development of the intangible assets and the ability to use or sell the intangible assets.
- Expenditures attributable to the development phase of intangible assets can be measured reliably.

If it is impossible to distinguish the expenditure at the research stage from that at the development stage, all the R&D expenditure incurred shall be included in the current profits and losses.

(4). Principles of provision for impairment of intangible assets:

For intangible assets with limited service life, if there are obvious signs of impairment, the impairment test will be conducted at the end of the term.

Signs of impairment include the following:

- A certain intangible asset has been replaced by other new technologies, which has a significant negative impact on its ability to create economic benefits for enterprises.
- The market value of an intangible asset has fallen sharply in the current period, and the remaining amortization period is not expected to resume.
- A certain intangible asset has exceeded the legal protection period, but still has some use value.
- Others are sufficient to prove that a certain intangible asset has actually been impaired.

For intangible assets with uncertain service life, impairment tests are conducted at the end of each period.

Where there is impairment of intangible assets, the recoverable amount shall be estimated. The recoverable amount is determined according to the higher present value of the future cash flow of intangible assets and the net amount after deducting disposal expenses from the fair value of intangible assets.

When the recoverable amount of intangible assets is less than its book value, the book value of intangible assets shall be written down



to the recoverable amount, and the amount of the write-down shall be recognized as the loss of impairment of intangible assets, which shall be included in the current profits and losses, and the corresponding provision for impairment of intangible assets shall be made.

After the loss of impairment of intangible assets is confirmed, the cost of depreciation or amortization of impaired intangible assets will be adjusted accordingly in the future so that the book value of the adjusted intangible assets can be systematically apportioned (deducting the estimated net residual value) within the remaining service life of the intangible assets.

Once the loss of impairment of intangible assets has been confirmed, it shall not be reversed in the future accounting period

## **20. Long-term deferred expenses**

Long-term deferred expenses refer to expenses that have occurred but should be amortized over a period of more than one year due to the current and subsequent periods. The long-term deferred expenses are measured at actual cost, and amortized during the period of benefit.

## **21. Employee Benefits**

Employee remuneration refers to various forms of remuneration or compensation given by enterprises to obtain services provided by employees or to terminate labor relations. Employees' salaries include short-term salaries, after-service benefits, dismissal benefits and other long-term employee benefits. The benefits provided by the enterprise to employees' spouses, children, dependents, deceased employees' survivors and other beneficiaries also belong to employees' salaries.

During the accounting period when employees provide services, the company recognizes the short-term remuneration actually incurred as liabilities and includes the current profits and losses or the cost of related assets. If the employee welfare is non-monetary, it shall be measured at fair value.

When employees provide services that increase their right to pay absence in the future, the company recognizes the remuneration of employees related to cumulative paid absence and measures the expected increase in payment amount due to cumulative non-exercise of rights. The company recognizes



the salaries of employees related to non-cumulative paid absences during the actual absence of employees.

The Company recognizes the salaries payable when the profit sharing plan meets the following conditions:

- The legal or presumptive obligation to pay employees' remuneration is due to past events.
- The amount of employees' compensation obligations due to profit-sharing schemes can be reliably estimated.

If it falls into one of the following three situations, it shall be deemed that the amount of the obligation can be reliably estimated:

- The company has determined the amount of remuneration payable before the approval of the financial report.
- The formal terms of the short-term profit-sharing plan include ways to determine the amount of remuneration.
- Past practices provide clear evidence for our company to determine the amount of its presumptive obligations.

During the accounting period when employees provide services, the amount of deposits payable calculated according to the set-up withdrawal plan shall be recognized as liabilities, and shall be included in current profits and losses or the cost of related assets. According to the set-up withdrawal plan, if it is not expected to pay amount of money within 12 months after the end of the annual reporting period for providing relevant services, amount of money shall be measured as the amount after discount.

In accordance with the discount rate, the company discounts the obligations arising from setting up the benefit plan to determine the present value and current service cost of setting up the benefit plan obligations. The discount rate is determined according to the market rate of return of bonds or high-quality corporate bonds in the active market that match the balance sheet date with the period of obligation to set a benefit plan and currency. If there are assets in the benefit plan, the deficit or surplus formed by the present value of the obligation to set the benefit plan minus the fair value of the assets of the benefit plan shall be recognized as a net liability or net asset of the benefit plan. The welfare obligations arising from the establishment of the benefit plan belong to



the period during which the employees provide services and are included in the current profits and losses or the cost of related assets. Under the beneficiary plan, the past service cost will be recognized as current cost as soon as possible on the following dates:

- When modifying the beneficiary plan.
- When the company confirms the relevant restructuring fees or dismissal benefits. When setting up the benefit plan settlement, confirm a settlement gain or loss.

Where the company provides dismissal benefits to employees, the remuneration liabilities of employees arising from the dismissal benefits shall be recognized as early as possible in the following two cases, and shall be included in the current profits and losses:

- The company cannot unilaterally withdraw the dismissal benefits provided by the termination of the labor relations program or the proposed reduction.
- When the company confirms the costs or expenses associated with the reorganization involving payment of dismissal benefits. In accordance with the provisions of the dismissal plan, the company reasonably predicts and confirms the salaries payable to employees arising from the dismissal benefits. The relevant provisions on short-term remuneration shall apply if the dismissal benefits are expected to be paid in full within twelve months after the end of the confirmed annual reporting period; if the dismissal benefits are not expected to be paid in full within twelve months after the end of the annual reporting period, the relevant provisions on other long-term employee benefits shall apply.

Other long-term employee benefits provided by the company to employees that meet the requirements for setting up a withdrawal plan shall be handled in accordance with the relevant provisions on setting up a withdrawal plan. In addition to this, the relevant provisions on the establishment of benefit plans shall apply to the recognition and measurement of other long-term employees' net liabilities or net assets. At the end of the reporting period, the salary costs incurred by other long-term employee benefits are recognized as the following components:

- Service cost.



- Net interest on other long-term employees' welfare liabilities or net assets.
- Re-measure changes in other long-term employees' net welfare liabilities or net assets. The total net amount of the above items shall be included in the current profits and losses or the cost of related assets.

## **22. Estimated Liabilities**

The lawsuit ,product quality assurance ,liability assurance ,loss contract and reconstruction involved in the Company ,which will require the delivery of assets ,provision of labor service and wholes amount can be measured reliably will be confirmed as estimated liabilities.

### **(1). Confirmation principle of estimated liabilities**

The obligation related to contingency meeting following conditions will be confirmed as estimated liabilities:

- Such obligation is the present obligation undertaken by the Company;
- The fulfillment of such obligation will result economic loss;
- The amount of such obligation can be measured reliably.

### **(2). Measurement method of various estimated liabilities**

The initial measurement will be conducted based on the optimum estimation of expense required for fulfilling present obligation.

## **23. Revenue recognition**

The company's business income mainly includes sales of goods (real estate) income, income from providing labor services and income from the transfer of the right to use assets.

### **(1). Sale of goods**

- Significant risks and rewards of ownership of goods have been transferred to the buyer;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- Revenue from the sale of goods is measured at the fair value of the consideration received or receivable under the sales contract or agreement.
- The sales contracts/orders signed between the Company and its customers (mainly electronic equipment manufacturers) contain



various trading terms. The Company judges the transfer timing of major risks and rewards according to the trading terms, and recognizes revenue accordingly. Depending on the trading terms, the income is usually recognized when the goods are delivered and received, or when they are received by the carrier.

- (2). Principles of recognition and measurement of the income from the provision of labor services and the income from construction contracts according to the percentage of completion method:

The company starts and completes the services in the same accounting year, and confirms the income when completing the services.

The beginning and completion of the company's labor services belong to different accounting years. On the balance sheet day, when the results of the labor transactions can be reliably estimated, the related labor revenue will be confirmed by the completion percentage method on the balance sheet day. The completion schedule of the labor transaction shall be determined according to the measurement of the completed work.

If the results of labor transaction provided on the balance sheet date cannot be reliably estimated, the following cases shall be dealt with separately:

- If the incurred labor cost is expected to be compensated, the income from the service shall be recognized according to the amount of the labor cost incurred, and the labor cost shall be carried over according to the same amount.
- If the incurred labor cost is not expected to be compensated, the incurred labor cost shall be included in the profits and losses of the current period, and the income from the provision of labor service shall not be recognized.

- (3). Principles of Recognition and Measurement of Transferred Asset Use Right Income

Revenue is recognized when the economic benefits associated with the transaction can flow into the company and the amount of revenue can be reliably measured.

#### **24. Government Grants**

Government subsidy refers to the company's acquisition of monetary or non-monetary assets from the government free of charge, but does not include the capital invested by the government as the owner of the



company. Government subsidies are recognized when they meet the conditions attached to government subsidies and can be received. Where a government subsidy is a monetary asset, it shall be measured according to the amount received or receivable. If the government subsidies are non-monetary assets, they shall be measured at fair value. Government subsidies are divided into assets-related government subsidies and revenue-related government subsidies. The government subsidy obtained by the company for the purchase, construction or other formation of long-term assets is used as the government subsidy related to assets. The company's government subsidies other than those related to assets are used as government subsidies related to revenue. Government subsidies related to assets are recognized as deferred earnings, and other earnings or Extra-Business earnings are recorded in stages in accordance with reasonable and systematic methods during the useful life of relevant assets. The government subsidy related to income is recognized as deferred income if it is used to compensate the related expenses or losses of the company in the following period, and other income or Extra-Business income is included in the period of affirming the relevant expenses; if the government subsidy is used to compensate the related expenses or losses incurred by the company, other income or Extra-Business income in the current period shall be directly included. If the recognized government subsidy needs to be returned, the book value of the related assets shall be reduced at the initial confirmation, and the book value of the assets shall be adjusted; when there are relevant deferred gains, the book balance of the related deferred gains shall be reduced, and the excess part shall be included in the current profits and losses; when there are no deferred gains, the current profits and losses shall be directly recorded in the current profits and losses.

## **25. Deferred Tax Assets and Deferred Tax Liabilities**

The deferred income tax assets and deferred income tax liabilities are calculated and confirmed on the basis of the difference between the tax basis of assets and liabilities and their book value (temporary difference). For deductible losses that can be deducted from taxable income in future years according to the provisions of the Tax Law, the deferred income tax assets shall be recognized as



temporary differences.

For the temporary differences arising from the initial recognition of goodwill, the corresponding deferred income tax liabilities are not recognized. The corresponding deferred income tax assets and deferred income tax liabilities are not recognized for the temporary differences formed by the initial recognition of assets or liabilities in the non-enterprise merger transactions that neither affect accounting profits nor affect the amount of taxable income (or deductible losses). On the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the applicable tax rates for the period during which the assets are expected to be recovered or the liabilities are paid off.

The confirmation of deferred income tax assets is limited to the amount of taxable income that the company is likely to obtain to offset the deductible temporary differences, deductible losses and tax deductions. The deferred income tax assets and deferred income tax liabilities arising from temporary differences in investment between subsidiaries and joint ventures shall be recognized. However, the company can control the time when the temporary difference will be reversed, and the temporary difference will probably not be reversed in the foreseeable future, and will not be confirmed.

## **26. Operating Lease and Finance Lea**

A lease is classified as either a finance lease or an operating lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

### **(1). Accounting Treatment of Business Lease**

- The rental fees paid for the leased assets of the Company shall be apportioned according to the straight-line method during the whole lease period without deduction of the rent-free period and shall be included in the current expenses. Other methods are more systematic and reasonable, and other methods can be adopted. The initial direct



expenses paid by the company in connection with the lease transaction shall be included in the current expenses. When the lessor of the assets bears the rent-related expenses that should be borne by the company, the company deducts this part of the expenses from the total rent, and shares the deducted rent expenses in the lease period and counts them into the current expenses.

- The rental fees charged by the company for leased assets shall be apportioned according to the straight-line method during the whole lease period without deducting the rent-free period, and shall be recognized as rental income. Other methods are more systematic and reasonable, and other methods can be adopted. The initial direct expenses paid by the company in connection with the lease transaction shall be included in the current expenses; if the amount is large, it shall be capitalized and the current income shall be recorded in stages on the same basis as the lease income during the whole lease period. When the company undertakes the rent-related expenses that should be borne by the lessee, the company deducts these expenses from the total rental income and distributes them within the lease period according to the balance of the deducted rental income.

## (2). Accounting Processing of Financial Lease

- Financing Rental Assets: The company shall use the lower of the fair value of the leased assets and the present value of the minimum lease payment on the lease start date as the entry value of the leased assets, and depreciate them according to the depreciation policy of its own fixed assets; and use the minimum lease payment as the entry value of the long-term accounts payable, and the difference between them as the unrecognized financing expenses. The company adopts the method of real interest rate to amortize the unrecognized financing expenses during the asset lease period, which is included in the financial expenses. The initial direct expenses incurred by the company are included in the value of the rented assets.
- Financing leased assets: On the beginning of the lease, the company recognizes the difference between the sum of the receivable financial lease and the unsecured residual value and its present value as



unrealized financing income and the lease income during the period of future receipt of rent. The initial direct expenses incurred by the company in connection with the lease transaction are included in the initial measurement of the financial lease receivable and the amount of revenue recognized during the lease period is reduced.

## **27. Discontinued operations and Assets held for sale**

### **(1). Discontinued operations**

The Group classifies a component that is separately identifiable, and the component either has been disposed of or is classified as held for sale, and satisfies one of the following conditions as a discontinued operation.

- It represents a separate major line of business or separate geographical area of operations;
- This component is part of a disposal plan for an independent major business or a major business area.
- It is a subsidiary acquired exclusively with a special purpose to resale
- For the Group's discontinued operations during the current period, the profit and loss from continuing operations and the profit and loss from discontinued operations are respectively presented in the income statement, and the information previously presented as the profit and loss from continuing operations is reclassified as the profit and loss from discontinued operations in the comparable accounting period in the income statement of the comparative period.

### **(2). Recognition criteria for holding components or non-current assets for sale**

When the Group recovers its book value mainly through the sale rather than the continuous use of a non-current asset or disposal group, the non-current asset or disposal group is classified as holding for sale.

Disposal group refers to a group of assets disposed of as a whole through sale or other means in a transaction, and liabilities directly related to these assets transferred in the transaction.

The Group divides non-current assets or disposal groups that simultaneously meet the following requirements into holding categories for sale:



- According to the usual practice of selling such assets or disposal groups in similar transactions, the non-current assets or disposal groups can be sold immediately in their current situation
- The sale is very likely, that is, the Group has made a resolution on a sale plan and has signed a legally binding purchase agreement with other parties. It is expected that the sale will be completed within one year.

### (3). Assets held for sale

For holding a fixed asset for sale, the company adjusts the estimated net residual value of the fixed asset so that the estimated net residual value of the fixed asset can reflect its fair value minus the amount of disposal expenses, but it must not exceed the original book value of the fixed asset when it meets the conditions for sale. The difference between the original book value and the adjusted estimated net residual value is regarded as impairment of the assets. Losses are recorded in current profits and losses. Other non-current assets or disposal groups that meet the requirements of holding intangible assets for sale shall be treated in accordance with the above principles, but excluding deferred income tax assets, financial assets regulated by Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments, investment real estate and biological assets measured at fair value, and contractual rights arising from insurance contracts.

When a non-current asset or disposal group is classified as holding for sale but no longer meets the criteria for holding for sale or when the non-current asset is removed from the disposal group holding for sale, the company ceases to classify it as holding for sale and measures it according to the lower of the following two amounts: The non-current asset or disposal group must be available for immediate sale in their present condition based on similar transactions of assets selling or disposal groups:

- Amount adjusted for depreciation, amortization or impairment, which is classified as holding pre-sale book value, and which should



have been recognized under the assumption that it is not classified as holding pre-sale book value.

- The recoverable amount on the date of deciding not to sell any more..

## **28. Fair Value Measurement**

Unless otherwise specified, the Group determines fair value measurement as below:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

## **29. Related Parties**

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Company is under common control only from the State and that have no other related party relationships are not regarded as related parties.

The company's affiliates include, but are not limited to:

- (1). The parent company of the company;
- (2). The subsidiary company of the company;
- (3). Other enterprises controlled by the same parent company with the company;
- (4). Investors who exercise joint control over the company
- (5). Investors who exert significant influence on the company;
- (6). The joint venture of the company, including subsidiaries of the joint



venture;

- (7). The joint ventures of the company, including subsidiaries of the joint venture;
- (8). Individuals of the company's main investors and their close family members;
- (9). Key managers of the company or its parent company and family members closely related to them;
- (10). The company's main investors, key managers and their close family members control and co-control other enterprises.

### III. Changes in Key Accounting Policies and Estimates

#### 1. Changes in accounting policies

##### (1). Content and Cause of Change

The company prepares the financial statements for 2019 according to the *Notice on the format of general corporate financial statements for the year of 2019* issued by the Ministry of Finance on April 30, 2019(Accounting (2019) No. 6) ,Circular on Revising and Issuing the Format of General Enterprise Financial Statements for 2019 and adopts the retrospective adjustment method to adjust the presentation of comparative financial statements.

##### (2). The impact of the related reporting adjustments is as follows:

Consolidated Balance Sheet Items Affected on 31 December 2018:

<i>Consolidated Balance Sheet Items</i>	<i>Before adjustment</i>	<i>Adjustment(Increase +/Decrease-)</i>	<i>After adjustment</i>
Notes receivable and Accounts receivable	152,924,560.79	-152,924,560.79	
Notes receivable		668,940.00	668,940.00
Accounts receivable		152,255,620.79	152,255,620.79
Notes payable and Accounts payable	655,272,413.99	-655,272,413.99	
Notes payable		197,032,165.45	197,032,165.45
Accounts payable		458,240,248.54	458,240,248.54



Affected parent company balance sheet items as at 31 December 2018:

<i>Consolidated Balance Sheet Items</i>	<i>Before adjustment</i>	<i>Adjustment(Increase +/Decrease-)</i>	<i>After adjustment</i>
Notes receivable and Accounts receivable	6,909,247.53	-6,909,247.53	--
Notes receivable	--	--	--
Accounts receivable	--	6,909,247.53	6,909,247.53
Notes payable and Accounts payable	25,083,906.27	-25,083,906.27	--
Notes payable	--	--	--
Accounts payable		25,083,906.27	25,083,906.27

Consolidated Profit Statement Items Affected in 2018: None

2. Changes in accounting estimates

As of December 31, 2019, there was no change in the company's accounting estimates.

**IV. Positive accounting error correction**

None

**V. Profit distribution**

According to the provisions of the articles of association of the company, the after-tax profit of the Group shall be divided the following order and regulations.

- Cover the deficit
- Withdrawal 10% of surplus reserve fund
- Pay dividends

**VI. Taxation**

**1. Main taxes and tax rates**

<i>Taxes</i>	<i>Tax basis</i>	<i>Tax rates</i>
Added-value tax	Taxable sales revenue	16%、13%、11%、6%、5%
Urban maintenance & construction tax	Transfer tax payable	7%



Educational surcharge	Turnover tax payable	3%
Local educational surcharge	Turnover tax payable	2%
Property tax	80% of the original value of the property, or rental income	1.2%、12%
Enterprise income tax	Taxable income	25%

## 2. Preferential tax policy:

The Group and its subsidiaries have not enjoyed the preferential tax policy.

## VII. Enterprise merger and consolidated financial statements

### 1. Subsidiary company situation

subsidiary	Location	registered	Registered capital	Scope of business	stake ( % )		Percentage of voting rights ( % )	way
					Direct	Indirect		
Baoji heating power Co., Ltd.	Baoji city	Baoji city	10,997.00	Develop & operate central heating projects	100		100	Transfer
Baoji urban construction investment development Co., Ltd.	Baoji city	Baoji city	6,000.00	City construction and investment	100		100	Transfer
Baoji Water Supply Co., Ltd.	Baoji city	Baoji city	5,000.00	Tap water production and sales	100		100	Transfer
Baoji Urban Redevelopment Construction Investment Co., Ltd.	Baoji city	Baoji city	2,913.30	Old city demolition, real estate development	100		100	Transfer
Baoji Famen Tourism Development & Construction Co., Ltd.	Baoji city	Baoji city	7,010.00	Tourism project development construction	100		100	Transfer
Baoji Public transport Co., Ltd.	Baoji city	Baoji city	7,000.00	Transportation and automobiles leasing	100		100	Transfer
Baoji natural gas Co., Ltd.	Baoji city	Baoji city	14,800.00	Gas supply	100		100	Transfer
Baoji environmental sanitation construction Co., Ltd.	Baoji city	Baoji city	618	Development and construction of sanitation facilities	100		100	Transfer
Baoji Zhongshui Water company	Baoji city	Baoji city	11,670.60	Sewage treatment and recycling, network construction	100		100	Transfer



Baoji new town Redevelopment Construction Investment Co., Ltd.	Baoji city	Baoji city	36,000.00	Urban construction and infrastructure investment, real estate development property management	66.67		66.67	Transfer
Baoji Public parking construction management Co., Ltd.	Baoji city	Baoji city	100	Investment, construction & operation of parking lot construction	100		100	Transfer
Baoji Financial holding Co., Ltd.	Baoji city	Baoji city	10,000.00	Capital operation & asset management	54.45		54.45	Set up
Baoji Airport limited liability company	Baoji city	Baoji city	2,000.00	Domestic Air Passenger and Freight Transportation Sales Agent; Provides Service Facilities for Air Transportation; Airport Energy Transfer, Air Garbage and Sewage Treatment	100		100	Set up
Baoji Urban investment asset management company	Baoji city	Baoji city	200	Asset management & property management	100		100	Set up
Shanxi Zhong Bao Da Industrial Investment Co., Ltd.	Baoji city	Baoji city	100,000.00	Land Development and Arrangement; Real Estate Development and Construction	46		46	Set up
Shanxi Bao tai da Industrial Investment Co., Ltd.	Baoji city	Baoji city	30,000.00	Land development and consolidation; project management	45		45	Set up
Baoji DeChengYing Fund Partnership Fund (Limited Partnership)	Baoji city	Baoji city	5,010.00	Investment, venture capital, investment consulting, business management consulting	39.92	29.94	69.86	Set up
Shaanxi Taibai Mountain Green Park Lodge Hotel Co., Ltd.	Baoji city	Baoji city	1,000.00	accommodation; meals; swimming; parking; wine, beverages, retailing of small goods	100		100	Set up
Baoji City Zhize Green Source Heat Co., Ltd.	Baoji city	Baoji city	5,000.00	Thermal production and supply; thermal engineering construction; thermal equipment, energy-saving and environmental protection materials manufacturing, clean energy, energy technology research and development,		79	79	Set up



			application and consulting; installation and maintenance of pipeline equipment			
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Note:

Baoji Yude Venture Fund Partnership (Limited Partnership) will be included in the consolidated accounting statements in this year. The previous year consolidated accounting statements were accounted by cost method, this year into equity method.

## 2. Subjects newly incorporated into the scope of merger this year

No	Gradation	Item	Net assets at the end of the year	Net profit for the year	Control
1	3	Baoji City BaoshuiRunda Water Technology Co., Ltd.	3,167,653.20	2,167,653.20	Investment set-up
2	3	Feng CountyBaoqi Clean Energy Co., Ltd.	3,310,304.65	310,304.65	Investment set-up
3	3	Qishan County Baoqi Co., Ltd. Clean Energy	918,422.52	-81,577.48	Investment set-up
4	3	Baoji City Chengcai smart Property Holdings Limited	1,902,506.37	902,506.37	Investment set-up
5	3	Shaanxi Zhongbaoda Industry and Trade Co., Ltd.	63,088,402.93	13,088,402.93	Investment set-up
6	3	MeiCountyRunshi Environmental Protection Co., Ltd.	63,723,763.84	13,723,763.84	Acquisition
7	2	Baoji Yude Venture Fund Partnership (Limited Partnership)	51,461,697.17	91,210.92	Investment set-up
8	2	Shaanxi Taibai Mountain Green Park Lodge Hotel Co., Ltd.	18,064,051.87	-981,959.37	Investment set-up
9	3	Baoji City Zhize Green Source Heat Co., Ltd.	25,068,936.28	68,936.28	Investment set-up

### (1). None-identical control business consolidation

This year, subsidiary Shaanxi Zhongbaoda Industrial Investment Co., Ltd. (hereinafter referred to as the Zhongbaoda Company) signed a transfer agreement with Mei County Runshi Environmental Protection Co., Ltd. ( hereinafter referred to as the Mei County Runshi Company) original company Li Xiaowu on May 13, 2019. Li Xiaowu transferred 70% equity of Mei County Runshi Company to Zhongbaoda Company with 35 million yuan (Mei County Runshi Company registered capital of 50 million yuan). After the transfer of shares, Zhongbaoda Company holds 70% of the shares of Mei County Runshi Company, Mei County Runshi Company became a subsidiary.



## VIII. Notes to the consolidated financial statements

The following amounts are in RMB unless otherwise specified

### 1. Monetary funds

	<i>Closing balance</i>	<i>Beginning balance</i>
Cash on hand	343,373.26	633,075.70
Bank deposits	5,128,064,666.64	4,980,553,925.34
Other monetary funds	964,566,104.11	263,090,398.04
<b>Total amount</b>	<b>6,092,974,144.01</b>	<b>5,244,277,399.08</b>

Note: In the case of mortgage, pledge and other restricted use, see (51) assets with limited ownership or right of use.

### 2. Financial Assets Measured at Fair Value and Their Changes Included in Current Profits and Losses

	<i>Closing balance</i>	<i>Beginning balance</i>
Financial assets measured by fair value and included into the current gains and losses		234,740,198.58
Debt instrument investment		
Package tool investment		234,740,198.58
<b>Total</b>		<b>234,740,198.58</b>

### 3. Notes receivable

#### (1). Classification

<i>Classification</i>	<i>Closing balance</i>	<i>Beginning balance</i>
Bank Acceptance Bill	3,587,800.00	668,940.00
Commercial Acceptance Bill		
<b>Total</b>	<b>3,587,800.00</b>	<b>668,940.00</b>

(2). Notes receivable in pledge use at year end: None

(3). Notes receivable that the closing company has endorsed to non-banks and which have not yet matured at the balance sheet date: None

(4). The company has discounted at year end, but the line of accounts receivable has not yet expired: None

### 4. Accounts receivable

	<i>Closing balance</i>			<i>Provision for bad and doubtful debts</i>		<i>Carrying amount</i>
	<i>Book Value</i>					
	Amount	(%)		Amount	(%)	
Individually significant	12,406,457.00	2.34		12,406,457.00-	100	0.00



and assessed for impairment individually					
Collectively assessed for impairment based on credit risk characteristics	311,300,800.88	58.69	9,379,872.03	3	301,920,928.85
risk-free combinations	206,728,558.13	38.97		0	206,728,558.13
Individually insignificant but assessed for impairment individually					
	530,435,816.01	100	21,786,329.03	4.11	508,649,486.98

<i>Opening balance</i>					
	<i>Book Value</i>		<i>Provision for bad and doubtful debts</i>		<i>Carrying amount</i>
	<i>Amount</i>	<i>(%)</i>	<i>Amount</i>	<i>(%)</i>	
Individually significant and assessed for impairment individually	12,406,457.00	7.2	12,406,457.00	100	
Collectively assessed for impairment based on credit risk characteristics	140,423,663.44	81.49	7,668,042.65	5.46	132,755,620.79
risk-free combinations	19,500,000.00	11.32		0	19,500,000.00
Individually insignificant but assessed for impairment individually					
	172,330,120.44	100	20,074,499.65	11.65	152,255,620.79

- a) Units of accounts receivable with significant individual amounts and provision for bad debts at the end of the period:

	<i>Book Value</i>		<i>Provision for bad and doubtful debts</i>		<i>Giving reasons</i>
	<i>Amount</i>	<i>(%)</i>	<i>Amount</i>	<i>(%)</i>	
Baoji Pharmaceutical Glass Factory	12,406,457.00	100	12,406,457.00	100	Enterprise bankruptcy
<b>Total</b>	12,406,457.00	100	12,406,457.00	100	Enterprise bankruptcy

- b) Accounts receivable without risk portfolio

	<i>Book Value</i>		<i>Provision for bad and doubtful debts</i>		<i>Giving reasons</i>
	<i>Amount</i>	<i>(%)</i>	<i>Amount</i>	<i>(%)</i>	
Factoring charges receivable	206,728,558.13	0	0	0	Recourse
<b>Total</b>	206,728,558.13	0	0	0	Recourse

- c) In credit portfolio, accounts receivable with provision for bad debts are calculated by age analysis method



<i>Aging</i>	<i>Ending amount</i>			<i>Beginning amount</i>		
	<i>Book balance</i>		<i>Bad debt reserves</i>	<i>Book balance</i>		<i>Provision of bad debt</i>
	<i>Amount</i>	<i>Ratio (%)</i>		<i>Amount</i>	<i>Ratio (%)</i>	
Within a year	252,716,651.64	81.18	1,259,996.85	110,803,607.39	78.91	550,328.62
1 to 2 years	31,131,932.45	10.00	933,957.96	5,476,538.22	3.90	164,296.15
2 to 3 years	3,884,833.00	1.25	194,241.65	364,594.02	0.26	18,229.70
3 to 4 years	140,520.40	0.05	14,052.04	669,927.54	0.48	66,992.75
4 to 5 years	503,488.01	0.16	100,675.46	645,034.42	0.46	129,006.88
Over 5 years	22,923,375.38	7.36	6,876,948.07	22,463,961.85	16.00	6,739,188.55
<b>Total</b>	<b>311,300,800.88</b>	<b>100</b>	<b>9,379,872.03</b>	<b>140,423,663.44</b>	<b>100</b>	<b>7,668,042.66</b>

d) Top 5 Units of Accounts receivable

<i>Name of debtor</i>	<i>Nature of receivable</i>	<i>Amount</i>	<i>Aging</i>	<i>Proportion of total accounts receivable %</i>
China Huaxi Enterprise Co., Ltd.	Factoring	60,728,558.13	Within a years	11.45
Shaanxi Huajing Construction Co., Ltd. Baoji High-tech Branch	Factoring	40,000,000.00	Within a years	7.54
Baoji City Guangyu Materials Co., Ltd.	Factoring	40,000,000.00	Within a years	7.54
Beijing Jiafu doors and windows curtain wall	Factoring	30,000,000.00	Within a years	5.66
Shaanxi Xinhui City Xinhui Co., Ltd. Development Co., Ltd.	Factoring	30,000,000.00	Within a years	5.66
<b>Total</b>		<b>200,728,558.13</b>		<b>37.85</b>

- e) The provision for bad debts in the current period: the provision for bad debts in the current period is 1,711,829.38 yuan; the provision for bad debts in the current period is 0 yuan.
- f) There is no arrears of shareholders holding more than 5% (including 5%) of the company's shares and other related parties in the accounts receivable.
- g) There is no actual write-off of accounts receivable in the current period.

5. Prepayments

<i>Aging</i>	<i>Ending amount</i>		<i>Beginning amount</i>	
	<i>Amount</i>	<i>ratio (%)</i>	<i>Amount</i>	<i>ratio (%)</i>
Within 1 year	1,010,584,371.02	41.54	386,093,112.74	23.50



1 to 2 years	358,875,064.50	14.75	1,014,052,208.27	61.73
2 to 3 years	1,013,886,152.94	41.67	50,031,704.17	3.05
Over 3 years	49,713,179.46	2.04	192,610,611.64	11.72
<b>Total</b>	<b>2,433,058,767.92</b>	<b>100</b>	<b>1,642,787,636.82</b>	<b>100</b>

- (1). The reasons for not timely settlement of the important prepayment in excess of one year:

<i>Company name</i>	<i>Amount</i>	<i>Time occurrence</i>	<i>Reason</i>
Baoji High-tech Industrial Development Zone	682,712,971.76	2-3 years/over 3 years	Settlement by contract
Baoji Chengyu Real Estate Development Co., Ltd.	188,894,697.26	1-2 years/2-3 years/over 3 years	Settlement by contract
Baoji Xuanyuan Real Estate Development Co., Ltd.	168,503,488.00	With a year/1-2 years/2- 3 years	Settlement by contract
Baoji Gaoxin Garden Sanitation Municipal Construction Management Co., Ltd.	88,000,000.00	1 to 2 years	Settlement by contract
<b>Total</b>	<b>1,128,111,157.02</b>		--

- (2). Top 5 units of Prepayment

<i>Company name</i>	<i>Amount</i>	<i>Time occurrence</i>
Baoji High-tech Industrial Development Zone	682,712,971.76	2-3 years/over 3 years
Baoji Chengyu Real Estate Development Co., Ltd.	188,894,697.26	1-2 years/2-3 years/over 3 years
Baoji Xuanyuan Real Estate Development Co., Ltd.	168,503,488.00	With a year/1-2 years/2- 3 years
Baoji Gaoxin Garden Sanitation Municipal Construction Management Co., Ltd.	88,000,000.00	1 to 2 years
Baoji Mingda Residential Construction Co., Ltd.	56,745,363.13	Within 1 years
<b>Total</b>	<b>1,184,856,520.15</b>	--

- (3). In the current period, there are no prepayments to shareholders or related parties who hold 5% or more voting shares of the Group.

## 6. Other receivables

	<i>Ending amount</i>	<i>Beginning amount</i>
Interest receivable	239,176,519.71	274,518,418.97
Dividend receivable	878.18	77,051.76
Other accounts receivable	9,267,329,792.31	9,875,371,654.11



<b>Total</b>	<b>9,506,507,190.20</b>	<b>10,149,967,124.84</b>
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### (1). Interest receivable

	<i>Ending amount</i>	<i>Beginning amount</i>
Fixed time deposits	11,475,000.00	8,925,000.00
Interest on loan	110,701,716.78	114621073.26
Entrusted loans	100,216,469.60	127,040,187.54
Bond investment	16,783,333.33	23,932,158.17
<b>Total</b>	<b>239,176,519.71</b>	<b>274,518,418.97</b>

### (2). Dividend receivable

	<i>Ending amount</i>	<i>Beginning amount</i>
Dividends available for sale of financial assets	878.18	77,051.76
<b>Total</b>	<b>878.18</b>	<b>77,051.76</b>

### (3). Other accounts receivable

	Closing balance				
	Book Value		Provision for bad and doubtful debts		Carrying amount
	Amount	(%)	Amount	(%)	
Individually significant and assessed for impairment individually				0%	
Collectively assessed for impairment based on credit risk characteristics	9,855,343,599.11	99.98	588,841,263.30	5.97	9,266,502,335.81
Individually insignificant but assessed for impairment individually	1,743,848.36	0.02	916,391.86	52.55	827,456.50
	9,857,087,447.47	100	589,757,655.16		9,267,329,792.31

### *Opening balance*

<i>Book Value</i>	<i>Provision for bad and doubtful debts</i>	<i>Carrying amount</i>
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	<i>Amount</i>	<i>(%)</i>	<i>Amount</i>	<i>(%)</i>	
Individually significant and assessed for impairment individually		0	-	0	
Collectively assessed for impairment based on credit risk characteristics	10,301,732,664.86	99.98	427,481,572.45	4.15	9,874,251,092.41
Individually insignificant but assessed for impairment individually	1,947,480.16	0.02	826,918.46	42.46	1,120,561.70
	<b>10,303,680,145.02</b>	<b>100</b>	<b>428,308,490.91</b>	<b>2.4</b>	<b>9,875,371,654.11</b>

- a) Other accounts receivable units with significant individual amount and provision for bad debts at the end of the period: None
- b) Other receivables with a provision for bad debts, though not significant at the end of the period:

	<i>Closing balance</i>	<i>Bad debt</i>
Luo chang an	246,534.72	123,267.36
Xi'an Huaqin Property Management Co., Ltd.	1,397,313.64	693,124.50
Baoji Tourism (Group) Co., Ltd.	100,000.00	100,000.00
<b>Total</b>	<b>1,743,848.36</b>	<b>916,391.86</b>

- c) In the credit portfolio, other receivables prepared for bad debts are calculated according to the age analysis method:

<i>Aging</i>	<i>Closing balance</i>			<i>Opening balance</i>		
	<i>Book balance</i>		<i>Bad debt reserve</i>	<i>Book balance</i>		<i>Bad debt reserve</i>
	<i>Sum</i>	<i>%</i>		<i>sum</i>	<i>%</i>	
Within 1 year	2,012,263,616.24	20.42	9,155,513.94	3,432,164,981.94	33.32	17,161,114.00
1 to 2 years	2,379,537,762.74	24.14	71,383,364.42	3,637,250,749.99	35.31	109,114,414.98
2 to 3 years	3,076,043,555.89	31.21	153,802,177.81	1,688,410,169.60	16.39	84,420,558.48
3 to 4 years	1,516,967,710.56	15.39	151,696,301.56	1,154,577,722.52	11.21	115,459,727.40
4 to 5 years	583,553,805.33	5.92	116,710,761.07	154,203,604.75	1.5	30,840,720.95



Over5 years	286,977,148.35	2.91	86,093,144.50	235,125,436.06	2.28	70,485,036.66
<b>Total</b>	<b>9,855,343,599.11</b>	<b>100</b>	<b>588,841,263.30</b>	<b>10,301,732,664.86</b>	<b>100</b>	<b>427,481,572.45</b>

d) Top 5 units of other accounts receivable

<i>Company name</i>	<i>Nature of receivable</i>	<i>Sum</i>	<i>Aging</i>	<i>Proportion %</i>
Baoji South railway station area demolition & resettlement construction headquarters	Construction fund	2,052,112,497.65	1-2 years/2-3 years/ 3 -4 years	20.7
Affordable housing of Baoji company for road of Qianwei&Qiongzhong	Agent construction project fund	1,772,158,044.98	Within 1 year /1-2 years/2-3 years/over 3 years	17.87
Baoji Geely Automobile Co., Ltd.	Borrowing	1,724,000,000.00	1-2 years/2-3 years/ 3 -4 years	17.39
Baoji Gaoxin Industry Development Corporation	Borrowing	661,671,178.08	1-2 years/2-3 years/ 3 -4 years	6.84
Baoji Ruyi Yinxian Cultural Tourism Investment Management Co., Ltd.	Borrowing	386,000,000.00	Within 1 year/1-2 years/2-3 years	3.89
<b>Total</b>		<b>6,595,941,720.71</b>		<b>68.18</b>

e) The provision of bad debts in the current period:

The allowance for bad debts is 161,449,164.24 yuan in the current period, and the allowance for recovering or transferring bad debts is 0.00 yuan in the current period.

f) In the other accounts receivable, there are no shareholders who hold more than 5%(including 5%) of the Group, and other related party units in arrears.

## 7. Inventory

(1). Inventory details:

<i>Closing balance</i>			<i>Opening balance</i>		
<i>Book value</i>	<i>Provision for impairment</i>	<i>Carrying amount</i>	<i>Book value</i>	<i>Provision for impairment</i>	<i>Carrying amount</i>



Raw materials	96,018,459.80	96,018,459.80	93,888,117.40	93,888,117.40
Inventory goods	1,455,021,506.28	1,455,021,506.28	1,340,169,956.22	3,580,867.30 1,336,589,088.92
Low-value consumables	168,866.21	168,866.21	168,866.21	168,866.21
In products	643,605.29	643,605.29	452,097.00	452,097.00
Construction	24,593,701.58	24,593,701.58	2,320,801.81	2,320,801.81
Development cost	11,175,249,076.40	11,175,249,076.40	10,116,425,019.18	10,116,425,019.18 10,053,394,686.22
<b>Total</b>	<b>12,751,695,215.56</b>	<b>12,751,695,215.56</b>	<b>11,553,424,857.82</b>	<b>3,580,867.30 11,549,843,990.52</b>

Note: The closing balance of development costs is 11,175,249,076.40 yuan, of which the capitalized interest balance is RMB 1,553,933,719.84

#### 8. Non-current assets expiring within one year

	<i>Closing balance</i>	<i>Opening balance</i>
Held-to-maturity investments	1,000,000,000.00	410,000,000.00
<b>Total</b>	<b>1,000,000,000.00</b>	<b>410,000,000.00</b>

##### (1). Details of investments held to maturity

<i>Item</i>	<i>face value</i>	<i>Coupon rate</i>	<i>Actual interest rate</i>	<i>Due date</i>
Infrastructure investment	1,000,000,000.00	5.70%	5.70%	Sep, 15 <sup>th</sup> , 2020
<b>Total</b>	<b>1,000,000,000.00</b>			

#### 9. Other Current Assets

	<i>Closing balance</i>	<i>Opening balance</i>
Bank financial products	212,190,000.00	429,548,750.00
Value added tax retained	55,244,103.36	35,521,311.18
Corporate income tax payable in advance	2,079,302.52	2,079,302.52
Other taxes paid in advance	83,805,422.06	26,250,054.17
<b>Total</b>	<b>353,318,827.94</b>	<b>493,399,417.87</b>

##### (1). Financial products details:

*Closing Book balance*



ICBC SXEDXBBX	90,390,000.00
CMB Structured deposit	97,100,000.00
Qian yuan-overflowing 90 days open wealth management products	1,000,000.00
Qian yuan-overflowing 30 days open wealth management products	700,000.00
Qian yuan-overflowing 30 days open wealth management products	3,000,000.00
Qian yuan-overflowing 60 days open wealth management products	5,000,000.00
CCB-` dry yuan-overflowing "30-day open finance	11,000,000.00
I Industrial Bank Jinxueqiu Tianli Express Net Worth Type financial management products	4,000,000.00
<b>Total</b>	<b>212,190,000.00</b>

#### 10. Available-for-sale financial assets

	<i>Ending amount</i>	<i>Beginning amount</i>
Available-for-sale financial assets with cost measure	300,100,000.00	310,100,000.00
Available-for-sale equity instruments	749,297,175.24	608,713,837.53
Including: Measured at fair value		
Measured by cost	749,297,175.24	608,713,837.53
other		
<b>Total</b>	<b>1,049,397,175.24</b>	<b>918,813,837.53</b>

#### (1). Sell-able debt instruments

	<i>Ending amount</i>	<i>Beginning amount</i>
China Resources Trust Fund	300,000,000.00	- 300,000,000.00
financial products	10,100,000.00	10,100,000.00
<b>Total</b>	<b>310,100,000.00</b>	<b>310,100,000.00</b>

#### (2). Equity instruments available-for-sale with cost measure

	<i>Ending amount</i>	<i>Beginning amount</i>
Chang'an Bank co., Ltd	216,510,929.64	216,510,929.64
Shannxi Qi Shan Chang'an village bank co., Ltd.	4,506,900.00	4,506,900.00
Hanzhong Road Parking Lot	19,759,764.40	19,759,764.40
Shannxi financial asset management co., Ltd.	50,000,000.00	50,000,000.00
Baoji Shuirunda Water Technology Co., Ltd.	0.00	200,000.00
Baoji Ding xin assets management& development co., Ltd..	100,000.00	100,000.00



Baoji zhongshui new energy Co., Ltd	3,000,000.00	3,000,000.00
Baoji gaoxin industry development company	4,852,581.78	4,852,581.78
Baoji city urbanization construction fund	200,000,000.00	200,000,000.00
Shaanxi Investment and financing guarantee Co., Ltd.	106,475,807.54	106,475,807.54
Xi'an Waterfall Asset Management Co., Ltd.	1,007,854.17	1,007,854.17
Shaanxi Group Commercial Vehicle Co., Ltd.	140,000,000.00	0.00
Meixian Credit Cooperative	1,000,000.00	0.00
Xi'an Xigao Investment Yingshi Investment Fund Partnership (Limited Partnership)	2,083,337.71	2,300,000.00
<b>Total</b>	<b>749,297,175.24</b>	<b>608,713,837.53</b>

## 11. Held-to-maturity investment

### (1). Classification situation

	<i>Ending amount</i>	<i>Beginning amount</i>
Trust products	232,000,000.00	60,000,000.00
Entrust loans	5,152,013,848.88	6,758,051,634.01
Others		350,000,000.00
<b>Total</b>	<b>5,384,013,848.88</b>	<b>7,168,051,634.01</b>

### (2). Important hold-to-maturity investments

<i>Item</i>	<i>Face value</i>	<i>Coupon rate</i>	<i>Actual interest rate</i>	<i>Due date</i>
Renovation of shanty towns in 2016	832,290,000.00	4.15%	4.15%	May, 10 <sup>th</sup> , 2041
Changan Trust	232,000,000.00	6.90%	6.90%	Jan, 10 <sup>th</sup> , 2021
Affordable housing	3,735,820,600.00	4.15%	4.15%	May, 10 <sup>th</sup> , 2041
<b>合 计</b>	<b>4,800,110,600.00</b>			

Note: 1. 2016 shantytown renovation and affordable housing are long-term entrusted loans issued to public institutions in Baoji City, and the funds are loan funds obtained by various commercial banks and China Development Bank.

2. Changan Trust is the Changan Ning-haoqing Automobile Collective Fund Trust Plan of Zhejiang Geely Automobile Sales Co., Ltd., which is entrusted by Changan International Trust Co., Ltd. to subscribe.



## 12. Long-term equity investment

### (1). Long-term equity investment classification

<i>Item</i>	<i>Beginning amount</i>	<i>Increase in current</i>	<i>Decrease in current</i>	<i>Ending amount</i>
Investment for subsidiary				
Investments in joint ventures				
Investments in associates	1,094,282,894.94	133,343,751.56	30,000,000.00	1,197,626,646.50
Sub-total	1,094,282,894.94	133,343,751.56	30,000,000.00	1,197,626,646.50
Less: Provision for impairment of Long-term equity investment reserves				
<b>Total</b>	<b>1,094,282,894.94</b>	<b>133,343,751.56</b>	<b>30,000,000.00</b>	<b>1,197,626,646.50</b>

### (2). Long-term equity investment details:

<i>Investee</i>	<i>Beginning amount</i>	<i>Increase/Decrease in current period</i>				
		<i>Additional investment</i>	<i>Disinvestment</i>	<i>Investment income recognised under equity method</i>	<i>Other comprehensive income</i>	<i>other equity movement</i>
Joint ventures:						
Sun-total						
Associates						
ShannxiLinbei coal industry development co., Ltd.						
Baoji Zhong Sheng new building materials co., Ltd.	220,247,502.85			-22,634,366.80		
Shannxi Fa Men Temple cultural development co., Ltd.	12,544,617.64			2,793,692.63		-5,250,000.00
Baoji Zhong Ran city gas development corporation	518,591,660.80			364,983.75		
Baoji Zhong Ran clean energy co., Ltd.	205,390,878.53			54,627,575.54		
Shaanxi Tourism Group Qi Shan Zhou Culture Tourism Industry Development Co., Ltd	24,705,102.43			-20,223.95		1,190,500.00
Baoji ChengTou underground pipeline co., Ltd.	54,457,501.35			64,771.34		



Investee	Beginning amount	Increase/Decrease in current period				
		Additional investment	Disinvestments	Investment income recognised under equity method	Other comprehensive income	other equity movement
Baoji comprehensive bonded area investment and construction co Ltd.	9,500,000.00			0		
Baoji BQT new energy co., Ltd.	4,035,962.84			-112,926.73		
Baoji big data LLC	7,536,060.72	4,000,000.00		-379,781.78		
Baoji YDCY equity fund partnership	2,197,987.87			-67,043.97		
Shaanxi Bao Tai Da Industrial Investment Co., Ltd	1,800,000.00	1,200,000.00		-246,966.51		
Total	33,275,619.91	100,000,000.00		-6,245,961.96		-4,059,500.00

(Continued)

Investee	Increase or decrease in the current period			Ending amount	Shareholding ratio (%)
	Announcement of cash dividends or profits	Provision for impairment reduction	Others		
Joint ventures:					
Sub-total					
Associates					
ShannxiLin Bei coal industry developmentco.,Ltd.					
Baoji Zhong Sheng new building materials co., Ltd.				197,613,136.05	26.00



ShannxiFamen Temple cultural development co., Ltd.				15,338,310.27	37.50
Baoji Zhong Ran city gas developmentcorporation				518,956,644.55	43.75
Baoji Zhong Ran clean energy co., Ltd.	30,000,000.00			230,018,454.07	36.00
Shaanxi Tourism Group Qi Shan Zhou Culture Tourism Industry Development Co., Ltd				24,684,878.48	49.00
Baoji ChengTou underground pipeline co., Ltd.				54,522,272.69	27.78
Baoji comprehensive bonded area investment and construction co Ltd.				9,500,000.00	48.72
Baoji BQT new energy co., Ltd.				3,923,036.11	40.00
Baoji big data LLC				11,156,278.94	40.00
Baoji YDCY equity fund partnership				2,130,943.90	45.00
Shaanxi Xinhui Honesty Industry Development Co., Ltd.				2,753,033.49	30.00
<b>Total</b>				<b>127,029,657.95</b>	<b>35.00</b>

Note: The initial number of long-term equity period is adjusted by the equity method in 2018. This year, Baoji Yongde Chuangying Equity Fund Partnership Enterprise changed from equity method to cost method

### 13. Investment properties

#### (1). Investment real estate using cost measurement model:



<i>Item</i>	<i>Building</i>	<i>Land use rights</i>	<i>Construction in progress</i>	<i>Total</i>
cost				
Beginning amount	1,473,914.79			1,473,914.79
Additions during the year				
Purchase				
Transferred to inventory, fixed assets, construction in progress				
Other increases				
Decrease during the period				
Disposal				
.Other transfers				
Ending amount	1,473,914.79			1,473,914.79
Accumulated depreciation & amortization				
Beginning amount	140,021.90			140,021.90
Additions during the year				
Depreciation /amortization	46,673.96			46,673.96
Other transferred				
Decrease during the year				
Disposal				
Other transfers				
Ending amount	186,695.86			186,695.86
Provision for impairment				
Beginning amount				
Additions during the year				
Provision for impairment reduction				
Others				
Decrease during the year				
Disposal				
Other transfers				
Ending amount				
Book value				
Ending book value	1,287,218.93			1,287,218.93
Beginning book value	1,333,892.89			1,333,892.89

#### 14. Fixed assets

(1). The Group's fixed assets are as follows:

<i>Item</i>	<i>buildings&amp; fixture</i>	<i>Machinery &amp; equipment</i>	<i>Transport equipment</i>	<i>Electronic equipment</i>	<i>Office equipment</i>	<i>Road &amp; bridge infrastructur e</i>	<i>Pipe Network facilities</i>	<i>Others</i>	<i>Total</i>
Original value of fixed assets									
Beginning amount	2,360,964,644.07	376,662,827.39	403,794,636.09	5,041,301.96	30,731,275.26	776,278,670.85	1,417,914,931.64	2,874,192,541.17	8,245,580,828.43
Additions during the year	138,923,359.04	40,640,509.95	1,765,255.31	893,287.88	4,832,826.62	0.00	30,500,487.87	3,916,279.67	221,472,006.34
Purchase	130,809,014.87	33,838,286.82	1,301,888.93	793,701.28	2,707,032.00	0.00	3,882,244.46	3,083,986.09	176,416,154.45
Transferred from Construction in process	8,114,344.17	6,802,223.13	463,366.38	99,586.60	2,125,794.62	0.00	26,618,243.41	832,293.58	45,055,851.89
Other increase	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Current decrease	1,500,000.00	2,125,723.30	3,154,399.44	176,659.13	184,959.28	0.00	2,553,962.48	2,760.00	9,698,463.63
Disposal /abandonmen t	1,500,000.00	2,125,723.30	3,154,399.44	176,659.13	184,959.28	0.00	195,103.83	2,760.00	7,339,604.98
Other transfer	0.00	0.00	0.00	0.00	0.00	0.00	2,358,858.65	0.00	2,358,858.65
Ending amount	2,498,388,003.11	415,177,614.04	402,405,491.96	5,757,930.71	35,379,142.60	776,278,670.85	1,445,861,457.03	2,878,106,060.84	8,457,354,371.14
Accumulated depreciation									



<i>Item</i>	<i>buildings&amp; fixture</i>	<i>Machinery &amp; equipment</i>	<i>Transport equipment</i>	<i>Electronic equipment</i>	<i>Office equipment</i>	<i>Road &amp; bridge infrastructur e</i>	<i>Pipe Network facilities</i>	<i>Others</i>	<i>Total</i>
Beginning amount	600,840,803.63	257,962,210.62	231,341,162.84	2,411,045.16	22,331,351.97	154,088,816.92	670,763,948.53	498,111,472.08	2,437,850,811.75
Additions during the year	66,823,334.91	22,638,094.31	43,485,488.58	426,649.44	2,969,828.91	16,827,575.60	61,646,096.99	42,911,923.51	257,728,992.25
Provision	66,823,334.91	22,638,094.31	43,325,920.00	426,649.44	2,906,267.39	16,827,575.60	61,646,096.99	42,911,923.51	257,505,862.15
Other increase	0.00	0.00	159,568.58	0.00	63,561.52	0.00	0.00	0.00	223,130.10
Current decrease	588,086.76	6,694,426.41	2,672,475.23	201,415.34	182,013.82	-	2,154,571.22	2,380.00	12,495,368.78
Disposal	323,263.89	2,055,299.11	2,672,475.23	170,909.97	182,013.82	-	2,144,995.67	2,380.00	7,551,337.69
Other transfer	264,822.87	4,639,127.30	-	30,505.37	-	-	9,575.55	-	4,944,031.09
Ending amount	667,076,051.78	273,905,878.51	272,154,176.19	2,636,279.26	25,119,167.06	170,916,392.52	730,255,474.30	541,021,015.59	2,683,084,435.22
Impairment loss									
Opening amount									
Current increase									
provision									

<i>Item</i>	<i>buildings&amp; fixture</i>	<i>Machinery &amp; equipment</i>	<i>Transport equipment</i>	<i>Electronic equipment</i>	<i>Office equipment</i>	<i>Road &amp; bridge infrastructur e</i>	<i>Pipe Network facilities</i>	<i>Others</i>	<i>Total</i>
Current decrease									
Disposal									
Ending amount									
Book value									
Ending book value	1,831,311,951.33	141,271,735.53	130,251,315.77	3,121,651.45	10,259,975.54	605,362,278.33	715,605,982.73	2,337,085,045.25	5,774,269,935.92
Beginning book value	1,760,123,840.44	118,700,616.77	172,453,473.25	2,630,256.80	8,399,923.29	622,189,853.93	747,150,983.11	2,376,081,069.09	5,807,730,016.68



- (2). Mortgage of fixed assets at the end of the reporting period: None
- (3). There is no provision for impairment at the end of the period when the amount that cannot be recovered is lower than the book value.
- (4). As of December 31, 2019 the original value of public welfare assets was 4,959,814,337.40 yuan, with a total depreciation of 947,806,259.35 yuan and a net value of 4,012,008,078.05 yuan.

<i>Non-profit assets</i>	<i>Item</i>	<i>Original value</i>	<i>Depreciation</i>	<i>Net value</i>
Fengjiashan Reservoir	Other	2,848,779,974.55	529,059,138.13	2,319,720,836.42
Wolong Temple Weihe Bridge	Road & bridge infrastructure	48,898,900.00	9,100,628.61	39,798,271.39
Phoenix Bridge	Road & bridge infrastructure	75,089,600.00	13,975,008.89	61,114,591.11
Ecological governance of Weihe City	Road & bridge infrastructure	114,031,410.50	18,190,725.01	95,840,685.49
Flood control and ecological control of the Jinling River estuary	Road & bridge infrastructure	12,616,197.14	2,012,583.83	10,603,613.31
Flood control and ecological management of Qingjiang River estuary	Road & bridge infrastructure	17,954,502.46	2,864,170.63	15,090,331.83
Urban river improvement project	Road & bridge infrastructure	2,933,496.46	467,962.53	2,465,533.93
Administrative Center No. 12367	buildings& fixture	854,908,956.00	161,584,666.41	693,324,289.59
Administration Center Building 45	buildings& fixture	162,255,636.00	30,667,619.79	131,588,016.21
Logistics Convention and Exhibition Center	buildings& fixture	317,591,100.00	55,578,442.50	262,012,657.50
Futan Bridge	Road & bridge infrastructure	51,429,033.19	9,571,514.51	41,857,518.68
Panlong Bridge (Daijiawan Weihe Bridge)	Road & bridge infrastructure	118,014,581.94	21,963,824.97	96,050,756.97
Futan Bridge and Daima Bridge	Road & bridge infrastructure	318,496,355.43	92,209,487.09	226,286,868.34
Greening along the railway and the triangle	Road & bridge infrastructure	13,358,323.90	445,277.46	12,913,046.44
North Side Road	Road & bridge infrastructure	3,456,269.83	115,208.99	3,341,060.84
Total		4,959,814,337.40	947,806,259.35	4,012,008,078.05

## 15. Construction in progress

### (1). Construction in progress situation:

<i>Item</i>	<i>Ending amount</i>	<i>Beginning amount</i>
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	<i>Carrying amount</i>	<i>Provis ion for impai rment</i>	<i>Book value</i>	<i>Carrying amount</i>	<i>Prov isio n for imp airm ent</i>	<i>Book value</i>
Heat pipe network facilities	447,159,989.69		447,159,989.69	308,755,001.36		308,755,001.36
Road & bridge infrastructure construction	2,928,443,376.38		2,928,443,376.38	2,604,942,217.28		2,604,942,217.28
Water supply pipe network	254,803,433.50		254,803,433.50	191,067,236.58		191,067,236.58
Bus station	10,637,688.56		10,637,688.56	21,270,190.70		21,270,190.70
Gas station	10,029,568.70		10,029,568.70	3,352,325.33		3,352,325.33
Landfill engineering	151,889,005.08		151,889,005.08	151,433,220.80		151,433,220.80
Reclaimed water reuse expansion engineering	1,975,541.08		1,975,541.08	1,862,556.98		1,862,556.98
Industrial park	155,882.82		155,882.82	127,164.50		127,164.50
Public toilets of the sanitation department	682,936.83		682,936.83	682,936.83		682,936.83
Baoji Grand Theater	166,251,237.11		166,251,237.11			
Other projects	120,711,327.06		120,711,327.06	73,019,205.81		73,019,205.81
Engineering materials	14,246,909.13		14,246,909.13	17,560,241.74		17,560,241.74
<b>Total</b>	<b>4,106,986,895.94</b>		<b>4,106,986,895.94</b>	<b>3,374,072,297.91</b>		<b>3,374,072,297.91</b>

Note: No provision for impairment is made because there is no recoverable amount below the book value at the end of the period.

## (2). Engineering materials

	<i>Ending amount</i>	<i>Beginning amount</i>
Uninstalled equipment		



	<i>Ending amount</i>	<i>Beginning amount</i>
Engineering materials	14,246,909.13	17,560,241.74
<b>Total</b>	<b>14,246,909.13</b>	<b>17,560,241.74</b>

#### 16. Intangible assets

<i>Item</i>	<i>Land use right</i>	<i>software</i>	<i>Proprietary right</i>	<i>Others</i>	<i>Total</i>
Original book value					
Beginning amount	409,004,398.20	1,832,255.63	26,000,000.00	561,232.80	437,397,886.63
Current increase	38,111,388.22	2,537,563.40	0.00	0.00	40,648,951.62
Purchase	38,111,388.22	2,537,563.40	0.00	0.00	40,648,951.62
Internal research & Development					
Corporate merger increase					
Other increases					
Current decrease					
Disposal					
Other transfers					
Ending amount	447,115,786.42	4,369,819.03	26,000,000.00	561,232.80	478,046,838.25
Accumulated amortization					
Beginning amount	81,715,609.08	774,404.30	26,000,000.00	505,109.52	108,995,122.90
Current Increases	7,551,785.79	353,160.99	0.00	56,123.28	7,961,070.06
Provision	7,551,785.79	353,160.99	0.00	56,123.28	7,961,070.06
Other increase	-	-	-	-	-
Current decrease	-	-	-		
Disposal					



Other decrease					-
Ending amount	89,267,394.87	1,127,565.29	26,000,000.00	561,232.80	116,956,192.96
Provision impairment					
Beginning amount					
Current increase					
Provision					
Other increases					
Current decrease					
Disposal					
Other decrease					
Ending amount					
Book value					
Ending book value	357,848,391.55	3,242,253.74	0.00	0.00	361,090,645.29
Beginning book value	327,288,789.12	1,057,851.33	0.00	56,123.28	328,402,763.73

As of December 31, 2019, intangible assets included the original value of public welfare assets of 218,627,649.00 yuan, accumulated amortization of 48,497,569.03 yuan, and net value of 170,130,079.97 yuan.

<i>Non-profit assets</i>	<i>Item</i>	<i>Original value of intangible assets</i>	<i>Accumulated amortization</i>	<i>Net value</i>
Land of administrative center (420 mu)	Land Use Rights	166,603,749.00	37,485,843.53	129,117,905.47
Chencang Logistics Park Convention Exhibition Center and (164 mu)	Land Use Rights	52,023,900.00	11,011,725.50	41,012,174.50
Total		218,627,649.00	48,497,569.03	170,130,079.97

## 17. Goodwill

<i>Name of investee or events from which goodwill arose</i>	<i>Beginning amount</i>	<i>Current increase</i>	<i>Current decrease</i>	<i>Ending amount</i>
Book value	118,482,738.72			118,482,738.72
Feng Xian gas company.	5,382,048.51			5,382,048.51



Xi'an Qixing Real Estate Development Co., Ltd.	113,100,690.21			113,100,690.21
Impairment provision total				
Feng Xian gas company				
Xi'an Qixing Real Estate Development Co., Ltd.				
Book value total	118,482,738.72			118,482,738.72
Feng Xian gas company	5,382,048.51			5,382,048.51
Xi'an Qixing Real Estate Development Co., Ltd.	113,100,690.21			113,100,690.21

Note: Baoji Gas co. Ltd., acquired a full stake of FengXian company in 2013 and the part of the transfer price above the fair value is credited to the goodwill. There is no an impairment after the current annual test. In 2019, China Baoda Industrial Investment Co., Ltd., a subsidiary company, acquired all the shares of Xi'an Qixing Real Estate Development Co., Ltd. by debt. The transfer price is higher than the fair value, which is included in goodwill. There is no sign of impairment in this year's test.

#### 18. Long-term deferred expenses

<i>Item</i>	<i>Beginning amount</i>	<i>Current Increase</i>	<i>Current amortization</i>	<i>Other Decrease</i>	<i>Ending amount</i>	<i>Reason of other decrease</i>
Site use fee	6,704,713.73	-	3,888,643.69		2,816,070.04	
Financing Guarantee Fee	6,500,000.00	7,717,195.88	4,043,439.18		10,173,756.70	
Office Decoration	2,341,232.64	4,284,644.01	260,057.25		6,365,819.40	
Stereo garage inspection fee	40,035.96	26,785.50	53,432.26		13,389.20	
Rental fee	15,600.00	48,960.00	19,000.00		45,560.00	
Others	286,237.94	1,072,401.57	88,073.28		1,270,566.23	
<b>Total</b>	<b>15,887,820.27</b>	<b>13,149,986.96</b>	<b>8,352,645.66</b>		<b>20,685,161.57</b>	

#### 19. Deferred tax assets and deferred tax liabilities



<i>Item</i>	<i>Ending amount</i>		<i>Beginning amount</i>	
	<i>Deferred income tax assets</i>	<i>Deductible temporary difference</i>	<i>Deferred income tax assets</i>	<i>Deductible temporary differences</i>
Deferred tax assets	46,310,360.86	308,735,739.07	42,830,035.24	285,533,568.28
Impairment of assets	46,310,360.86	308,735,739.07	42,830,035.24	285,533,568.28
Start-up fee				
Deductible loss				
Changes in fair value of available-for-sale financial assets				
Unrealized profits from internal transactions				
Tax				
Other				
Deferred income tax liabilities	120,152,794.26	480,611,177.04	120,152,794.26	480,611,177.04
Valuation of trading financial instruments and derivative financial instruments				
Changes in fair value of available-for-sale financial assets included in other comprehensive income				
Changes in fair value of financial assets included in other comprehensive income (new standard applies)				
Changes in fair value of investment real estate				
Other	120,152,794.26	480,611,177.04	120,152,794.26	480,611,177.04

## 20. Other non-current assets

<i>Item</i>	<i>Ending amount</i>	<i>Beginning amount</i>
Advance payment for works	30,750.00	30,750.00
Prepayment of land		335,829,050.90
loan by mandate	200,000,000.00	200,000,000.00
<b>Total</b>	<b>200,030,750.00</b>	<b>535,859,800.90</b>

## 21. Short-term loans

### (1). Loan type

<i>Item</i>	<i>Ending amount</i>	<i>Beginning amount</i>
Pledge loan		
Mortgage loan		
Guaranteed loan	359,000,000.00	353,300,000.00



Debt of Honor		
<b>Total</b>	<b>359,000,000.00</b>	<b>353,300,000.00</b>

(2). The details of Current loan

<i>Name of loan units</i>	<i>Borrowing amount</i>	<i>life of loan</i>	<i>Annual interest (%)</i>
Bank of Communications Baoji Branch	200,000,000.00	Mar,29 <sup>th</sup> ,2019-Mar,28 <sup>th</sup> ,2020	5.003
Weibin Agricultural Commercial Bank Maying branch	55,000,000.00	Aug,29 <sup>th</sup> ,2019-Aug,28 <sup>th</sup> ,2020	5.005
Huaxia Bank Baoji Branch	2,000,000.00	Apr,10 <sup>th</sup> ,2019-Apr,9 <sup>th</sup> ,2019	5.655
Shaanxi Dongjixin Construction Project Management Co., Ltd.	2,000,000.00	Jul,16 <sup>th</sup> ,2019-Jul,15 <sup>th</sup> ,2020	8.000
Xi'an Bank Co., Ltd. Baoji Branch	100,000,000.00	Oct,9 <sup>th</sup> ,2019-Oct,10 <sup>th</sup> ,2020	4.300
<b>Total</b>	<b>359,000,000.00</b>		

22. Notes payable

Item	Closing Balance	Opening balance
trade acceptance		
Bank acceptance	1,168,529,839.41	197,032,165.45
<b>Total</b>	<b>1,168,529,839.41</b>	<b>197,032,165.45</b>

23. Accounts payable



<i>Account age</i>	<i>Ending amount</i>		<i>Beginning amount</i>	
	<i>Amount</i>	<i>Percent(%)</i>	<i>Amount</i>	<i>Percent(%)</i>
Within 1 year (including 1 year)	449,396,486.06	75.96	322,604,520.41	70.40
1-2 years ( including 2 years )	65,466,719.22	11.07	82,994,407.50	18.11
2-3 years (including 3 years)	39,319,654.18	6.65	10,560,335.31	2.30
Over 3 years	37,417,642.76	6.32	42,080,985.32	9.18
Total	591,600,502.22	100	458,240,248.54	100

(1). There are no payable of shareholders units who hold more than 5%(include 5%) voting shares of the Group Company in the ending balance of accounts payable

(2). Top 5 the Ending amount

<i>Parties Name</i>	<i>Ending amount</i>
Baoji Municipal Engineering Company	30,919,790.05
Shanxi New Energy Automobile Industry Co., Ltd.	30,156,000.00
Fufeng County Land and Resources Bureau	8,838,800.00
Weibin Auto Parts Company	6,300,290.03
Baoji Zhongran Chencang Gas Development Co., Ltd.	5,658,412.11
Total	81,873,292.19

#### 24. Advance payment



(1). Category

<i>Item</i>	<i>Ending amount</i>	<i>Beginning amount</i>
Advance payment for goods	1,298,411,671.93	1,237,057,845.19
<b>Total</b>	<b>1,298,411,671.93</b>	<b>1,237,057,845.19</b>

(2). There are no prepayments to shareholders who hold 5% or more voting shares of the Group Company in the current balances.

(3). In the current balance, no settled unfinished project payment has been made for the construction contract.

(4). There is no advance payment of related party in the end of this report period.

(5). A large amount of advance payment those are more than 1 year at the end of the account

<i>Parties name</i>	<i>Amount</i>	<i>Account age</i>	<i>Arrears content</i>
Trade Union Committee of Baoji Cigarette Factory	565,309,166.00	Within 1 year/1-3 years	Advance payment
<b>Total</b>	<b>565,309,166.00</b>		

(6). Aging Analysis

<i>Account age</i>	<i>Ending amount</i>		<i>Beginning amount</i>	
	<i>amount</i>	<i>Percentage (%)</i>	<i>amount</i>	<i>Percentage (%)</i>
Within 1 year ( including 1 year )	491,226,236.63	37.83	436,153,246.39	35.26
1-2 years (including 2 years )	140,328,217.21	10.81	786,237,917.89	63.56
2-3 years (including 3 years)	518,980,800.69	39.97	6,446,491.13	0.52
Over 3 years	147,876,417.40	11.39	8,220,189.78	0.66
<b>Total</b>	<b>1,298,411,671.93</b>	<b>100</b>	<b>1,237,057,845.19</b>	<b>100</b>

**25. Employee compensation**

(1). Employee benefits payable:



<i>Item</i>	<i>Beginning amount</i>	<i>Current increase</i>	<i>Current decrease</i>	<i>Ending amount</i>
Short-term employee benefits	20,464,875.27	382,718,187.18	382,098,143.39	21,084,919.06
Post-employment benefits	590,249.01	54,663,163.02	54,783,955.78	469,456.25
Termination benefits				
Other benefits due within 1 year				
<b>Total</b>	<b>21,055,124.28</b>	<b>437,381,350.20</b>	<b>436,882,099.17</b>	<b>21,554,375.31</b>

(2). Short-term employee benefits

<i>Item</i>	<i>Beginning amount</i>	<i>Current increase</i>	<i>Current decrease</i>	<i>Ending amount</i>
Salaries, bonuses, allowances and subsidies	17,029,512.10	317,347,373.92	314,620,441.77	19,756,444.25
Employee benefits	9,075.41	22,351,936.18	22,350,711.66	10,299.93
Social insurance premium	-50,962.36	6,983,361.85	7,007,963.26	-75,563.77
Including: Medical insurance premium	-51,859.78	4,878,872.44	4,902,576.43	-75,563.77
Supplementary medical insurance premium	0.00	91,714.00	91,714.00	0.00
Industrial injury insurance premium	9.25	1,292,004.69	1,292,013.94	0.00
Maternity insurance premium	888.17	720,770.72	721,658.89	0.00
Housing fund	2,702,135.67	30,661,296.89	33,265,760.62	97,671.94
Employee union and education expenses	775,114.45	4,586,351.25	4,065,398.99	1,296,066.71
Short-term compensated absences	0.00	0.00	0.00	0.00
Short-term profit sharing plan	0.00	0.00	0.00	0.00
Non-monetary benefits	0.00	787,867.09	787,867.09	0.00
<b>Total</b>	<b>20,464,875.27</b>	<b>389,701,549.03</b>	<b>389,106,106.65</b>	<b>21,084,919.06</b>

(3). Defined contribution plans

<i>Item</i>	<i>Beginning amount</i>	<i>Current increase</i>	<i>Current decrease</i>	<i>Ending amount</i>
Basic endowment	343,801.43	44,958,239.61	45,067,338.03	234,703.01



insurance				
Unemployment insurance	-58,888.30	1,095,262.47	1,093,842.81	-57,468.64
Enterprise annuity payment	305,335.88	8,609,660.94	8,622,774.94	292,221.88
<b>Total</b>	<b>590,249.01</b>	<b>54,663,163.02</b>	<b>54,783,955.78</b>	<b>469,456.25</b>

## 26. Payable taxes

<i>Item</i>	<i>Ending amount</i>	<i>Beginning amount</i>
Value--added tax	9,671,220.01	1,104,665.15
Excise tax	0	0
Corporate income tax	166,114,689.26	153,152,534.11
Urban maintenance and construction tax	1,944,216.07	1,424,666.67
Property tax	1,193,763.01	1,349,513.22
Land use tax	567,556.29	623,035.26
Stamp tax	1,293,667.98	181,297.50
Individual income tax	225,497.75	210,148.41
Resource tax	4,994,080.57	0
Increment tax on land value	99,627.13	14.37
Educational surcharge	863,356.03	629,699.62
Additional to local education expenses	522,003.99	336,638.59
Water conservancy fund	976,735.10	565,974.25
Residual fund	6,085.87	4,359.70
Other taxes and fees	636,927.27	17,535,878.15
<b>Total</b>	<b>189,109,426.33</b>	<b>177,118,425.00</b>

## 27. Other payables

	<i>Ending amount</i>	<i>Beginning amount</i>
Interest payable	378,301,224.36	403,055,106.04
Dividends payable	5,563,082.76	5,563,082.76



	<i>Ending amount</i>	<i>Beginning amount</i>
Other payables	2,544,061,067.65	3,134,795,809.72
<b>Total</b>	<b>2,927,925,374.77</b>	<b>3,543,413,998.52</b>

(1). Interest payable details

	<i>Ending amount</i>	<i>Beginning amount</i>
Interest on Long-term Loans Payable by Stages	12,472,907.36	13,038,945.41
Corporate bond interests	168,110,416.67	168,110,416.67
Short-term loans interests payable	197,717,900.33	221,905,743.96
<b>Total</b>	<b>378,301,224.36</b>	<b>403,055,106.04</b>

(2). Dividends payable details

	<i>Ending amount</i>	<i>Beginning amount</i>
Ordinary stock dividends	5,563,082.76	5,563,082.76
<b>Total</b>	<b>5,563,082.76</b>	<b>5,563,082.76</b>

(3). Other payables

a) Category

	<i>Ending amount</i>	<i>Beginning amount</i>
Other payables	2,544,061,067.65	3,134,795,809.72
<b>Total</b>	<b>2,544,061,067.65</b>	<b>3,134,795,809.72</b>

- b) There are no other payables to shareholders who hold 5% or more voting shares of the Group Company in the current balances.
- c) There is no other payables of related parties in the end of this report period.(Note. 9)
- d) Details of other payables are as follows:



<i>Parties name</i>	<i>Amount</i>	<i>Account age</i>	<i>Reason which not been repaid or transferred for more than one year.</i>
Baoji city underground pipe gallery Co., Ltd	609,500,000.00	Within 1 year/1-3 years	Unsettled
Baoji City Finance Bureau	753,500,000.00	Within 1 year/1-3 years	Exchange bonds
<b>Total</b>	<b>2,019,642,781.15</b>		

e) Aging Analysis

<i>Account age</i>	<i>Ending amount</i>		<i>Beginning amount</i>	
	<i>Amount</i>	<i>(%)</i>	<i>Amount</i>	<i>(%)</i>
Within 1 year(include)	1,408,157,920.15	55.35	1,990,650,467.13	63.5
1-2 years (including 2 years)	671,407,924.05	26.39	738,658,053.29	23.56
2-3 years (including 3 years)	334,415,338.74	13.14	160,330,238.93	5.11
Over 3 years	130,079,884.71	5.12	245,157,050.37	7.83
<b>Total</b>	<b>2,544,061,067.65</b>	<b>100</b>	<b>3,134,795,809.72</b>	<b>100</b>

**28. Non-Current Liabilities Due within one Year**

(1). Details of non-current liabilities

	<i>Ending amount</i>	<i>Beginning amount</i>
Long-term loan due within 1 year	1,377,700,000.00	1,542,300,000.00
Bonds payable due within 1 year	1,000,000,000.00	
Long-term payable due within 1 year		
<b>Total</b>	<b>2,377,700,000.00</b>	<b>1,542,300,000.00</b>

(2). Details of long-term Loans due within one year

a) Pledge loan



<i>Name of loan units</i>	<i>Borrowing amount</i>	<i>Life of loan</i>	<i>Annual interest rate</i>	<i>Pledge matter</i>
Baoji Branch of Bank of Xi'an	43,500,000.00	Feb,15 <sup>th</sup> ,2016-Feb,4 <sup>th</sup> ,2019	5.25	Certificate
<b>Total</b>	<b>43,500,000.00</b>			

b) Guaranteed loan

<i>Name of loan units</i>	<i>Borrowing amount</i>	<i>Life of loan</i>	<i>Annual interest rate</i>	<i>Mortgaged property</i>
Huaao International Trust Co., Ltd.	299,700,000.00	Jun, 29 <sup>th</sup> , 2018-Jun, 29 <sup>th</sup> , 2020	7.7	Baoji Panlong New District Development and Construction Co., Ltd.
Changan Bank Baoji Chuangxin Road branch	100,000,000.00	Mar, 22 <sup>th</sup> , 2016-Mar, 18 <sup>th</sup> , 2020	7	Baoji Gaoxin Industry Development Corporation
Agricultural Development Department Baoji Branch	60,000,000.00	May, 19 <sup>th</sup> , 2015-May, 18 <sup>th</sup> , 2020	5.145	Baoji Investment (Group) Co., Ltd. Construction Co., Ltd.
Bank of Beijing Co., Ltd. Xi'an Branch	200,000,000.00	Jun, 28 <sup>th</sup> , 2016-Nov, 27 <sup>th</sup> , 2020	4.75	Baoji Investment (Group) Co., Ltd.
Xi'an Bank Co., Ltd. Baoji Branch	30,000,000.00	Jun, 23 <sup>th</sup> , 2015-Jun, 19 <sup>th</sup> , 2020	5.5	Baoji Investment Co., Ltd.
<b>Total</b>	<b>689,700,000.00</b>			

c) Mortgage loan



<i>Name of loan units</i>	<i>Borrowing amount</i>	<i>Life of loan</i>	<i>Annual interest rate</i>	<i>Pawn</i>
Bank of Communications Baoji Branch	22,000,000.00	Apr, 27 <sup>th</sup> , 2016-Dec, 27 <sup>th</sup> , 2020	4.802	Land & construction in progress
<b>Total</b>	22,000,000.00			

d) Credit loan

<i>Name of loan units</i>	<i>Borrowing amount</i>	<i>Life of loan</i>	<i>Annual interest rate</i>
Shaanxi International Trust Co., Ltd.	200,000,000.00	Jan, 31 <sup>th</sup> , 2019-Dec, 30 <sup>th</sup> , 20	6.9
Xi'an Bank Baoji Branch	197,500,000.00	Nov, 28 <sup>th</sup> , 2016-Mar, 26 <sup>th</sup> , 20	4.98
Shaanxi Branch of China Development Bank	90,000,000.00	Jul, 28 <sup>th</sup> , 2016-Jul, 27 <sup>th</sup> , 2020	4.545
China Resources Shenzhen International Investment Trust Co., Ltd.	135,000,000.00	Mar, 28 <sup>th</sup> , 2017-Mar, 20 <sup>th</sup> , 2020	4.4615
<b>Total</b>	622,500,000.00		

Details of bonds payable due within one year

<i>bonds</i>	<i>par value</i>	<i>issue date</i>	<i>deadline</i>	<i>amount</i>	<i>Opening balance</i>	<i>Premium amortization</i>	<i>Closing balance</i>
Private placement bonds PPN	1,000,000,000.00	Sep, 16 <sup>th</sup> , 2015	60 个月	985,000,000.00	1,000,000,000.00	0.00	1,000,000,000.00

## 29. Long-term Loans

### (1). Long-term loans type

	<i>Ending amount</i>	<i>Beginning amount</i>
Pledge loan	6,909,830,000.00	9,994,120,000.00
Mortgage loan	44,000,000.00	239,980,000.00
Guaranteed loan	945,480,000.00	686,400,000.00
Debt of Honor	9,482,836,486.67	7,460,381,321.80
<b>Total</b>	<b>17,382,146,486.67</b>	<b>18,380,881,321.80</b>



## (2). Pledge loan

<i>Name of loan units</i>	<i>Borrowing amount</i>	<i>Life of loan</i>	<i>Pledge</i>
Construction Bank Baoji Jintai Branch	389,600,000.00	May, 26 <sup>th</sup> , 2017-May, 27 <sup>th</sup> , 2037	All rights and benefits under development projects
Agricultural Bank of China Baoji Jintai District Sub-branch	1,157,040,000.00	Jan, 23 <sup>th</sup> , 2017-Nov, 29 <sup>th</sup> , 2036	All rights and benefits under development
Everbright Bank Baoji Branch	445,310,000.00	Jun, 9 <sup>th</sup> , 2017-Nov, 19 <sup>th</sup> , 2036	All rights and benefits under development
ICBC Baoji Branch	346,000,000.00	Jun, 20 <sup>th</sup> , 2017-Jun, 9 <sup>th</sup> , 2032	All rights and benefits under development
China Agricultural Development Bank Baoji Branch	537,000,000.00	May, 19 <sup>th</sup> , 2017-Dec, 11 <sup>th</sup> , 2037	All rights and benefits under development
China Development Bank Affordable Housing Construction Loan	1,108,290,000.00	Jun, 24 <sup>th</sup> , 2016-May, 10 <sup>th</sup> , 2041	All rights and benefits under development
China Development Bank Affordable Housing Construction Loan	570,000,000.00	Dec, 2 <sup>th</sup> , 2016-May, 10 <sup>th</sup> , 2041	All rights and benefits under development
Industrial Bank Baoji Branch	2,130,000,000.00	Jul, 29 <sup>th</sup> , 2016-Jul, 28 <sup>th</sup> , 2034	All rights and benefits under development
Beijing bank	189,000,000.00	Apr, 18 <sup>th</sup> , 2016-Apr, 18 <sup>th</sup> , 2024	Qixing estate equity
Shaanxi Branch of China Development Bank	37,590,000.00	Jun, 24 <sup>th</sup> , 2016-May, 10 <sup>th</sup> , 2041	All rights and benefits under development projects
<b>Total</b>	<b>6,909,830,000.00</b>		

## (3). Mortgage loan

<i>Name of loan units</i>	<i>Borrowing amount</i>	<i>Life of loan</i>	<i>Mortgaged property</i>
Bank of Communications Baoji Branch	44,000,000.00	Apr, 27 <sup>th</sup> , 2016-Dec, 30 <sup>th</sup> , 2022	Construction project under construction
<b>Total</b>	<b>44,000,000.00</b>		

## (4). Guaranteed loan



<i>Name of loan units</i>	<i>Borrowing amount</i>	<i>Life of loan</i>	<i>Guarantor</i>
Hengfeng Bank Baoji Branch	325,500,000.00	Jun, 28 <sup>th</sup> , 2016-Jun, 27 <sup>th</sup> , 2021	Shaanxi Taibaishan Investment Group Co., Ltd.
Minsheng Bank Baoji Branch	200,000,000.00	Nov, 26 <sup>th</sup> , 2019-Nov, 26 <sup>th</sup> , 2021	Shaanxi Taibaishan Investment Group Co., Ltd.
Beijing Bank Xi'an Branch	300,000,000.00	Mar, 24 <sup>th</sup> , 2017-Nov, 27 <sup>th</sup> , 2021	Baoji city development group co. Ltd.,
Agricultural Development Department Baoji Branch Business Department	89,980,000.00	May, 19 <sup>th</sup> , 2015-May, 18 <sup>th</sup> , 2022	Baoji city development group co. Ltd.,
Agricultural Development Department Baoji Branch Business Department	30,000,000.00	May, 19 <sup>th</sup> , 2015-May, 18 <sup>th</sup> , 2022	Baoji Hi-Tech Industry Development Corporation
<b>Total</b>	<b>945,480,000.00</b>		

(5). Debt of Honor

<i>Name of loan units</i>	<i>Borrowing amount</i>	<i>Life of loan</i>
Xi'an Bank baoji branch	180,000,000.00	Mar, 7 <sup>th</sup> , 2017-Mar, 6 <sup>th</sup> , 2022
National development bank affordable	6,339,448,820.00	Jun, 24 <sup>th</sup> , 2016-May, 10 <sup>th</sup> , 2041
Baoji City Finance Bureau	66,666,666.67	Jan, 21 <sup>th</sup> , 2015-Apr, 29 <sup>th</sup> , 2027
Wastewater Treatment Plant	27,000,000.00	
Huaxia Bank Co., Ltd. Xi'an Branch	1,200,000,000.00	Nov, 30 <sup>th</sup> , 2016-Nov, 30 <sup>th</sup> , 2024



Dongling Zinc Industry Co., Ltd.	54,721,000.00	Feb, 3 <sup>th</sup> , 2017-Feb, 2 <sup>th</sup> , 2022
Everbright Bank Baoji Branch	150,000,000.00	Feb, 22 <sup>th</sup> , 2019-Feb, 21 <sup>th</sup> , 2021
Shaanxi Branch of China Development Bank	300,000,000.00	Apr, 23 <sup>th</sup> , 2014-Apr, 22 <sup>th</sup> , 2024
China Resources Shenzhen International Investment Trust Co., Ltd.	1,165,000,000.00	Apr, 28 <sup>th</sup> , 2013-Nov, 20 <sup>th</sup> , 2026
<b>Total</b>	<b>9,482,836,486.67</b>	

### 30. Bonds payable

#### (1). Bonds payable

	<i>Ending amount</i>	<i>Beginning amount</i>
Private placement bond PPN	0.00	1,000,000,000.00
No.16 Investment loan 01	998,250,000.00	996,750,000.00
2017 Third issue of corporate bonds	797,328,571.43	796,700,000.00
2017 second issue of corporate bonds	997,050,000.00	995,870,000.00
2017 medium-term notes	595,200,000.00	593,400,000.00
2018 Baocheng investment PPN001	495,250,000.00	493750000
18 Baocheng investment MTN001	596,040,000.00	594960000
2018 Baocheng investment PPN002	494,250,000.00	492750000
Foreign debt	209,286,000.00	205896000
Foreign debt	272,707,120.00	
2019 Baocheng investment PPN001	197,450,000.00	
Foreign debt	65,444,649.63	
2019 Baocheng investment PPN002	364,746,000.00	
<b>Total</b>	<b>6,083,002,341.06</b>	<b>6,170,076,000.00</b>

(2). Bonds payable increase or decrease, Private placement bonds PPN are due on September 16, 2020, adjusted to non-current liabilities due within one year.

<i>Name of the Bond</i>	<i>Nominal value</i>	<i>Issuing date</i>	<i>Bond period</i>	<i>Issuance</i>	<i>Beginning amount</i>	<i>Current issue</i>	<i>Amortization of premium/discount</i>	<i>Current pay</i>	<i>Ending amount</i>
No.16 Investment loan 01	1,000,000,000.00	Mar, 24 <sup>th</sup> , 2016	60Months	992,500,000.00	996,750,000.00		1,500,000.00		998,250,000.00
2017 Third issue of corporate bonds	800,000,000.00	Apr, 28 <sup>th</sup> , 2017	84Months	795,600,000.00	796,700,000.00		628,571.43		797,328,571.43
2017 second issue of corporate bonds	1,000,000,000.00	Jul, 14 <sup>th</sup> , 2017	60Months	994,100,000.00	995,870,000.00		1,180,000.00		997,050,000.00
2017 medium-term notes	600,000,000.00	Sep, 6 <sup>th</sup> , 2017	60Months	591,000,000.00	593,400,000.00		1,800,000.00		595,200,000.00
2018 Baocheng investment PPN001	500,000,000.00	Mar, 29 <sup>th</sup> , 2018	60Months	492,500,000.00	493,750,000.00		1,500,000.00		495,250,000.00
18 Baocheng investment MTN001	600,000,000.00	Sep, 6 <sup>th</sup> , 2018	60Months	594,600,000.00	594,960,000.00		1,080,000.00		596,040,000.00
2018 Baocheng investment PPN002	500,000,000.00	Nov, 6 <sup>th</sup> , 2018	60Months	492,500,000.00	492,750,000.00		1,500,000.00		494,250,000.00
Foreign debt	205,896,000.00	Dec, 29 <sup>th</sup> , 2018	36Months	205,896,000.00	205,896,000.00	3,390,000.00			209,286,000.00
Foreign debt	271,015,600.00	Jan, 21 <sup>st</sup> , 2019	36Months	271,015,600.00		279,048,000.00	-6,340,880.00		272,707,120.00
2019 Baocheng investment PPN001	200,000,000.00	Mar, 25 <sup>th</sup> , 2019	60Months	197,000,000.00		197,000,000.00	450,000.00		197,450,000.00
Foreign debt	67,673,000.00	Jan, 18 <sup>th</sup> , 2019	36Months	61,196,974.45		63,285,974.45	2,158,675.18		65,444,649.63
2019 Baocheng investment PPN002	370,000,000.00	Aug, 23 <sup>rd</sup> , 2019	60Months	364,450,000.00		364,450,000.00	296,000.00		364,746,000.00
<b>Total</b>	<b>6,114,584,600.00</b>			<b>5,158,696,000.00</b>	<b>5,170,076,000.00</b>	<b>907,173,974.45</b>	<b>5,752,366.61</b>	<b>0.00</b>	<b>6,083,002,341.06</b>



### 31. Long-term payables

<i>Item</i>	<i>Beginning amount</i>	<i>Current increase</i>	<i>Current decrease</i>	<i>Ending amount</i>
National debt refunds	101,103,886.00	0.00	0.00	101,103,886.00
Special purpose fund	1,119,383,881.14	1,812,817,506.98	294,619,218.71	2,637,582,169.41
Other Grants	1,713,743,369.91	0.00	47,440,000.00	1,666,303,369.91
Financial appropriation	852,849,805.46	426,269,750.00	79,438,217.16	1,199,681,338.30
Special bond payments		200,000,000.00		200,000,000.00
<b>Total</b>	<b>3,787,080,942.51</b>	<b>2,439,087,256.98</b>	<b>421,497,435.87</b>	<b>5,804,670,763.62</b>

### 32. Deferred revenue

<i>Item</i>	<i>Beginning amount</i>	<i>Current increase</i>	<i>Current decrease</i>	<i>Ending amount</i>	<i>Reasons</i>
Government subsidies					
Related to assets	231,890,225.98	127,263,569.54	22,998,874.07	336,154,921.45	Government Subsidies
Related to earnings					
<b>Total</b>	<b>231,890,225.98</b>	<b>127,263,569.54</b>	<b>22,998,874.07</b>	<b>336,154,921.45</b>	

### 33. Other Non-current Liabilities

<i>Item</i>	<i>Beginning amount</i>	<i>Current increase</i>	<i>Current decrease</i>	<i>Ending amount</i>
Network entry fees	477,750,694.17	5,700,000.00	314,405,455.58	169,045,238.59
<b>Total</b>	<b>477,750,694.17</b>	<b>5,700,000.00</b>	<b>314,405,455.58</b>	<b>169,045,238.59</b>

### 34. Subscribed Capital

<i>Item</i>	<i>Beginning amount</i>	<i>Current increase/decrease ( +, - )</i>					<i>Ending amount</i>
		<i>Issue New shares</i>	<i>Send shares</i>	<i>Provident fund transfer</i>	<i>Others</i>	<i>Sub-total</i>	
Baoji government state-owned assets supervision and	1.3 billion						1.3 billion



			Co., Ltd.
79	Baoji Panlong New Area Development and Construction Co., Ltd.	0.03	Shaanxi International Trust and Investment Co., Ltd.
80	Baoji Panlong New Area Development and Construction Co., Ltd.	0.01	Shaanxi International Trust and Investment Co., Ltd.
81	Shaanxi Taibaishan Investment Group Co., Ltd.	0.2	Changan Bank meixian branch
82	Baoji City Caijiapo Economic and Technological Development Co., Ltd.	0.2	CITIC Bank
Total		70.095	

As of the date of issue of the report, the pending litigation situation: In December 2019, Ligen Financial Leasing (Shanghai) Co., Ltd. sued Shaanxi Taibaishan Investment Group Co., Ltd. and the guarantor Baoji Investment (Group) Co., Ltd., requesting an order to Shaanxi Taibaishan Investment Group. The company paid a total of about RMB 555.5 million in arrears, and ordered Baoji Investment (Group) Co., Ltd. to bear joint liability for the debt. Baoji Investment (Group) Co., Ltd. received a subpoena. Due to the impact of the epidemic, the court has not yet been held.

#### **XI. Event after the balance sheet date**

None

#### **XII. Termination of the business's main financial situation.**

None

#### **XIII. Capital management related information.**

None

#### **XIV. Other major matters**

None

#### **XV. Notes to the main items of the parent company's financial statements**

##### **1. Accounts receivable**

(1). Accounts receivable category disclose :

	Ending amount				
	Book Value		Provision for bad and doubtful debts		Carrying amount
	Amount	(%)	Amount	(%)	
Individually significant and assessed for impairment individually	10,022,907.06		-	0	10,022,907.06
Collectively assessed for	3,307,748.00	100	896,346.74	27.10	2,411,401.26



impairment based on  
credit risk characteristics  
Individually insignificant  
but assessed for  
impairment individually

	13,330,655.06	100%	896,346.74	30.00	12,434,308.32
<b>Opening balance</b>					
	<b>Book Value</b>		<b>Provision for bad and doubtful debts</b>		<b>Carrying amount</b>
	<b>Amount</b>	<b>(%)</b>	<b>Amount</b>	<b>(%)</b>	
Individually significant and assessed for impairment individually	4,821,567.53	61.78	-	0%	4,821,567.53
Collectively assessed for impairment based on credit risk characteristics	2,982,400.00	38.22	894,720.00	30%	2,087,680.00
Individually insignificant but assessed for impairment individually	7,803,967.53	100.00	894,720.00	30%	6,909,247.53

- Accounts receivable with significant individual amount and provision for bad debts at the end of the period: At the end of the period, the single accounts receivable with significant amount and single provision for bad debts amounting to RMB 10,022,907.06 are non-provision of bad debt provision for subsidiaries' receivables.
- The ageing analysis of the bad debts to receivables is as follows:

	<b>Closing balance</b>		
	<b>Receivables</b>	<b>Bad debt preparation</b>	<b>Provision ratio (%)</b>
Within 1 year (inclusive)	325,348.00	1,626.74	0.50
1 to 2 years			
2 to 3 years			
Over 3 years	2,982,400.00	894,720.00	30.00
<b>Total</b>	<b>3,307,748.00</b>	<b>896,346.74</b>	<b>30.50</b>

(2). The provision of bad debts in the current period

In the current period, The amount of provision for bad debts in the current period is 1,626.74 yuan;

(3). There is no accounts receivable without actual write-off in the current period.



(4). Five largest accounts receivable by debtor at the end of the period

<i>Name of debtor</i>	<i>Amount</i>	<i>The proportion of total receivables %</i>	<i>Notes</i>
Shaanxi Zhongbaoda Industrial Investment Co., Ltd.	5,312,500.00	39.85	dealings
Baoji City Financial Holdings Limited	4,710,407.06	35.34	dealings
Central Enterprise Loan Management	2,982,400.00	22.37	dealings
Baoji City Tongji Water Co., Ltd.	235,448.00	1.77	dealings
Baoji City Chencang Jinxinan Water Co., Ltd.	80,000.00	0.60	Transfer of land
<b>Total</b>	<b>13,320,755.06</b>	<b>99.93</b>	

**2. Other accounts receivable**

	<i>Ending amount</i>	<i>Beginning amount</i>
Interest receivable	231,620,614.73	269,516,976.58
Dividend Receivable	215,567,828.36	215,567,828.36
Other accounts receivable	4,320,065,835.52	4,549,872,590.47
<b>Total</b>	<b>4,767,254,278.61</b>	<b>5,034,957,395.41</b>

**(1). Interest receivable**

	<i>Ending amount</i>	<i>Beginning amount</i>
Fixed time deposits		
Entrusted loans	114,620,811.80	114,620,811.80
Interest on loan	100,216,469.60	138,112,831.45
Bond investment	16,783,333.33	16,783,333.33
<b>Total</b>	<b>231,620,614.73</b>	<b>269,516,976.58</b>

**(2). Dividend Receivable**

	<i>Ending amount</i>	<i>Beginning amount</i>
Dividends receivable over one year old		
Baoji City Natural Gas Co., Ltd.	215,567,828.36	215,567,828.36
less: provision for impairment of Dividend Receivable		
<b>Total</b>	<b>215,567,828.36</b>	<b>215,567,828.36</b>

**(3). Classified disclosure**



Category	Closing balance				Carrying amount
	Book Value		Provision for bad and doubtful debts		
	Amount	(%)	Amount	(%)	
Individually significant and assessed for impairment individually	137,450,855.41	3%		0%	137,450,855.41
Collectively assessed for impairment based on credit risk characteristics	4,438,355,771.80	97%	255,740,791.69	5.76%	4,182,614,980.11
Individually insignificant but assessed for impairment individually	4,575,806,627.21	100%	255,740,791.69	5.76%	4,320,065,835.52

Category	Opening balance				Carrying amount
	Book Value		Provision for bad and doubtful debts		
	Amount	(%)	Amount	(%)	
Individually significant and assessed for impairment individually		0%		0%	
Collectively assessed for impairment based on credit risk characteristics	4,799,930,508.30	100%	250,057,917.83	5.21%	4,549,872,590.47
Individually insignificant but assessed for impairment individually	4,799,930,508.30	100%	250,057,917.83	5.21%	4,549,872,590.47

- Other receivables with significant individual amount and provision for bad debts at the end of the period: None
- Other receivables with significant amounts and individual provisions for



bad debts at the end of the period amounted to 137,450,855.41 yuan, which were not included in the provision of bad debts for other receivables of subsidiaries.

- The ageing analysis of the bad debts to receivables is as follows:

<i>Account age</i>	<i>Ending amount</i>			<i>Beginning amount</i>		
	<i>Book value</i>		<i>provision</i>	<i>Book value</i>		<i>provision</i>
	<i>amount</i>	<i>Ratio %</i>		<i>amount</i>	<i>Ratio %</i>	
Within 1 year	1,326,587,179.85	29.89	5,727,315.76	947,339,438.02	19.74	4,736,697.19
1 to 2 years	895,383,164.00	20.17	26,861,494.92	1,503,392,301.99	31.32	45,101,769.06
2 to 3 years	988,221,789.15	22.27	49,411,089.46	923,660,744.12	19.24	46,183,037.21
3 to 4 years	732,415,215.57	16.50	73,241,521.56	1,311,266,714.27	27.32	131,126,671.42
4 to 5 years	482,251,569.75	10.87	96,450,313.95	113,716,500.20	2.37	22,743,300.04
Over 5 years	13,496,853.48	0.30	4,049,056.04	554,809.70	0.01	166,442.91
<b>Total</b>	<b>4,438,355,771.80</b>	<b>100</b>	<b>255,740,791.69</b>	<b>4,799,930,508.30</b>	<b>100</b>	<b>250,057,917.83</b>

(1). The provision of bad debts in the current period

The allowance for bad debts is 5,682,873.86 yuan in the current period, and the allowance for recovering or transferring bad debts is 0.00 yuan in the current period.

(2). Other receivables not actually written off in the current period:

(3). Category of other receivables

<i>Nature of other account receivables</i>	<i>Ending amount</i>	<i>Beginning amount</i>
Borrows	4,568,806,627.21	4,799,420,508.30
Guarantee fund	7,000,000.00	510,000.00
<b>Total</b>	<b>4,575,806,627.21</b>	<b>4,799,930,508.3</b>

(4). Five largest accounts other receivable by debtor at the end of the period

<i>Unit name</i>	<i>Nature</i>	<i>Ending amount</i>	<i>Account age</i>	<i>ratio</i>	<i>Bad Debt Reserve End Balance</i>
Baoji Geely automobile co. Ltd.,	Borrows	1,724,000,000.00	1-2 years/2-3 years /3-4 years	37.68	111,500,000.00



High-tech investment and development co. Ltd.,	Borrows	632,013,536.10	Within 1 year/1-2 years/2-3 years	13.81	42,289,781.41
Baoji RuyiYinxiang Culture Tourism Investment Management Co., Ltd.	Borrows	386,000,000.00	Within 1 year/1-2 years	8.44	19,545,462.84
Shaanxi Taibaishan Investment Group Co., Ltd.	Borrows	318,000,000.00	1-2 years/2-3 years /over 5 years	6.95	10,700,000.00
Baoji people's government state-owned assets supervision committee	Share buybacks and loans	315,000,000.00	3-4 years	6.88	20,950,000.00
<b>Total</b>		<b>3,375,013,536.1</b>		<b>73.76</b>	<b>204,985,244.25</b>

### 3. Long-term equity investment

#### (1). Long-term equity investment classification

<i>Item</i>	<i>Beginning amount</i>	<i>Current increase</i>	<i>Current decrease</i>	<i>Ending amount</i>
Invest in subsidiaries	3,448,441,352.09	56,000,000.00		3,504,441,352.09
Invest in corporations				
Invest in joint ventures	290,438,954.91	-22,749,566.16		267,689,388.75
<b>Sub-total</b>	<b>3,738,880,307.00</b>	<b>33,250,433.84</b>		<b>3,772,130,740.84</b>



Lese: Long-term equity investment impairment povision				
<b>Total</b>	<b>3,738,880,307.00</b>	<b>33,250,433.84</b>		<b>3,772,130,740.84</b>

(2). Long-term equity investment details

<i>Invested unit</i>	<i>Accounting method</i>	<i>Beginning amount</i>	<i>Increase or decrease</i>	<i>Ending amount</i>	<i>Stack (%)</i>
Baoji City Heat Co., Ltd.	cost	132,358,224.06		132,358,224.06	100
Baoji city investment & construction co. Ltd.,	cost	61,571,460.45		61,571,460.45	100
Baoji Water supply co. Ltd.	cost	140,885,856.74		140,885,856.74	100
Baoji old city reconstruction and investment co. Ltd.,	cost	77,863,905.24		77,863,905.24	100
Baoji Famen temple cultural development co. Ltd.,	cost	165,098,263.05		165,098,263.05	100
Baoji Public transaction co. Ltd.,	cost	71,442,743.15		71,442,743.15	100
Baoji nature gas co. Ltd	cost	148,491,146.84		148,491,146.84	100
Baoji sanitation construction co.Ltd.	cost	50,589,012.03		50,589,012.03	100



<i>Invested unit</i>	<i>Accounting method</i>	<i>Beginning amount</i>	<i>Increase or decrease</i>	<i>Ending amount</i>	<i>Stack (%)</i>
Baoji Zhongshui Water Co., Ltd.,	cost	55,565,000.00		55,565,000.00	100
Baoji New city investment and construction and development co. Ltd.,	cost	2,104,046,331.00		2,104,046,331.00	66.67
Baoji Public parking construction and management co. Ltd	Cost	1,000,000.00		1,000,000.00	100
Baoji Financial holding co. Ltd.,	Cost	54,450,000.00		54,450,000.00	54.45
Baoji Chengtou assets management co. Ltd.,	Cost	32,817,953.00		32,817,953.00	100
Baoji Airport limited liability company	cost	20,000,000.00		20,000,000.00	100
Shaanxi Baotaida Industrial Investment Co., Ltd	cost	67,500,000.00		67,500,000.00	45
Shaanxi Zhongbaoda Industrial Investment Co., Ltd.	cost	230,000,000.00	50,000,000.00	280,000,000.00	46
Baoji De Chengying Equity Fund Partnership	cost	20,507,178.11		20,507,178.11	69.86
Shaanxi Taibai Mountain Green Park Lodge Hotel Co., Ltd.		14,254,278.42	6,000,000.00	20,254,278.42	100
<b>Total</b>		<b>3,448,441,352.09</b>	<b>56,000,000.00</b>	<b>3,504,441,352.09</b>	



<i>Invested unit</i>	<i>Accounting method</i>	<i>Beginning amount</i>	<i>Increase or decrease</i>		<i>Ending amount</i>	<i>Stack (%)</i>
			<i>Adjust</i>	<i>Equity investment preparation</i>		
Shaanxi Linbei Coal Development Co., Ltd.	Equity	220,247,502.85	-22,634,366.80		197,613,136.05	26
Shaanxi Travel Group Qishan Zhou Cultural Tourism Industry Development Co., Ltd.	Equity	54,457,501.35	64,771.34		54,522,272.69	23.81
Baoji City Investment Underground Integrated Corridor Co., Ltd.	Equity	9,500,000.00	-		9,500,000.00	48.72
Baoji Integrated Bonded Area Investment and Construction Co., Ltd.	Equity	4,035,962.84	-112,926.73		3,923,036.11	40
Baoji City Data Co., Ltd.	Equity	2,197,987.87	-67,043.97		2,130,943.90	45
<b>Total</b>		<b>290,438,954.91</b>	<b>-22,749,566.16</b>		<b>267,689,388.75</b>	

#### 4. Operating revenue and operating costs

(1). Operating income and operating costs are listed by category

<i>Item</i>	<i>Current period</i>	<i>Prior period</i>
Revenue of main business	28,963,271.83	88,947,328.39
Other revenue of main business	40,311,737.05	20,524,045.20



<i>Item</i>	<i>Current period</i>	<i>Prior period</i>
<b>Total</b>	<b>69,275,008.88</b>	<b>109,471,373.59</b>
main operation cost	32,999,671.54	88,543,719.91
Other operation cost		3,216,709.21
<b>Total</b>	<b>32,999,671.54</b>	<b>91,760,429.12</b>

(2). Operating income, costs, and gross margin are listed by Business content:

<i>Item</i>	<i>Current balance</i>		
	<i>Revenue</i>	<i>cost</i>	<i>Gross profit</i>
Revenue of main business			
House sales	28,963,271.83	32,999,671.54	-4,036,399.71
<b>Sub-total</b>	<b>28,963,271.83</b>	<b>32,999,671.54</b>	<b>-4,036,399.71</b>
2.Other revenue of main business			
Interest revenue	40,311,737.05		40,311,737.05
<b>Sub-total</b>	<b>40,311,737.05</b>		<b>40,311,737.05</b>
<b>Total</b>	<b>69,275,008.88</b>	<b>32,999,671.54</b>	<b>36,275,337.34</b>

<i>Item</i>	<i>Prior period</i>		
	<i>Revenue</i>	<i>Cost</i>	<i>Gross profit</i>
1.Revenue of main business			
House sales	88,947,328.39	88,520,434.30	426,894.09
Road & bridge charges			
<b>Sub-total</b>	<b>88,947,328.39</b>	<b>88,520,434.30</b>	<b>426,894.09</b>
2 Other revenue of main business			
Property fee	3,043,982.34	189,255.91	2,854,726.43
Interest revenue	10,829,739.87		10,829,739.87
Land revenue	6,650,322.99	3,027,453.30	3,622,869.69
<b>Sub-total</b>	<b>20,524,045.20</b>	<b>3,216,709.21</b>	<b>17,307,335.99</b>
<b>Total</b>	<b>109,471,373.59</b>	<b>91,760,429.12</b>	<b>17,710,944.47</b>

(3). The company's current customers are buyers.

## 5. Investment income

<i>Item</i>	<i>Current period</i>	<i>Prior period</i>
Income from Long-term equity investments calculated by cost method		
Income from Long-term equity investments calculated by equity method	-22,749,566.16	-24,614,594.29



Investment income from disposition of long-term equity investments		
Investment income obtained during the holding of trading financial assets		
Investment gains from holding investment gains from maturity	4,926,789.04	
Investment gains from holding financial assets available for sale	11,633,507.77	2,490,367.71
Investment income from dealing with trading financial assets	5,550,597.44	
Investment income from holding to maturity investment		
Investment gains from the sale of financial assets		
Other		2,850,090.59
<b>Total</b>	<b>-638,671.91</b>	<b>-19,274,135.99</b>

**6. Supplementary information on the parent company's cash flow statement.**

<i>Item</i>	<i>Current period</i>	<i>Prior period</i>
Adjust the net profit to the cash flow in business activities		
Net profit	-358,265,150.66	-259,788,548.81
Add: Impairment of assets	5,684,500.60	105,760,784.38
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	69,850,228.66	71,444,120.76
Amortization of intangible assets	4,372,552.98	8,205,886.32
Amortization of long-term prepaid expenses	4,592,575.90	7,203,385.60
Financial expenses ( Receipts fill with "-" )	456,172,063.85	456,172,063.85
Investment losses ( Receipts fill with "-" )	638,671.91	19,274,135.99
Deferred income tax assets decrease ( Increases fill with "-" )	-845,362.59	-12,402,169.39
Deferred tax debts increase ( Decrease fill with "-" )	0.00	



Inventory decrease ( Increase fill with "-" )	24,547,824.18	144,699,273.92
Operational receivable projects decrease ( Increase fill with "-" )	188,115,264.99	351,061,367.17
Operational payable projects increase ( Decrease fill with "-" )	-166,878,465.77	-79,185,694.50
Others (see Note 1 )	0.00	
Net cash flow generated from operating activities	227,984,704.05	812,444,605.29
Major investments and financing activities not to involve cash payments.		
Net change in cash and cash equivalents		
Cash Ending balance at the end of year	880,446,105.29	1,460,303,999.84
Less:the beginning balance of cash	1,460,303,999.84	2,466,801,917.99
Add: Ending balance of cash equivalent		
Less: the beginning balance of cash equivalent		
Net increase in cash and cash equivalents	-579,857,894.55	-1,006,497,918.15

Baoji Investment (Group) Co., Ltd.

April 28, 2020



## APPENDIX A – FORM OF IRREVOCABLE STANDBY LETTER OF CREDIT

FM: BANK OF XI'AN CO.,LTD. (SWIFT: IXABCNBX)  
ADDRESS: NO. 60, GAOXIN ROAD  
XI'AN, SHAANXI PROVINCE, THE PRC

DATE: [DATE]

TO BENEFICIARY: CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED (中國建設銀行(亞洲)股份有限公司) (SWIFT: CCBQHKAX FASCIMILE NUMBER: +852 3918 6976) (THE “**BENEFICIARY**”) IN ITS CAPACITY AS TRUSTEE (THE “**TRUSTEE**”) FOR ITSELF AND ON BEHALF OF THE HOLDERS (THE “**NOTEHOLDERS**”) OF THE U.S.\$60,000,000 3.35 PER CENT. CREDIT ENHANCED NOTES DUE 2024 (THE “**NOTES**”) TO BE ISSUED BY BAOJI INVESTMENT (GROUP) CO., LTD. (寶雞市投資(集團)有限公司) (THE “**ISSUER**”) AND TO BE CONSTITUTED BY A TRUST DEED DATED ON 9 DECEMBER 2021 (THE “**ISSUE DATE**”) BETWEEN THE ISSUER AND THE TRUSTEE (AS AMENDED AND/OR SUPPLEMENTED FROM TIME TO TIME, THE “**TRUST DEED**”).

DEAR SIRs,

RE: OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. [NUMBER]

AT THE REQUEST OF OUR CUSTOMER, THE ISSUER, WE, BANK OF XI'AN CO.,LTD., ADD.: NO. 60, GAOXIN ROAD, XI'AN, SHAANXI, CHINA (THE “**ISSUING BANK**”, “**OUR**”, “**US**” OR “**WE**”), HEREBY ISSUE OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. [NUMBER] IN YOUR FAVOUR, AND FOR THE ACCOUNT OF THE ISSUER, IN RESPECT OF AND IN CONNECTION WITH THE TERMS AND CONDITIONS OF THE NOTES APPENDED TO THE TRUST DEED (THE “**CONDITIONS**”) AND THE TRUST DEED. THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS MADE AVAILABLE BY US FOR PAYMENT AGAINST OUR RECEIPT OF A DEMAND SUBSTANTIALLY IN THE FORM SET OUT IN APPENDIX A-1 (A “**DEMAND**”) PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT STATING THAT (1) THE ISSUER HAS FAILED TO COMPLY WITH CONDITION 4.2 OF THE CONDITIONS (THE “**PRE-FUNDING CONDITION**”) IN RELATION TO PRE-FUNDING THE AMOUNT THAT IS REQUIRED TO BE PRE-FUNDED UNDER THE CONDITIONS AND/OR FAILED TO PROVIDE THE REQUIRED CONFIRMATIONS (AS DEFINED IN THE CONDITIONS) IN ACCORDANCE WITH THE PRE-FUNDING CONDITION OR (2) AN EVENT OF DEFAULT (AS DEFINED IN THE CONDITIONS) HAS OCCURRED AND THE BENEFICIARY, AS TRUSTEE FOR ITSELF AND THE NOTEHOLDERS, HAS GIVEN NOTICE TO THE ISSUER THAT THE NOTES ARE IMMEDIATELY DUE AND PAYABLE IN ACCORDANCE WITH THE CONDITIONS.

SUBJECT TO THE TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WE UNCONDITIONALLY AND IRREVOCABLY UNDERTAKE TO YOU THAT, ON OR AFTER THE ISSUE DATE AND FOLLOWING RECEIPT BY US OF A DEMAND ON THE FIFTH BUSINESS DAY AFTER THE BUSINESS DAY ON WHICH WE RECEIVE SUCH DEMAND), PAY TO OR TO THE ORDER OF THE BENEFICIARY THE AMOUNT IN U.S. DOLLARS SPECIFIED IN THE DEMAND TO THE ACCOUNT SPECIFIED IN THE DEMAND. “**BUSINESS DAY**” MEANS A DAY (OTHER THAN A SATURDAY, A SUNDAY OR A PUBLIC HOLIDAY) ON WHICH BANKS AND FOREIGN EXCHANGE MARKETS ARE OPEN FOR BUSINESS IN HONG KONG, BEIJING AND NEW YORK CITY.

OUR AGGREGATE LIABILITY UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE EXPRESSED AND PAYABLE IN U.S. DOLLARS AND SHALL NOT IN ANY CIRCUMSTANCES EXCEED U.S.\$61,805,000 (THE “**MAXIMUM LIMIT**”), REPRESENTING ONLY (I) THE AGGREGATE PRINCIPAL AMOUNT OF THE NOTES PLUS INTEREST PAYABLE FOR THE INTEREST PERIOD (AS DEFINED IN THE CONDITIONS) IN ACCORDANCE WITH THE CONDITIONS; (II) ANY TAX GROSS-UP PAYABLE BY THE ISSUER IN RESPECT OF THE NOTES AND (III) U.S.\$800,000.00 BEING THE MAXIMUM AMOUNT PAYABLE UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT FOR ANY

FEES, COSTS, EXPENSES, INDEMNITY PAYMENTS AND ALL OTHER AMOUNTS WHICH MAY BE INCURRED BY OR PAYABLE TO THE TRUSTEE UNDER OR IN CONNECTION WITH THE NOTES, THE TRUST DEED, THIS IRREVOCABLE STANDBY LETTER OF CREDIT AND/OR, THE AGENCY AGREEMENT AND/OR ANY OTHER TRANSACTION DOCUMENT RELATING TO THE NOTES.

SUBJECT TO THE TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, OUR OBLIGATION TO PAY TO YOU IS UNCONDITIONAL, IRREVOCABLE AND ABSOLUTE AND ANY DEMAND BY YOU UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE HONOURED WITHOUT ANY FURTHER ENQUIRY AS TO YOUR RIGHTS TO MAKE SUCH DEMAND.

THIS IRREVOCABLE STANDBY LETTER OF CREDIT TAKES EFFECT FROM THE DATE HEREOF AND SHALL REMAIN VALID AND IN FULL FORCE UNTIL 6:00 P.M. (HONG KONG TIME) ON 9 JANUARY 2025 (THE “**EXPIRY DATE**”) AND SHALL EXPIRE AT THE PLACE OF THE ISSUING BANK.

PAYMENT WILL BE EFFECTED AFTER OUR RECEIPT OF A DEMAND PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WHICH IS PRESENTED ON OR AFTER THE ISSUE DATE AND ON OR BEFORE 6:00 P.M. (HONG KONG TIME) ON THE EXPIRY DATE.

ANY DEMAND UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS TO BE PRESENTED BY WAY OF AN AUTHENTICATED SWIFT PRESENTED BY OR ON BEHALF OF YOU AS TRUSTEE FOR YOURSELF AND THE NOTEHOLDERS TO US (SWIFT: IXABCNBX) ON OR BEFORE 6:00 P.M. (HONG KONG TIME) ON THE EXPIRY DATE WITHOUT THE NEED TO PHYSICALLY PRESENT AN ORIGINAL OF THAT DEMAND AT OUR COUNTER; PROVIDED THAT IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE FOR ANY REASON, YOU (THE BENEFICIARY) MAY INSTEAD PRESENT A COPY OF THE DEMAND TO US VIA FACSIMILE TRANSMISSION AT +86 029 8899 2347 AND SUCH DEMAND SHALL BE SIGNED BY YOU AS TRUSTEE FOR YOURSELF AND THE NOTEHOLDERS AND ACCOMPANIED BY A COPY OF A LIST OF AUTHORISED SIGNATORIES OF THE TRUSTEE, FOLLOWED BY A STATEMENT VIA AUTHENTICATED SWIFT ON THE NEXT BUSINESS DAY ON WHICH THE SWIFT SYSTEM IS AVAILABLE STATING THAT THE LIST OF AUTHORISED SIGNATORIES PROVIDED IS VALID AND EFFECTIVE. IN THE CASE OF A PRESENTATION OF A DEMAND BY WAY OF FACSIMILE TRANSMISSION IN THE CIRCUMSTANCE STATED ABOVE, YOU SHALL ARRANGE FOR THE ORIGINAL DEMAND TO BE DELIVERED AS SOON AS REASONABLY PRACTICABLE THEREAFTER VIA COURIER AT OUR COUNTER AT OUR ADDRESS (AS SPECIFIED ABOVE) DURING OUR NORMAL BRANCH OPENING HOURS ON OR AFTER THE ISSUE DATE AND ON OR BEFORE 6:00 P.M. (HONG KONG TIME) ON THE EXPIRY DATE. FOR THE AVOIDANCE OF DOUBT, THE DEMAND SHALL BE RECEIVED FOR ALL PURPOSES OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT AND WE SHALL START PROCESSING THE DEMAND UPON RECEIPT OF THE DEMAND SENT TO US BY WAY OF FACSIMILE TRANSMISSION.

ONLY ONE DRAWING UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS PERMITTED.

ALL CHARGES ARE FOR THE ACCOUNT OF THE ISSUER AND, FOR THE AVOIDANCE OF DOUBT, ARE NOT FOR THE ACCOUNT OF THE BENEFICIARY.

NOTWITHSTANDING THE MAXIMUM LIMIT, ALL PAYMENTS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE MADE IN U.S. DOLLARS AND FOR VALUE ON THE DATE SPECIFIED IN THE DEMAND IN IMMEDIATELY AVAILABLE FUNDS WITHOUT ANY DEDUCTION OR WITHHOLDING FOR OR ON ACCOUNT OF TAX, SET-OFF, COUNTER-CLAIM OR OTHERWISE. IN THE EVENT THAT ANY DEDUCTION OR WITHHOLDING IS REQUIRED BY LAW, THE ISSUING BANK SHALL PAY SUCH ADDITIONAL AMOUNTS AS WILL RESULT IN RECEIPT BY THE TRUSTEE FOR ITSELF AND THE NOTEHOLDERS OF SUCH AMOUNTS AS WOULD HAVE BEEN RECEIVED BY IT HAD NO SUCH DEDUCTION OR WITHHOLDING BEEN SO REQUIRED BY LAW.



THE BENEFICIARY'S RIGHTS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT MAY BE TRANSFERRED OR RE-TRANSFERRED IN WHOLE OR IN PART TO ANY ADDITIONAL OR REPLACEMENT TRUSTEE APPOINTED AS CONTEMPLATED IN THE TRUST DEED IN RESPECT OF THE NOTES SUBJECT ONLY TO AT LEAST 15 DAYS' NOTICE HAVING BEEN GIVEN TO US BY OR ON BEHALF OF YOU AS TRUSTEE FOR YOURSELF AND THE NOTEHOLDERS BY AUTHENTICATED SWIFT, OR IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE FOR ANY REASON BY LETTER TO US AT OUR ADDRESS (AS SPECIFIED ABOVE), AND ACKNOWLEDGED BY US. MULTIPLE TRANSFERS ARE PERMITTED, SUBJECT TO AS PROVIDED IN THIS PARAGRAPH.

OUR OBLIGATIONS AND LIABILITIES UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE INDEPENDENT. THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS NOT SUBJECT TO ANY CONTRACT, AGREEMENT, CONDITION OR QUALIFICATION. WE MAY NOT TRANSFER, ASSIGN OR NOVATE ANY OF OUR OBLIGATIONS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT.

NOTWITHSTANDING THE FOREGOING PROVISIONS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, IN THE UNEXPECTED EVENT THAT WE ARE CLOSED BECAUSE OF A FORCE MAJEURE OR OTHER UNFORESEEN EVENT WHEN YOU WISH TO PRESENT A DEMAND HEREUNDER ON THE DAY AND AT THE TIME A DEMAND IS ABLE TO BE PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WE AGREE THAT YOU CAN PRESENT THE DEMAND BY AUTHENTICATED SWIFT OR, IN THE EVENT THAT SWIFT SYSTEM IS NOT AVAILABLE FOR ANY REASON, BY PRESENTING A COPY OF THE DEMAND VIA FACSIMILE TRANSMISSION AT +86 029 8899 2347 FROM THE DATE OF OUR RESUMPTION OF OUR BUSINESS; PROVIDED THAT IF WE ARE CLOSED BECAUSE OF A FORCE MAJEURE OR OTHER UNFORESEEN EVENT ON THE EXPIRY DATE, THE EXPIRY DATE SHALL BE AUTOMATICALLY EXTENDED BY, AND SUCH PRESENTATION SHALL BE MADE WITHIN, FIVE BUSINESS DAYS AFTER THE DATE ON WHICH WE NOTIFY YOU BY AUTHENTICATED SWIFT, OR IN THE EVENT THAT THE SWIFT SYSTEM IS NOT THEN AVAILABLE FOR ANY REASON VIA FACSIMILE TRANSMISSION (USING THE SWIFT ADDRESS OR, AS THE CASE MAY BE, THE FACSIMILE NUMBER SET OUT ABOVE FOR YOU AS BENEFICIARY) OF OUR RESUMPTION OF OUR BUSINESS. IN THE CASE OF A PRESENTATION OF A DEMAND BY WAY OF FACSIMILE TRANSMISSION IN THE CIRCUMSTANCE STATED ABOVE, YOU SHALL ARRANGE FOR THE ORIGINAL DEMAND TO BE DELIVERED AS SOON AS REASONABLY PRACTICABLE THEREAFTER VIA COURIER AT OUR COUNTER AT OUR ADDRESS (AS SPECIFIED ABOVE) DURING OUR NORMAL BRANCH OPENING HOURS. FOR THE AVOIDANCE OF DOUBT, THE DEMAND SHALL BE RECEIVED FOR ALL PURPOSES OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT AND WE SHALL START PROCESSING THE DEMAND SENT TO US UPON RECEIPT OF THE DEMAND BY WAY OF FACSIMILE TRANSMISSION.

ANY SETTLEMENT OR DISCHARGE BETWEEN US AS ISSUING BANK AND YOU AS TRUSTEE FOR YOURSELF AND THE NOTEHOLDERS AND BENEFICIARY SHALL BE CONDITIONAL UPON NO PAYMENT IN FULL TO YOU BY THE ISSUER OR ANY OTHER PERSON ON THE ISSUER'S BEHALF BEING AVOIDED (BY VIRTUE OF ANY LAWS OR REGULATIONS RELATING TO BANKRUPTCY, INSOLVENCY, RECEIVERSHIP, LIQUIDATION OR SIMILAR LAWS OF GENERAL APPLICATION FOR THE TIME BEING IN FORCE) AND, IN THE EVENT OF ANY SUCH PAYMENT IN FULL BEING SO AVOIDED, YOU SHALL BE ENTITLED TO RECOVER THE AMOUNT BY WHICH SUCH PAYMENT IS SO AVOIDED FROM US SUBSEQUENTLY AS IF SUCH SETTLEMENT OR DISCHARGE HAD NOT OCCURRED.

EXCEPT TO THE EXTENT IT IS INCONSISTENT WITH THE EXPRESS TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (2007 REVISION), INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 600.

THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS GOVERNED BY, AND SHALL BE CONSTRUED IN ACCORDANCE WITH, HONG KONG LAW. THE COURTS OF HONG KONG

HAVE EXCLUSIVE JURISDICTION TO SETTLE ANY DISPUTE ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT. WE AGREE THAT THE DOCUMENTS WHICH START ANY LEGAL ACTION OR PROCEEDINGS ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT AND ANY OTHER DOCUMENTS REQUIRED TO BE SERVED IN RELATION TO SUCH ACTION OR PROCEEDINGS MAY BE SERVED ON US BY BEING DELIVERED TO US AT UNIT B, 1/F, LIPPO LEIGHTON TOWER, 103 LEIGHTON ROAD, CAUSEWAY BAY, HONG KONG. IF FOR ANY REASON WE CEASE TO HAVE SUCH ADDRESS IN HONG KONG, WE WILL PROMPTLY APPOINT A SUBSTITUTE PROCESS AGENT AND NOTIFY THE BENEFICIARY OF SUCH APPOINTMENT WITHIN 30 DAYS OF SUCH CESSATION. NOTHING HEREIN SHALL AFFECT THE RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

**APPENDIX A-1  
FORM OF DEMAND**

To: BANK OF XI'AN CO.,LTD. (SWIFT: IXABCNBX)  
NO. 60, GAOXIN ROAD, XI'AN, SHAANXI PROVINCE, THE PRC

[DATE]

Dear Sirs

**RE: DEMAND UNDER THE IRREVOCABLE STANDBY LETTER OF CREDIT NO. [NUMBER] IN RESPECT OF THE U.S.\$60,000,000 3.35 PER CENT. CREDIT ENHANCED NOTES DUE 2024 (THE "NOTES") ISSUED BY BAOJI INVESTMENT (GROUP) CO., LTD. (寶雞市投資(集團)有限公司) (THE "ISSUER")**

The undersigned is a duly authorised person of CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED (中國建設銀行(亞洲)股份有限公司) which is hereby making a demand on behalf of CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED (中國建設銀行(亞洲)股份有限公司) as Trustee for itself and on behalf of the Noteholders (the "**Beneficiary**") under your Irrevocable Standby Letter of Credit No. [NUMBER] (the "**Irrevocable Standby Letter of Credit**"). Capitalised terms used herein but not defined shall have the meanings given to them in the Irrevocable Standby Letter of Credit.

1. This Demand is made in connection with the following:

- ☐ The Issuer has failed to comply with Condition 4.2 (the "**Pre-Funding Condition**") in relation to pre-funding the amount that is required to be pre-funded under the Conditions and/ or failed to provide the Required Confirmations (as defined in the Conditions) in accordance with the Pre-Funding Condition.
- ☐ An Event of Default (as defined in the Conditions) has occurred and the Beneficiary, as Trustee for itself and the Noteholders, has given notice to the Issuer that the Notes are immediately due and payable in accordance with the Conditions.

2. We hereby demand you to pay U.S.\$[AMOUNT] representing the aggregate of (i) interest accrued up to the date when the Notes cease to bear interest pursuant to the Conditions, (ii) the principal amount of the outstanding Notes and (iii) all fees, costs, expenses, indemnity payments and all other amounts which may be incurred by or payable to the Trustee under or in connection with the Notes, the Trust Deed, the Irrevocable Standby Letter of Credit and/or, the Agency Agreement and/or any other transaction documents relating to the Notes which is due and now outstanding.

3. We hereby request you to pay the above amounts after you receive this Demand in accordance with the Irrevocable Standby Letter of Credit.

4. The proceeds of the drawing under this Demand are to be credited to the following account:

*[Insert account details]*

For and behalf of

\_\_\_\_\_  
CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED (中國建設銀行(亞洲)股份有限公司) as Beneficiary

By: \_\_\_\_\_

Name: \_\_\_\_\_



Title: \_\_\_\_\_

**ISSUER**

**Baoji Investment (Group) Co., Ltd. (寶雞市投資(集團)有限公司)**  
Investment Building, No. 3, Guoshi Road  
Jintai District, Baoji City  
Shaanxi 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

**LC PROCEEDS ACCOUNT BANK AND  
PRE-FUNDING ACCOUNT BANK**  
**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

**REGISTRAR, PRINCIPAL PAYING AGENT  
AND TRANSFER AGENT**  
**China Construction Bank (Asia) Corporation  
Limited**  
(中國建設銀行(亞洲)股份有限公司)  
28/F, CCB Tower  
3 Connaught Road Central  
Central, Hong Kong

**LEGAL ADVISERS TO THE PLACING AGENTS**

***as to Hong Kong law***

**Fangda Partners**  
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8 Connaught Place  
Central  
Hong Kong

***as to PRC law***

**Jingtian & Gongcheng**  
34/F, Tower 3, China Central Place  
77 Jianguo Road  
Beijing, PRC

**LEGAL ADVISER TO THE TRUSTEE**

***as to Hong Kong law***

**Fangda Partners**  
26/F, One Exchange Square  
8 Connaught Place  
Central  
Hong Kong