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

Notice to Hong Kong investors: With respect to Bonds to be listed on the SEHK, the Issuer confirms that the Bonds are intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and will be listed on the SEHK on that basis. Accordingly, the Issuer confirms that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

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SHOUGUANG CITY CONSTRUCTION INVESTMENT DEVELOPMENT CO., LTD.

(壽光市城市建設投資開發有限公司)

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

AND SUPPORTED BY AN IRREVOCABLE STANDBY LETTER
OF CREDIT ISSUED BY
XIAMEN INTERNATIONAL BANK CO., LTD. SHANGHAI BRANCH
U.S.$28,000,000 3.5 PER CENT. CREDIT ENHANCED BONDS DUE 2023

IMPORTANT NOTICE

NOT FOR DISTRIBUTION IN OR INTO THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSONS. THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE ADDRESSEES OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular (the "**Offering Circular**"). You are therefore advised to read this disclaimer carefully before accessing, reading or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information as a result of such access. You acknowledge that the access to the Offering Circular is intended for use by you only and you agree you will not forward or otherwise provide access to any other person.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

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

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

Confirmation of Your Representation: In order to be eligible to view the Offering Circular or make an investment decision with respect to the securities described herein, investors must comply with the following provisions. By accepting the e-mail and accessing the Offering Circular, you shall be deemed to have represented to the Issuer and the Manager (each as defined herein) that: (1) you and any customers you represent are outside the United States and any customers you represent are not U.S. persons, (2) the e-mail address that you gave the Issuer and to which this e-mail has been delivered is not located in the United States (within the meaning of Regulation S under the Securities Act), and (3) you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission. To the extent you purchase the securities described herein, you will be doing so in an offshore transaction as defined in regulations under the Securities Act in compliance with Regulation S thereunder.

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

This Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Issuer, the Manager or any of their respective affiliates, directors, officers, employees, agents, representatives, advisors or any person who controls any of them accepts any liability or responsibility whatsoever in respect of any such alteration or change to the Offering Circular distributed to you in electronic format or any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Issuer or the Manager.

Restrictions: Nothing in this electronic transmission constitutes, and may not be used in connection with, an offer or an invitation by or on behalf of any of the Issuer or the Manager to subscribe for or purchase any of the securities described herein in any place where offers or solicitations are not permitted by law, and access has been limited so that it shall not constitute in the United States or elsewhere a general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Manager or any affiliate of the Manager is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Manager or such affiliate on behalf of the Issuer in such jurisdiction.

The following Offering Circular is not a prospectus for the purposes of the European Union's Directive 2003/71/EC (and any amendments thereto) as implemented in member states of the European Economic Area (the "**EU Prospectus Directive**"). The following Offering Circular has been prepared on the basis that all offers of the Bonds made to persons in the European Economic Area will be made pursuant to an exemption under the EU Prospectus Directive from the requirement to produce a prospectus in connection with offers of the Bonds.

You are reminded that you have accessed the Offering Circular on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Offering Circular or disclose the contents of the Offering Circular to any other person.

If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described herein.

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

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

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SHOUGUANG CITY CONSTRUCTION INVESTMENT DEVELOPMENT CO., LTD.
(壽光市城市建設投資開發有限公司)

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

and supported by an irrevocable Standby Letter of Credit issued by Xiamen International Bank Co., Ltd. Shanghai Branch
U.S.$28,000,000 3.5 PER CENT. CREDIT ENHANCED BONDS DUE 2023
Issue Price: 100.0 per cent.

The U.S.$28,000,000 3.5 per cent. Bonds due 2023 (the "**Bonds**") will be issued by Shouguang City Construction Investment Development Co., Ltd. (壽光市城市建設投資開發有限公司) (the "**Issuer**"). Payment of principal and interest in respect of the Bonds will be supported by an irrevocable standby letter of credit ("**Standby Letter of Credit**") issued by Xiamen International Bank Co., Ltd. Shanghai Branch (the "**LC Bank**"). See "*Appendix – Form of Irrevocable Standby Letter of Credit*" for the form of the Standby Letter of Credit.

The Bonds will bear interest on their outstanding principal amount from and including 30 November 2020 (the "**Issue Date**") at the rate of 3.5 per cent. per annum. Interest on the Bonds is payable semi-annually in arrear on 30 May and 30 November in each year and on 30 October 2023, commencing on 30 May 2021. Payments on the Bonds will be made without deduction or withholding for or on account of taxes to the extent described under "*Terms and Conditions of the Bonds – Taxation*". The Bonds will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by Applicable Law (as defined in the Trust Deed) and regulations, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

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 ("**NDRC**") and effective 14 September 2015 and any implementation rules as issued by the NDRC from time to time, the Issuer has registered the issuance of the Bonds with NDRC and obtained a certificate from NDRC evidencing such registration. The Issuer undertakes to file or cause to be filed with the NDRC the requisite information and documents in accordance with the NDRC Circular within 10 Registration Business Days (as defined in the terms and conditions of the Bonds (the "**Conditions**")) after the Issue Date (the "**NDRC Post-issue Filing**").

The Issuer undertakes that it will (i) within 15 Registration Business Days after the Issue Date, submit or cause to be submitted an application for the registration of the bonds with the State Administration of Foreign Exchange (the "**SAFE**") pursuant to the Administrative Measures for Foreign Debt Registration (外債登記管理辦法) and its operating guidelines, effective as of 13 May 2013 (the "**Foreign Debt Registration**"), (ii) use its best endeavours to complete the Foreign Debt Registration and obtain a registration record from SAFE on or before the Registration Deadline (being the day falling 90 Registration Business Days after the Issue Date), and (iii) if applicable, as soon as possible upon being required or requested to do so by any relevant governmental authority, file or cause to be filed with SAFE the Bonds pursuant to the Circular of the People's Bank of China on Matters concerning the Macro Prudential Management of Full-Covered Cross-border Financing (中國人民銀行關於實施全口徑跨境融資宏觀審慎管理有關事宜的通知) (the "**Cross Border Financing Circular**") and (iv) comply with all applicable PRC laws and regulations in relation to the Bonds, including but not limited to, if applicable, the Foreign Debt Registration and the Cross Border Financing Circular and any implementing measures promulgated thereunder from time to time.

Unless previously redeemed, or purchased and cancelled, the Issuer will redeem each Bond at its principal amount on 30 October 2023 (the "**Maturity Date**"). The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**"), which shall specify the date for redemption and the names and addresses of all Paying Agents, and the method by which payment shall be made, to the Bondholders (as defined below) in accordance with Condition 16 (which shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at 100 per cent. of their principal amount (together with any interest accrued to but excluding the date fixed for redemption), if the Issuer satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer has or will become obliged to pay Additional Tax Amounts (as defined in the Conditions) as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the PRC or any political 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 24 November 2020, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it. See "*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Taxation Reasons*". Following the occurrence of a Relevant Event (as defined in the Conditions), the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of such Holder's Bonds on the Put Settlement Date (as defined in the Conditions) at 100 per cent. of their principal amount, together in each case with accrued interest up to (but excluding) the Put Settlement Date. See "*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Relevant Events*".

If the Issuer fails to pre-fund any Relevant Amount (as defined in the Conditions) by no later than the required Pre-funding Date (as defined in the Conditions), the Bonds shall be redeemed in whole, but not in part, at their principal amount in accordance with Condition 6(d) on the Put Settlement Date, together with interest accrued to, but excluding, the Mandatory Redemption Date. See "*Terms and Conditions of the Bonds - Redemption and Purchase – Mandatory Redemption upon Pre-funding Failure*".

The Bonds will be issued in specified denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. For a more detailed description of the Bonds, see "*Terms and Conditions of the Bonds*" beginning on page 47.

Investing in the Bonds involves risks. **See "*Risk Factors*" beginning on page 14.**

The Bonds and the Standby Letter of Credit have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. For a description of these and certain further restrictions on offers and sales of the Bonds, the Standby Letter of Credit and the distribution of this Offering Circular, see "*Subscription and Sale*" on page 108.

Application will be made to The Stock Exchange of Hong Kong Limited (the "**SEHK**") for the listing of, and permission to deal in, the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) ("**Professional Investors**") only. This document is for distribution to Professional Investors only.

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

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

The Bonds will be initially evidenced by interests in a global certificate (the "**Global Certificate**") in registered form which will be registered in the name of a nominee of, and shall be deposited on or about the Issue Date with, a common 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 Bonds will not be issued in exchange for interests in the Global Certificate.

Sole Global Coordinator

China Industrial Securities International

Joint Lead Managers and Joint Bookrunners

China Industrial Securities International	**CNCB Capital**	**Luso Bank Ltd.**

Offering Circular dated 24 November 2020

NOTICE TO INVESTORS

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

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

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer and the LC Bank. The Issuer accepts full responsibility for the accuracy of the information contained in this Offering Circular and, having made all reasonable enquiries, confirms 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 confirms that (i) this Offering Circular contains all information with respect to the Issuer and its subsidiaries taken as a whole (collectively, the "**Group**"), the LC Bank, the Standby Letter of Credit and the Bonds which is material in the context of the issue and offering of the Bonds (including all information which is required by applicable laws and the information which, according to the particular nature of the Issuer, the LC Bank, the Bonds and the Standby Letter of Credit, is necessary to enable investors to make an informed assessment of the financial position, results of operations, liquidity and prospects of the Issuer, the LC Bank and the Group and the rights attaching to the Standby Letter of Credit and the Bonds), (ii) the statements with respect to the Group, the Standby Letter of Credit and the Bonds contained in this Offering Circular are in every material particular true and accurate and not misleading, (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer, the LC Bank and the Group and their respective affiliates 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 LC Bank, the Group, their respective subsidiaries and affiliates, the Bonds or the Standby Letter of Credit, the omission of which would, in the context of the issue and offering of the Bonds, make any statement, in this Offering Circular 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 the Offering Circular; (vi) this Offering Circular 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, LC Bank and market-related data and forward looking statements included in this Offering Circular are based on or derived or extracted from sources which the Issuer believes to be accurate and reliable in all material respects.

This Offering Circular has been prepared by the Issuer solely for use in connection with the proposed offering of the Bonds and the issuance of the Standby Letter of Credit described in this Offering Circular. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of China Industrial Securities International Brokerage Limited or CNCB (Hong Kong) Capital Limited or Luso International Banking Ltd. (the "**Managers**") to subscribe for or purchase any of the Bonds. The distribution of this Offering Circular, the offering of the Bonds and the issuance of the Standby Letter of

Credit in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or Standby Letter of Credit or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the issuance of the Standby Letter of Credit, and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and distribution of this Offering Circular, see "*Subscription and Sale*".

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Offering Circular or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Managers, China Construction Bank (Asia) Corporation Limited（中國建設銀行（亞洲）股份有限公司）(the "**Trustee**") or the Agents (as defined in the Conditions) or their respective directors, officers, employees, representatives, agents, advisers or affiliates or any person who controls any of them. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds and the Standby Letter of Credit shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer or the Group or any member of the Group since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof.

None of the Managers, the Trustee, the Agents or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates or any person who controls any of them has separately verified the information contained in this Offering Circular. None of the Managers, the Trustee, the Agents or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates or any person who controls any of them makes any representation, warranty or undertaking, express or implied, or accepts any responsibility or liability, with respect to the accuracy or completeness of any of the information contained in this Offering Circular or any information supplied in connection with the Bonds and the Standby Letter of Credit. Each person receiving this Offering Circular acknowledges that such person has not relied on the Managers, the Trustee, the Agents or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates or any person who controls any of them in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer and the LC Bank and the merit and risks involved in investing in the Bonds. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Bonds.

To the fullest extent permitted by law, none of the Managers, the Trustee, the Agents or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates or any person who controls any of them accepts any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by any Manager, the Trustee or an Agent, or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates or any person who controls any of them or on its behalf, in connection with the Issuer, the Group, the issue and offering of the Bonds or the issuance of the Standby Letter of Credit. Each of the Managers, the Trustee, the Agents and any of their respective directors, officers, employees, representatives, agents, advisers or affiliates or any person who controls any of them accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. None of the Managers, the Trustee, the Agents or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates or any person who controls any of them undertakes to review the financial condition or affairs of the Issuer or the LC Bank during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Bonds of any information coming to the attention of the Managers, the Trustee, the Agents, or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates or any person who controls any of them.

This Offering Circular may not be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation. This Offering Circular does not constitute an offer or an invitation to subscribe for or to purchase any Bonds, is not intended to provide the basis of any credit or other evaluation, and should not be considered as a recommendation by the Issuer, the Managers, the Trustee, the Agents or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates or any person who controls any of them that any recipient of this Offering Circular should subscribe for or purchase any Bonds. Each recipient of this Offering Circular shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer and the LC Bank with its own tax, legal and business advisers as it deems necessary.

This Offering Circular is provided solely for the purpose of enabling the recipient to consider purchasing the Bonds. The investors or prospective investors should read this Offering Circular carefully before making a decision regarding whether or not to purchase the Bonds. This Offering Circular cannot be used for any other purpose and any information in this Offering Circular cannot be disclosed to any other person. This Offering Circular is personal to each prospective investor and does not constitute an offer to any other person or to the public generally to purchase or otherwise acquire the Bonds.

This Offering Circular summarises certain material documents and other information, and the Issuer refers the recipient of this Offering Circular to them for a more complete understanding of what is contained in this Offering Circular. In making an investment decision, the prospective investor must rely on its own judgement and examination of the Issuer and the LC Bank and the Conditions, including the merits and risks involved. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Bonds. None of the Issuer, the Managers, the Trustee, the Agents or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates or any person who controls any of them are making any representation regarding the legality of an investment in the Bonds under any law or regulation. The recipient of this Offering Circular should not consider any information in this Offering Circular to be legal, business or tax advice. Any investor or prospective investor should consult his/her/its own attorney, business adviser and tax adviser for legal, business and tax advice regarding an investment in the Bonds.

IN CONNECTION WITH THIS OFFERING, ANY OF THE MANAGERS APPOINTED AND ACTING IN ITS CAPACITY AS STABILISING MANAGER (THE "STABILISING MANAGER") OR ANY PERSON(S) ACTING ON BEHALF OF THE STABILISING MANAGER MAY OVER-ALLOT BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE(S) OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME AND MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND REGULATIONS. THESE ACTIVITIES WILL BE UNDERTAKEN SOLELY FOR THE ACCOUNT OF THE STABILISING MANAGER AND NOT FOR OR ON BEHALF OF THE ISSUER.

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

WARNING

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

INDUSTRY AND MARKET DATA

Market data and certain industry forecasts and statistics used throughout this Offering Circular have been obtained from, among other sources, based on internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information that they contain has been obtained from sources believed by the Issuer to be reliable and accurate but that the accuracy and completeness of that information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified by the Issuer, the Managers, the Trustee, the Agents or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates and none of the Issuer, the Managers, the Trustee, the Agents or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates or any person who controls any of them makes any representation as to the correctness, accuracy or completeness of that information. Such information may not be consistent with other information compiled within or outside the PRC. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. Accordingly, such information should not be unduly relied upon.

PRESENTATION OF FINANCIAL INFORMATION

This Offering Circular contains the summary consolidated financial information of the Group as at and for the years ended 31 December 2017, 2018 and 2019 which has been extracted from the audited consolidated financial statements of the Group as at and for the years ended 31 December 2018 and 2019 (the "**Audited Financial Statements**"). The Audited Financial Statements, which are included elsewhere in this Offering Circular, were prepared and presented in accordance with Accounting Standards for Business Enterprises in China (the "**PRC GAAP**") and have been audited by Ruihua Certified Public Accountants ("**Ruihua**"), the independent auditors of the Group. There are certain differences between PRC GAAP and the International Financial Reporting Standards (the "**IFRS**"). For a summary of the material differences, please see "*Summary of Certain Differences between PRC GAAP and IFRS*."

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to the "PRC", "China" and "mainland China" are to the People's Republic of China (excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan), all references to the "United States" and "U.S." are to the United States of America, and all references to "Hong Kong" are to the Hong Kong Special Administrative Region of the People's Republic of China; all references to "Renminbi", "RMB" and "CNY" are to the lawful currency of the PRC; all references to "HKD", "HK$" and "HK dollars" are to the lawful currency of Hong Kong, and all references to "USD", "U.S.$" and "U.S. dollars" are to the lawful currency of the United States of America.

This Offering Circular contains translation of certain Renminbi amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless otherwise specified, where financial information in Renminbi has been translated into U.S. dollars, it has been so translated, for convenience only, at the rate of RMB6.9618 to U.S.$1.00 (being the noon buying rate in New York City on 31 December 2019 as set forth in the weekly H.10 statistical release of the Federal Reserve Board of the Federal Reserve Bank of New York (the "**Noon Buying Rate**")). All such translations in this Offering Circular are provided solely for investors' convenience and no representation is made that the amounts referred to herein have been, could have been or could be converted into U.S. dollars or Renminbi, or vice versa, at any particular rate or at all. Further information regarding exchange rate is set forth in "*Exchange Rates*" in this Offering Circular. In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

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

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

"CBRC" refers to China Banking Regulatory Commission;

"GDP" refers to gross domestic product;

"GFA" refers to gross floor area;

"MOF" refers to the Ministry of Finance 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 competent local counterparts;

"NDRC Circular" refers 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)) issued by the NDRC;

"PBOC" refers to the People's Bank of China, the central bank of the People's Republic of China;

"PRC government" refers to the central government of the People's Republic of China and its political subdivisions, including provincial, municipal and other regional or local government entities, and instrumentalities thereof, or where the context requires, any of them;

"Government of Shandong Province" refers to the People's Government of Shandong Province, including all political subdivisions (including municipal and other regional or local governmental entities) and instrumentalities thereof, or where the context requires, any of them;

"Weifang Municipal Government" refers to the People's Government of Weifang, including all political subdivisions (including regional or local governmental entities) and instrumentalities thereof, or where the context requires, any of them;

"Shouguang Municipal Government" refers to the People's Government of Shouguang, including all political subdivisions (including regional or local governmental 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 counterparts;

"State Council" refers to the State Council of the People's Republic of China; and

"VAT" refers to value-added tax.

FORWARD-LOOKING STATEMENTS

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

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

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

- the Group's ability to successfully implement its business plans and strategies;
- various business opportunities that the Group may pursue;
- financial condition, performance and business prospects of the Group;
- the Group's capital expenditure plans and its ability to carry out those plans;
- the Group's access and cost of capital and financing;
- changes in the competition landscape in the industries where the Group operates;
- any changes in the laws, rules and regulations of the PRC government (including the Shouguang Municipal Government and the Shandong Provincial Government) and the rules, regulations and policies of the relevant governmental authorities relating to the Group's business;
- general political and economic conditions, including those related to the PRC or Shouguang;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which the Group operates;
- fluctuations in prices of and demand for products and services that the Group provides;
- macroeconomic measures taken by the PRC government to manage economic growth;
- natural disasters, industrial action, terrorist attacks and other events beyond the Group's control;
- changes in global economic conditions; and

- other factors, including those discussed in "*Risk Factors*".

The Issuer does not undertake any obligation to update or revise publicly any of the opinions or forward-looking statements expressed in this Offering Circular as a result of any new information, future events or otherwise.

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SUMMARY

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

OVERVIEW

The Group is a major investment, financing and infrastructure construction platform under the Shouguang Municipal Government and is wholly owned by the Shouguang Municipal Government. It plays a crucial role in the development of Shouguang, one of county-level cities in Weifang, Shandong Province. The Group's strategic positioning and its state-owned background offers it advantages and resources to fulfil its business missions. Since its establishment in 2008, the Group has been engaged in many projects to increase the urbanisation and commercial attractiveness of Shouguang, involving real estate development (such as construction of commodity housing projects, resettlement housing projects and affordable housing projects) as well as infrastructure construction (such as construction of stadium, swimming pool and the Citizen Fitness Centre (市民健身中心)). By focusing on real estate development, operation of land resources, heat energy, infrastructure construction, property leasing and commercial concrete production businesses and leveraging on strong governmental support, the Group has established itself as a well-known state-owned asset investment vehicle in Shouguang and plays a crucial role in the modernisation and development of Shouguang.

Since its establishment in 2008, the Group has played an important role in implementing the Shouguang Municipal Government's blueprint for infrastructure construction and regional development and has received strong support from the Shouguang Municipal Government. Over the years, the Group has developed a diversified business portfolio, its operations and investment primarily focuses on six business segments, including: (i) real estate development, (ii) operation of land resources, (iii) heat energy, (iv) infrastructure construction, (v) property leasing and (vi) commercial concrete production. The Group also conducts other businesses, including constellation, property management and greening projects, advertising and sales of decoration materials businesses. Set forth below is an overview of the principal business segments of the Group:

- ***Real Estate Development***. The Group's real estate development business is primarily conducted by the Issuer, which holds a National Level Two Qualification for Real Estate Development (國家房地產開發二級資質). The Group's real estate development business mainly includes three categories of projects: (i) commodity housing projects, (ii) resettlement housing projects, and (iii) affordable housing projects. Over the years and since 2009, the Group has developed numerous large-scale residential projects, such as Wuxing Garden (五星花園), Lanting Xiangyuan (蘭亭香苑), Jinxiu City (錦繡城), Xuejing Garden (學景花園) and Jingxin Yuan (景新園), the Group also developed commercial projects, such as Wuxing Mansion (五星大廈).

- ***Operation of Land Resources***. The Group started its operation of land resources business in 2016. According to Notice of the People's Government of Shouguang on Printing and Distributing the Implementation Opinion Regarding Investment and Operation of Rural Land Remediation Projects and Land Use Quotas by City Construction Investment Company (壽光市人民政府關於印發城建投投資運營農村土地整治項目及土地指標實施意見的通知(壽政發[2015]35號文)), the Group is the designated entity with the right to invest the rural land remediation projects within Shouguang. The Issuer can receive revenue by following the standard steps of "investing in land remediation project based on approvals issued by the Shouguang Municipal Government – paying to local town or sub-district offices for cost incurred in demolition, resettlement and reclamation on the land – surplus land quotas are created by converting the disposed land into arable land – receiving fees from parties who use land quotas".

- ***Heat Energy***. The Group conducts its heat energy business through two of its wholly-owned subsidiaries, namely, Shouguang Jinhui Heat Energy Co., Ltd. (壽光市金惠熱力有限公司) and Shouguang Chengtou Heating Co., Ltd. (壽光城投熱力有限公司)(formerly known as Shouguang Xicheng Heating Co., Ltd. (壽光西城供熱有限公司)). The Group is principally engaged in the generation and supply of heat energy as well as the construction and operation of heat supply networks. As at 31 December 2019, Shouguang Jinhui Heat Energy Co., Ltd. and Shouguang Xicheng Heating Co., Ltd. together had an aggregate market share of over 50.0 per cent. in the heat energy market in Shouguang.

- ***Infrastructure Construction.*** The Group is one of major infrastructure construction platforms under the Shouguang Municipal Government. The Group's infrastructure construction business is mainly conducted by the Issuer and one of the Group's subsidiaries, Shouguang City Construction Investment Bridge Engineering Management Co., Ltd. (壽光市城投橋梁工程管理有限公司). Since its establishment in 2008, the Group has been entrusted by the Shouguang Municipal Government as the entity responsible for carrying out certain Shouguang's major public infrastructure projects by way of an agent construction model. The Group's works in infrastructure projects include the construction of road, bridge, stadium, swimming pool and other facilities. As at 31 December 2019, the Group had undertaken and completed 3 infrastructure construction projects in Shouguang since its establishment in 2008 with a total investment amount of approximately RMB740.3 million.

- ***Property Leasing.*** The Group leases certain commercial properties it owns in Shouguang, including the office building located in the north of Shengcheng Street (聖城街) and in the west of East Ring Road (東環路). The Group's anchor tenants include a number of governmental agencies, enterprises and public institutions.

- ***Commercial Concrete Production.*** The Group's commercial concrete production business is primarily conducted by Shouguang Runcheng Construction Materials Co., Ltd. (壽光潤城建材有限公司), the Group's wholly-owned subsidiary. The Group is primarily engaged in the production and sales of commercial concrete in the urban area of Shouguang and surrounding areas.

- ***Other Businesses***. The Group engages in other business operations that complements to its main business segments. The Group's other business operations primarily focus on constellation, property management and greening projects, advertising and sales of decoration materials businesses.

COMPETITIVE STRENGTHS

- One of the major investment, financing and infrastructure construction platforms under the Shouguang Municipal Government.

- Strong support of the Shouguang Municipal Government.

- Diversified business portfolio and asset base to provide stable return to the Group.

- Leading position in heat energy business in Shouguang.

- Sufficient capital from diversified financing channels.

- Sound and effective corporate governance and internal control.

- Experienced management team with sound corporate governance.

BUSINESS STRATEGIES

- Continue to fulfil its role as the major platform via which the Shouguang Municipal Government provides real estate development, operation of land resources, heat energy, infrastructure construction, property leasing and commercial concrete production in Shouguang.

- Explore new financing channels.

- Adhere to prudent financial policy with stringent risk control and enhanced financial management.

- Continue to diversify the Group's businesses and increase investment in businesses that synergise with the Group's core businesses.

- Continue to build a professional management team.

RECENT DEVELOPMENT

The Recent Coronavirus Epidemic Outbreak

At the end of December 2019, public health officials from China informed the World Health Organization that an unknown, new virus was causing pneumonia-like illness, namely COVID-19, in the city of Wuhan. On 11 March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. The COVID-19 pandemic has resulted in a number of countries declaring a state of emergency and a number of countries and imposing extensive business and travel restrictions with a view to containing the pandemic. Widespread reductions in consumption, industrial production and business activities arising from the COVID-19 pandemic will significantly disrupt the global economy and global markets and is likely to result in a global economic recession. In addition, COVID-19 has led to significant volatility in the global markets across all asset classes, including stocks, bonds, oil and other commodities and this volatility may persist for some time. The global outbreak of COVID-19 may continue to affect the Group's industry and cause temporary suspension of projects and shortage of labour and raw materials, which would have a material adverse effect on the Group's business, financial condition and results of operations. See "*Risk Factors – Risks Relating to the Group's Business and Industries – The Group's operations are subject to force majeure events, natural disasters and outbreaks of contagious diseases.*"

Financial Information as of and for the Nine Months Ended 30 September 2020

In October 2020, the Group published its unaudited and unreviewed consolidated financial statements as of and for the nine months ended 30 September 2020 (with the inclusion, for comparison purposes, of similar information for the six months ended 30 September 2019 and as of 31 December 2019) (the "**30 September Financial Statements**"), which are not included in and do not form a part of this Offering Circular. For the nine months ended 30 September 2020, the Group's operating revenue, operating profit and net profit increased as compared with the corresponding period in 2019. As of 30 September 2020, both the Group's long-term borrowings and long-term payables significantly increased as compared with the respective amounts as of 31 December 2019, as the Group entered into additional financing arrangements to finance its project constructions and for general corporate purposes; the Group's bonds payable also significantly increased, as a result of its issuance of bonds in both onshore and offshore bond markets.

The 30 September Financial Statements have not been audited or reviewed by the Group's independent accountants, or any other independent accountants and may be subject to adjustments if audited and reviewed. Consequently, such financial statements should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit or review by an independent auditor and 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 and Industries – The Group publishes 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 Offering Circular.*"

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following tables present the Group's summary consolidated financial information and other data as at the dates and for the periods indicated. The Group's summary consolidated financial information as at and for the years ended 31 December 2017, 2018 and 2019 set forth below has been derived from the Group's audited consolidated financial statements as at and for the years ended 31 December 2018 and 2019. The audited consolidated financial statements of the Group as at and for the years ended 31 December 2018 and 2019 were prepared and presented in accordance with IFRS and have been audited by Ruihua, the independent auditors to the Group.

The summary financial data below should be read in conjunction with, and is qualified in its entirety by reference to, the Groups consolidated financial statements and the notes thereto included elsewhere in this Offering Circular.

SUMMARY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Year ended 31 December		
	2017	**2018**	**2019**
	(Audited)	**(Audited)**	**(Audited)**
		(RMB)	
Total operating revenue	**585,528,209.0**	**688,415,324.4**	**1,192,552,275.8**
Including: Operating revenue	585,528,209.0	688,415,324.4	1,192,552,275.8
Total operating costs	**799,560,745.4**	**951,210,461.5**	**1,237,270,249.3**
Including: Operating costs	451,108,793.2	567,442,712.4	758,907,438.0
Taxes and surcharges	43,251,182.8	41,471,922.8	49,387,775.9
Selling expenses	5,440,779.8	9,650,637.6	21,546,369.6
Administrative expenses	50,317,319.7	51,931,191.0	58,446,775.3
Financial expenses	209,389,436.1	280,713,997.7	348,981,890.5
Including: Interest expense	216,900,317.0	299,739,658.1	336,780,687.3
Interest income	21,167,490.1	38,182,091.0	15,811,688.4
Assets impairment losses	(40,053,233.8)	(29,119,995.4)	–
Add: Other income	307,079,094.0	292,306,095.0	179,532,837.0
Investment income	(734,586.4)	13,894,727.3	23,119,776.6
Including: investment income from associates and joint ventures	(1,646,956.5)	13,543,647.5	23,119,776.6
Impairment loss of assets	–	29,119,995.4	(20,723,421.2)
Gains on disposal of assets	(21,250.0)	–	–
Operating profit	**92,290,721.3**	**72,525,680.5**	**137,211,218.9**
Add: Non-operating income	1,782,811.3	726,843.5	427,146.2
Less: Non-operating expenses	3,531,713.4	2,713,632.2	2,141,168.0
Total profit	**90,541,819.3**	**70,538,891.8**	**135,497,197.1**
Less: Income tax expenses	1,508,294.8	429,683.0	1,132,188.8
Net profit	**89,033,524.6**	**70,109,208.9**	**134,365,008.2**
(I) According to the ownership classification			
Net profit attributable to the parent owner	93,103,715.0	74,839,172.1	134,830,568.4
Minority shareholder gains and losses	(4,070,190.5)	(4,729,963.2)	(465,560.2)
(II) Classified by continuing and discontinued operations			
Net profit from continuing operations	89,033,524.6	70,109,208.9	134,365,008.2
Total comprehensive income	**89,033,524.6**	**70,109,208.9**	**134,365,008.2**
Attributable to shareholders of the parent	93,103,715.0	74,839,172.1	134,830,568.4
Attributable to non-controlling interests	(4,070,190.5)	(4,729,963.2)	(465,560.2)

SUMMARY STATEMENT OF FINANCIAL POSITION

	As at 31 December		
	2017	2018	2019
	(Audited)	(Audited)	(Audited)
		(RMB)	
Current assets:	–	–	–
Monetary funds	924,024,225.7	873,820,713.7	2,454,997,034.3
Notes receivable and trade receivables	811,155,263.1	1,183,046,100.1	1,456,995,094.1
Advances to suppliers	116,281,931.1	189,465,048.5	410,489,984.9
Other receivables	1,044,349,038.6	1,190,167,459.9	1,298,499,737.4
Inventories	2,176,510,632.8	3,517,517,155.2	4,078,478,374.2
Other current assets	32,795,850.7	74,776,074.0	93,201,991.7
Total current assets	**5,105,116,942.0**	**7,028,792,551.4**	**9,792,662,216.5**
Non-current assets:	–	–	–
Available-for-sale financial assets	89,000,000.0	62,000,000.0	62,000,000.0
Long-term equity investments	24,545,007.1	2,598,171,118.2	2,677,559,694.8
Investment properties	842,933,879.0	871,062,272.0	1,121,023,906.7
Fixed assets	783,531,077.3	791,648,465.2	898,926,634.5
Construction in progress	215,958,527.8	193,615,515.4	248,176,645.2
Intangible assets	411,218,071.9	403,733,069.6	394,223,175.0
Long-term prepaid expenses	23,492,389.9	43,046,723.7	25,906,638.2
Deferred tax assets	40,644.7	44,656.6	48,074.0
Other non-current assets	29,838,628.0	19,528,139.8	19,754,734.0
Total non-current assets	**2,420,558,225.7**	**4,982,849,960.5**	**5,447,619,502.4**
Total assets	**7,525,675,167.7**	**12,011,642,511.9**	**15,240,281,718.9**
Current liabilities:	–	–	–
Short-term borrowings	275,000,000.0	275,000,000.0	439,600,000.0
Notes payable and trade payables	598,747,892.1	733,059,627.4	1,056,342,861.7
Advances from customers	264,719,849.0	599,077,721.9	1,243,654,338.7
Employee benefits payable	171,669.4	77,595.8	171,701.6
Tax and surcharge payable	11,592,044.1	53,788,883.6	51,215,944.9
Other payables	225,071,700.3	479,926,434.5	570,188,259.1
Non-current liabilities due within one year	715,376,261.3	630,222,010.7	1,806,746,839.2
Total current liabilities	**2,090,679,416.2**	**2,771,152,273.9**	**5,167,919,945.2**
Non-current liabilities:	**–**	**–**	**–**
Long-term borrowings	990,000,000.0	1,096,815,000.0	2,154,175,000.0
Bonds payable	1,812,000,000.0	2,466,000,000.0	2,130,000,000.0
Long-term payables	210,446,297.4	637,120,179.2	451,673,340.0
Total non-current liabilities	**3,012,446,297.4**	**4,199,935,179.2**	**4,735,848,340.0**
Total liabilities	**5,103,125,713.6**	**6,971,087,453.1**	**9,903,768,285.2**
Owners' equity (or Shareholders' equity):	–	–	–
Paid-in capital (or share capital)	150,000,000.0	150,000,000.0	150,000,000.0
State-owned corporate capital	–	150,000,000.0	150,000,000.0
Net paid-in capital (or share capital)	–	150,000,000.0	150,000,000.0
Capital reserve	1,488,728,334.4	4,011,167,030.2	4,372,760,396.9
Surplus reserve	76,189,370.4	76,189,370.4	76,189,370.4
Including: Legal accumulation fund	–	76,189,370.4	76,189,370.4
Undistributed profits	687,525,248.2	762,364,420.3	697,194,988.7
Total owners' equity (or shareholders' equity) attributable to the parent	**2,402,442,953.0**	**4,999,720,820.8**	**5,296,144,755.9**
*Non-controlling interests	20,106,501.1	40,834,238.0	40,368,677.8
Total owners' equity (or shareholders' equity)	**2,422,549,454.1**	**5,040,555,058.8**	**5,336,513,433.7**
Total liabilities and owners' equity (or shareholders' equity)	**7,525,675,167.7**	**12,011,642,511.9**	**15,240,281,718.9**

THE OFFERING

The following is a brief summary of the offering and is qualified in its entirety by the remainder of this Offering Circular. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in "Terms and Conditions of the Bonds" and "Summary of Provisions Relating to the Bonds in Global Form" shall have the same meanings in this summary. For a more complete description of the terms and conditions of the Bonds, see "Terms and Conditions of the Bonds" in this Offering Circular.

Issuer	Shouguang City Construction Investment Development Co., Ltd. (壽光市城市建設投資開發有限公司).
LC Bank	Xiamen International Bank Co., Ltd. Shanghai Branch.
The Bonds	U.S.$28,000,000 aggregate principal amount of 3.5 per cent. credit enhanced Bonds due 2023.
Issue Price	100.0 per cent.
Form and Denomination .	The Bonds will be issued in registered form in specified denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Issue Date	30 November 2020.
Maturity Date	30 October 2023.
Interest	The Bonds will bear interest on their outstanding principal amount from and including the Issue Date at the rate of 3.5 per cent. per annum, payable semi-annually in arrear on 30 May and 30 November in each year and on 30 October 2023, commencing on 30 May 2021.

Standby Letter of Credit The Bonds will have the benefit of the Standby Letter of Credit which is issued in favour of the Trustee, on behalf of itself and the Bondholders, 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 Bondholders upon the presentation of a demand by authenticated SWIFT (or otherwise as permitted under the Standby Letter of Credit) sent by the Trustee or an agent of the Trustee to the LC Bank in accordance with the Standby Letter of Credit (a "**Demand**") stating that (i) the Issuer has failed to comply with Condition 2(c) (*Pre-funding*) of the Conditions in relation to pre-funding the amount that is required to be pre-funded under these Conditions and/or has failed to provide the Required Confirmations in accordance with Condition 2(c) (*Pre-funding*) of the Conditions; or (ii) an Event of Default (as defined in Condition 9 *(Events of Default)* of the Conditions) has occurred and the Trustee has given notice to the Issuer that the Bonds are immediately due and payable in accordance with Condition 9 *(Events of Default)*.

Only one drawing is permitted under the Standby Letter of Credit. Such drawing will be payable to or to the order of the Trustee at the time and to the account specified in the Demand presented to the LC Bank. Payments received by the Trustee in respect of a Demand will be deposited into the LC Proceeds Account (as defined in the Conditions).

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

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.$29,490,000, representing only (i) the aggregate principal amount of the Bonds plus interest payable for one Interest Period (being six months) (as defined in Condition 5 (*Interest*)) and (ii) U.S.$1,000,000 being the maximum amount payable under the 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 Bonds, the Trust Deed, the Agency Agreement and/or any other transaction document relating to the Bonds. The Standby Letter of Credit takes effect from the Issue Date and shall remain valid and in full force until 6:00 p.m. (Hong Kong time) on 20 November 2023 unless extended in accordance with its terms. See "*Terms and Conditions of the Bonds – Status, Standby Letter of Credit and Pre-funding*" and "*Appendix – Form of Irrevocable Standby Letter of Credit*".

Pre-funding . . . . In order to provide for the payment of any amount in respect of the Bonds (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 (the "**Pre-funding Date**") falling 10 Business Days prior to the due date for such payment:

(i) unconditionally pay or procure to be paid the Relevant Amount into the Pre-funding Account (as defined in the Conditions); and

(ii) deliver to the Trustee and the Principal Paying Agent by facsimile or email (X) a Payment and Solvency Certificate signed by any Authorised Signatory (as defined in the Conditions), 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**").

The Pre-funding Account Bank shall notify the Trustee forthwith upon any failure by the Issuer to pay the Relevant Amount into the Pre-funding Account in accordance with these Conditions. 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 practicable, and in any event not later than 6:00 p.m. (Hong Kong time) on the Business Day immediately following the Pre-funding Date, notify the LC Bank and the LC Proceeds Account Bank by facsimile or email 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 (the "Pre-funding Failure Notice") to the Bondholders of (aa) the Pre-funding Failure and (bb) the redemption of the Bonds in accordance with Condition 6(d) to occur as a result of the Pre-funding Failure and (Y) issue a Demand to the LC Bank for an amount equal to the aggregate principal amount of all of the Bonds then outstanding, together with interest accrued to but excluding the Mandatory Redemption Date (as defined in Condition 6(d) (*Mandatory Redemption upon Pre-funding Failure*) of the Conditions) and all fees, costs, expenses, indemnity payments and all other amounts incurred by or payable to the Trustee under or in connection with the Bonds, the Trust Deed, the Agency Agreement and/or any other transaction document relating to the Bonds, provided that, subject to and in accordance with the terms of the Standby Letter of Credit, need not physically present the Demand under the Standby Letter of Credit to the LC Bank and shall be entitled to draw on the Standby Letter of Credit by way of a Demand by authenticated SWIFT sent on its behalf or, in the event that the Swift system is unavailable for any reason, via facsimile transmission as contemplated in the Standby Letter of Credit.

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

Status of the Bonds	The Bonds will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by Applicable Law and regulations, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
Events of Default	The Bonds will contain certain events of default as further described in Condition 9 (*Events of Default*) of the Conditions.
Taxation	All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the PRC or any political subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. Where such withholding or deduction is made by or within the PRC up to and including the aggregate rate applicable on 24 November 2020 (the "**Applicable Rate**"), the Issuer will increase the amounts paid by it to the extent required so that the net amount received by Bondholders equals the amounts which would otherwise have been 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 Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in the circumstances set out in Condition 8 (*Taxation*) of the Conditions.
Final Redemption.	Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Maturity Date.
Redemption for Taxation Reasons	The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice, which shall specify the date for redemption and the names and addresses of all Paying Agents, and the method by which payment shall be made, to the Bondholders in accordance with Condition 16 (*Notices*) of the Conditions (which shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at 100 per cent. of their principal amount (together with any interest accrued to but excluding the date fixed for redemption), if the Issuer satisfies the Trustee immediately prior to the giving of such notice, that:

(i) the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 *(Taxation)* of the 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 24 November 2020; and

(ii) 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 Bonds then due.

Redemption for Relevant Events . . . . Following the occurrence of a Relevant Event, the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of such Holder's Bonds on the Put Settlement Date at 100 per cent. of their principal amount, together in each case with accrued interest up to (but excluding) the Put Settlement Date, as further described in Condition 6(c) (*Redemption for Relevant Events*) of the Conditions.

A "**Change of Control**" occurs when:

(i) the Shouguang State-owned Assets Supervision and Administration Office (壽光市國有資產監督管理辦公室) and any other Shouguang Government Persons (as defined in the Conditions) together cease to directly or indirectly hold or own 100 per cent. of the issued share capital of the Issuer; or

(ii) the Issuer consolidates with or merges into or sells or transfers all or substantially all of its assets to any other Person, unless such Person is a Shouguang Government Person or is directly or indirectly 100 per cent. held or owned by a Shouguang Government Person(s).

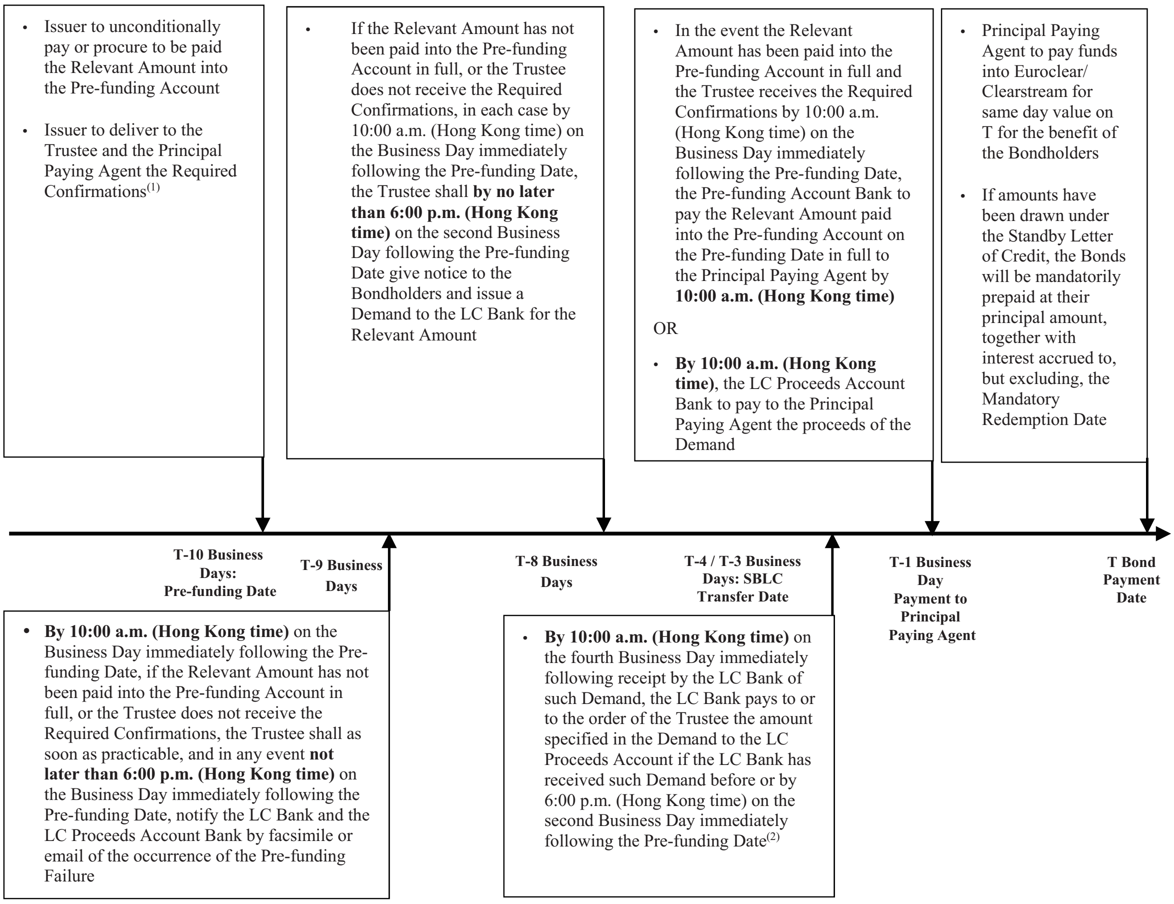
Mandatory Redemption upon Pre-funding Failure . . . . The Bonds shall be redeemed at their principal amount on the Interest Payment Date immediately falling after the date a Pre-funding Failure Notice is given to the Bondholders in accordance with Condition 2(c) (*Pre-funding*) of the Conditions (the "**Mandatory Redemption Date**"), together with interest accrued to, but excluding, the Mandatory Redemption Date.

Further Issues	The Issuer may from time to time without the consent of the Bondholders create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects save for the issue date, the first payment of interest on them and the timing for making the NDRC Post-issue Filing and the Foreign Debt Registration and any reports or notices in respect thereof) and so that the same shall be consolidated and form a single series with the outstanding Bonds, *provided that* 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 is at least equal to the principal of and an amount equal to one interest payment due on such further securities) and such 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 or supplemental or replacement or amended standby letter of credit. See "*Terms and Conditions of the Bonds – Further Issues*".
Trustee, 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).
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).
Clearing Systems	The Bonds will be initially evidenced by beneficial interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on the Issue Date with, a common depositary for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in this Offering Circular, certificates for the Bonds will not be issued in exchange for beneficial interests in the Global Certificate.
Clearance and Settlement	The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code 226353461 and International Securities Identification Number XS2263534617.
Notices and Payment . . .	So long as the Bonds are evidenced by the Global Certificate and the Global Certificate is held in its entirety on behalf of Euroclear Bank SA/NV and/or Clearstream Banking S.A. and/or an Alternative Clearing System, notices to the Bondholders shall be validly given by the delivery of the relevant notice to Euroclear Bank SA/NV and/or Clearstream Banking S.A. and/or the Alternative Clearing System, as applicable, for communication by it to entitled accountholders, in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing systems.
Governing Law	English law.
Use of Proceeds	See "*Use of Proceeds*".

Listing	Application will be made to the SEHK for the listing of, and permission to deal in, the Bonds on the SEHK by way of debt issues to Professional Investors only and it is expected that dealing in, and listing of, the Bonds on the SEHK will commence on 1 December 2020.
Selling Restrictions	The Bonds will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See "*Subscription and Sale*".

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

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



Notes:

(1) The Required Confirmations consist of: (a) a Payment and Solvency Certificate signed by any Authorised Signatory, and (b) 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) If such Demand is received after 6:00 p.m. (Hong Kong time) on the second Business Day immediately following the Pre-funding Date, the payment is to be made on the fifth Business Day following receipt of such Demand.

RISK FACTORS

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

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

RISKS RELATING TO THE GROUP'S BUSINESS AND INDUSTRIES

The Group's business, financial condition, results of operations and prospects are heavily dependent on the level of economic development of Shouguang, Weifang, Shandong Province and China.

The Group's businesses and assets are highly concentrated in Shouguang of Weifang, Shandong Province. Therefore, the Group's business, financial condition, results of operations and prospects have been and will continue to be heavily dependent on the level of economic development of Shouguang, Weifang, Shandong Province and China.

It is difficult to predict how the economic development of Shouguang will be affected by a slowdown in the growth of the PRC economy, and there can be no assurance that the policies and measures adopted by the PRC government will be effective in stimulating the recovery of the PRC economy. There can be no assurance that the level of economic development in Shouguang will continue to be maintained at the past rate of growth, if at all. A substantial portion of the Group's operations and assets are based in the Shouguang currently, and the Issuer expects that the Group's future business and operations will continue to be concentrated in Shouguang. If economic growth slows, adverse changes in social conditions or local government policies arise or any severe natural disasters or catastrophic events occur in Shouguang, the Group's business, financial condition, results of operations and prospects could be materially and adversely affected.

The Shouguang Municipal Government exerts significant influence on the Group, and as a result, the Group may not always be able to make decisions, take action or invest or operate in businesses or projects that are in the Group's best interests or that aim to maximise the Group's profits.

The Issuer is wholly-owned by the Shouguang State-owned Assets Supervision and Administration Office ("**Shouguang SASAO**") and acts as the primary platform via which the Shouguang Municipal Government constructs public infrastructure, operates land resources and provides heat energy in Shouguang.

Accordingly, the Shouguang Municipal 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 Shouguang Municipal Government would always take action that are in the Group's best interests or that aim to maximise the Group's profits. The Shouguang Municipal Government may use its ability to influence the Group's business and strategy in a manner which is beneficial to Shouguang as a whole but which may not necessarily be in the Group's best interests. The Shouguang Municipal Government may also change its policies, intention, preferences, views, expectations, projections, forecasts and opinions, as a result of changes in the economic, political and social environment as well as its projections of population and employment growth in Shouguang 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 Shouguang Municipal 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.

A reduction or discontinuance 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 Shouguang Municipality, the Group has received various kinds of support (but not including credit support) from the Shouguang Municipal Government to support its investments in and operation of those businesses. For example, the Group has received significant fiscal subsidies from the Shouguang Municipal Government to support its heat energy business segments. The Group also relies on government support in the form of capital contribution, fiscal subsidies, asset transfer and preferential tax treatment to support its construction of certain public infrastructure. For the years ended 31 December 2017, 2018 and 2019, the aggregate fiscal funds granted by the Shouguang Municipal Government to the Group amounted to approximately RMB307.1 million, RMB292.3 million and RMB179.5 million, respectively.

There can be no assurance that the Shouguang Municipal Government will continue to provide support to the Group or that the fiscal subsidies, asset transfers, government capital contributions, preferential tax treatment or other types of government support will not be adjusted or terminated due to changes in government policy or otherwise.

If favourable fiscal subsidies, asset transfers, government capital contributions, preferential tax treatment or other incentives which are currently available to the Group are reduced or eliminated in the future, some of the Group's businesses may no longer be viable, and the financial condition and results of operations of the Group will be materially and adversely affected.

The PRC government (including the Government of Shandong Province, the Weifang Municipal Government and the Shouguang Municipal Government) has no obligation to pay any amount under the Bonds.

The PRC government (including the Government of Shandong Province, the Weifang Municipal Government and the Shouguang Municipal Government) is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds in lieu of the Issuer. This position has been reinforced by the Circular of the Ministry of Finance on Issues relevant to the Regulation on the Financing Activities Conducted by Financial Institutions for Local Governments and State-owned Enterprises (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 Circular of the National Development and Reform Commission and the Ministry of Finance on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness Risks (國家發展改革委財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知)(the "**Joint Circular**") promulgated on 11 May 2018 and took effect on the same day.

Any ownership or control by the PRC government (including the Government of Shandong Province, the Weifang Municipal Government and the Shouguang Municipal Government) does not necessarily correlate to, or provide any assurance as to, the Issuer's financial condition. None of the PRC government, the Government of Shandong Province, the Weifang Municipal Government and the Shouguang Municipal Government has any obligation to pay any amount under the Bonds. Investments in the Bonds are relying solely on the credit risk of the Issuer. In the event the Issuer does not fulfil its obligations under the Bonds, investors will only be able to claim as an unsecured creditor against the Issuer and its assets, and not any other person including the PRC government, the Government of Shandong Province, the Weifang Municipal Government and the Shouguang Municipal Government, any other local or municipal government authorities and/or any other member of the Group. 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 and any adverse interpretation and enforcement of such laws and regulations in the future may materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The Group's business and prospects to a large extent depend upon the spending or budget of Shouguang Municipal Government on infrastructure construction and fixed asset investments.

The Group is controlled by the Shouguang SASAO and is designated by Shouguang Municipal Government to carry out infrastructure construction in and around the city. As many of these businesses operate in sectors of public interest, governmental agencies and state-owned enterprises are among the Group's major customers and the Group's businesses are to a large extent funded by Shouguang Municipal Government. The Group's business and prospects have historically been, and may continue to be, materially affected by the public spending or budget of Shouguang Municipal Government on infrastructure construction in Shouguang.

There are a number of factors affecting Shouguang Municipal Government's spending and budget on infrastructure construction. The key factors include government policies and priority relating to the development of different industries and Shouguang Municipal Government's fiscal and monetary policies. Such spending and budget are also affected by the government income and the general economic conditions in the PRC and in Shandong Province. Any slowdown in the overall economic conditions of the PRC or Shandong Province may affect the economic development of Shouguang and the fiscal conditions of Shouguang Municipal Government, which may in turn materially and adversely affect the spending and budget of Shouguang Municipal Government on infrastructure construction in Shouguang. If the spending or budget of Shouguang Municipal Government on infrastructure decreases, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

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

The Group requires, and will continue to require, substantial capital investment for its projects such as real estate development, operation of land resources and infrastructure construction projects. The Group has historically satisfied its capital requirement with the cash flow generated from its operating activities, bank loans and other borrowings, issues of bonds in the PRC and subsidies from Shouguang Municipal Government. The Group will continue to require substantial capital resources to support its business operations and expansion.

The ability of the Group to generate sufficient operating cash flow is affected by a number of factors, such as the Group's ability to manage and implement its business activities, the local government's payment schedule, due performance of the Group's contractors, changes in the general market conditions and regulatory environment and the competition in certain sectors in which the Group operates. Any adverse changes in any of these factors, which may be out of the Group's control, may create capital shortfall. In particular, any delays in the payment by the government and the government funding and cost overruns inherent may also cause such shortfall. There is no assurance that the Group's operations are able to generate sufficient cash to satisfy its cash need at all times, if at all. For example, for the year ended 31 December 2018, the Group had net operating cash outflow of RMB744.9 million. See "– *The Group has historically experienced negative net operating cash flows*".

Insufficient cash flow generated from the Group's operating activities will increase the Group's reliance on external financing. As at 31 December 2019, the Group's total indebtedness (comprising short-term and long-term borrowings, bonds payables, long-term borrowings due within one year and bonds payable due within one year) was approximately RMB6,345.1 million. As at 31 December 2019, the Group had total credit facilities of approximately RMB6,740.0 million, of which approximately RMB1,054.0 million had not been utilized. The Group's ability to access and raise sufficient capital through different sources depends upon a number of factors, such as the PRC's economic condition, relationships with key commercial banks, prevailing conditions in capital markets, regulatory requirements and the Group's financial condition. Some of these factors are beyond the Group's control and there is no guarantee that the Group will be able to procure sufficient funds in a timely manner or to obtain external financing on commercially acceptable terms. In these cases, it may not be able to fund the capital expenditure necessary to implement its business plans and strategies, which may in turn have a material and adverse impact on its business, financial condition, results of operations and prospects. In addition, significant indebtedness may in turn increase the pressure on the Group's liquidity and cause additional operational risks. See "*– Significant indebtedness may restrict the Group's business activities and increase the Group's exposure to various operational risks*" below.

In addition, a portion of the capital demand of the Group is satisfied through funding provided by Shouguang Municipal Government. In determining whether funds will be allocated, Shouguang Municipal Government generally considers such factors as the number of completed and ongoing infrastructure construction projects, the scale and payment arrangements of the projects, the financial budget of the government for that year and the capital conditions of the Group. However, there can be no assurance that Shouguang Municipal Government will allocate to the Group sufficient funding for the construction of the projects, if at all.

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

The Group relies on bank loans and proceeds from bond issuances to satisfy a portion of its capital requirements and the Group has had a significant amount of outstanding indebtedness. As at 31 December 2019, the Group's total indebtedness (comprising short-term and long-term borrowings, notes and bonds payables, long-term borrowings due within one year and bonds payable due within one year) was approximately RMB6,345.1 million. Substantial indebtedness could impact on the Group's businesses in a number of ways, including:

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

Certain financing contracts entered into by members of the Group contain operational and financial restrictions that prohibit the borrower from incurring additional indebtedness unless it is able to satisfy certain financial ratios, restrict the borrower from creating security or granting guarantees or prohibit the borrower from changing its business and corporate structure, without the lender's prior consent. Such restrictions may negatively affect the Group's ability to respond to changes in market conditions, pursue the business opportunities the Group believes to be desirable, to obtain future financing, fund capital expenditures, or withstand a continuing or future downturn in its business. Any of these factors could materially and adversely affect the Group's ability to satisfy its obligations under outstanding financial obligation, such as the Bonds after issuance.

If the Issuer or any of its relevant subsidiaries is unable to comply with the restrictions (including restrictions on future investments) and covenants in its current or future debt obligations and other financing agreements, a default under the terms of such agreements may occur. In the event of a default under such agreements, the creditors may be entitled to terminate their commitments granted to the Issuer or its subsidiaries, accelerate the debt and declare all amounts borrowed due and payable or terminate the agreements, depending on the provisions of the relevant agreements. Some financing agreements of the Group may contain cross-acceleration or cross-default provisions, which give creditors under these financing agreements to require the Group to immediately repay their loans or declare on the borrower as a result of the acceleration or default of other financing agreements by any other member of the Group. If any of these events occur, there can be no assurance that the Group will be able to obtain the lenders' waiver in a timely manner or that the assets and cash flow 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.

As at 31 December 2019, assets of the Group with a total book value of RMB1,563.4 million were provided as security to secure the loan facilities of the Issuer and its subsidiaries. Third-party security rights may limit the Group's use of the underlying collateral assets and adversely affect its operation efficiency. If the Issuer and its subsidiaries are unable to service and repay their debts under such loan facilities on a timely basis, the assets provided as security for such bank loans may be subject to foreclosure, which may adversely affect the Group's business, financial condition, results of operations and prospects.

The Group faces risks associated with contracting with public bodies.

As a designated entity controlled by the Shouguang SASAO to carry out infrastructure construction in Shouguang, the Group collaborates with various governmental authorities and their controlled entities in conducting its businesses, particularly infrastructure construction businesses. Although the Issuer believes that the Group currently maintains close working relationships with those governmental authorities and entities relevant to its businesses, there is no assurance that such close working relationships will be maintained in the future. Local governments and their controlled entities may (i) have economic or business interests or considerations that are inconsistent with the Group's, (ii) take actions contrary to the Group's requests, policies or objectives, (iii) be unable or unwilling to fulfil their contractual obligations in a timely manner, if at all, (iv) change existing policies and project plans without prior notice or consent from the Group for reasons such as government budgeting, (v) encounter financial difficulties, or (v) have disputes with the Group as to the contractual terms or other matters. In addition, the Group mainly contracts with Shouguang Municipal Government to develop a large number of city infrastructure projects in Shouguang. There is no assurance that the Group will be able to successfully resolve any material disagreement with Shouguang Municipal Government or any of the contracting counterparties controlled by Shouguang Municipal Government in a timely manner, or at all. Disputes with public bodies may last for considerably longer periods of time than for those with private sector counterparties, and payments from the public bodies may be delayed as a result. Any of these may materially and adversely affect the business relationships between the Group and Shouguang Municipal Government, which may in turn materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The Group has historically experienced negative net operating cash flows.

The Group has historically placed a significant reliance on bank borrowings, proceeds from bond issuances and the funding of Shouguang Municipal Government to meet its capital requirements. For the year ended 31 December 2018, the Group had net operating cash outflow of RMB744.9 million. The Group's negative net operating cash flow was largely attributable to the long duration and large amount of capital expenditure of the Group's construction projects and a mismatch between the development timetable which determines its expenditures and the timetable which determines its revenue from the relevant projects, and the unpredictability of the local government's schedule of land biding and auction. Although a number of infrastructure construction projects were launched in Shouguang in recent years, the Group will only start receiving payments from the government upon the completion of the relevant project and such payment will be made in instalments and may be delayed due to various reasons which are beyond the Group's control. As the Group anticipates continued expansion of its infrastructure construction businesses, it expects to continue to require significant capital expenditure. There can be no assurance that its negative operating cash flow will be resolved soon, if at all. Under such circumstances, the Group will continue to rely on external financing to satisfy its working capital and capital expenditure, which may increase its financial vulnerability and may adversely affect its financial condition and results of operations.

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

The Group's businesses require a large amount of working capital prior to the completion of the relevant project and the subsequent acceptance by the government. As at 31 December 2017, 2018 and 2019, the Group's inventories amounted to RMB2,176.5 million, RMB3,517.5 million, and RMB4,078.5 million, respectively, representing 28.9 per cent., 29.3 per cent., and 26.8 per cent. of the Group's total assets, respectively. The Group's inventories mainly comprise land inventory, development costs, development products, raw materials, turnover materials and engineering construction. Nevertheless, in accordance with the Group's accounting policies, the Group had not made provision for inventory price changes in the past three years. As the PRC government may issue more stringent policies with respect to development of real estate and marketability of the land, the value of inventories could be adversely affected, which, in turn, could materially and adversely affect the Group's business, financial condition, results of operations or prospects.

Significant accounts and other receivable may affect the Group's liquidity and restrict the Group's business activities.

As at 31 December 2017, 2018 and 2019, the Group's accounts receivable amounted to RMB805.2 million, RMB1,114.8 million and RMB1,306.0 million, respectively, representing 10.7 per cent., 9.3 per cent. and 8.6 per cent. of the Group's total assets, respectively. The Group's accounts receivable mainly comprise the outstanding buyback amounts and agency construction fees owed by Shouguang Municipal Government and the advance payment for construction materials, a significant amount of which is owed by Shouguang Municipal Government. As at 31 December 2017, 2018 and 2019, the Group's other receivable amounted to RMB1,044.3 million, RMB1,190.2 million and RMB1,298.5 million, respectively, representing 13.9 per cent., 9.9 per cent. and 8.5 per cent. of the Group's total assets, respectively. The Group's other receivable mainly comprise the funding costs of investment projects to be paid by Shouguang Municipal Government.

There are inherent risks associated with the government and the Group's other customers' ability to make timely payments which may impair the Group's accounts receivable. Any failure by Shouguang Municipal Government or the Group's other customers to make timely payments could materially and adversely affect the value of the Group's accounts receivable, other receivable and its liquidity and in turn affect its business, financial condition or results of operations.

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

The Issuer has a number of subsidiaries and associated companies operating in multiple industries. Through these subsidiaries and associated companies, the Group focuses on six major business segments covering a wide range of industries: (i) real estate development; (ii) operation of land resources, (iii) heat energy; (iv) infrastructure construction; (v) property leasing and (vi) commercial concrete production. As such, the Group is exposed to risks associated with multiple businesses.

The Group is exposed to business, market and regulatory risks relating to different industries markets, and may from time to time expand its businesses to new industries, markets in which it has limited operating experience. Such expansion may require the Group to devote substantial resources to become familiar with, and monitor changes in, different operating environments so that it can succeed in its businesses.

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

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

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

Certain business activities of the Group, such as infrastructure construction and real estate development are extensively regulated in the PRC. The operation of these business activities requires a number of approvals, licenses and permits from different governmental authorities. For example, the Group needs to have the construction enterprise qualification certificate (建築業企業資質證書) and real estate development enterprise qualification certificate (房地產開發企業資質證書) in order to engage in real estate development activities. For each real estate development project, the Group is required to obtain a project approval and the environmental assessment approval at the outset of the project. As the projects progress, it needs to receive the construction land planning permit (建設用地規劃許可證), the land use right certificate (土地使用權證書), the environment impact evaluation approval (環境影響評價批覆), the construction project planning permit (建設工程規劃許可證) and the construction permit (建築工程施工許可證) at different stages of development. It takes time to obtain all of these approvals and certificates. Governmental authorities in China have broad discretion in implementing and enforcing applicable laws and regulations and in determining the grant of approvals, licenses, permits and certificates necessary for conducting businesses. Failure to obtain the necessary approvals, licenses or permits in a timely manner could result in delay or suspension of business operations and a failure to obtain the necessary approvals, licenses or permits may subject the relevant entities to regulatory or administrative penalties.

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

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

The Group has substantial indebtedness outstanding. Much of the Group's indebtedness bears interests that accrue at interest rates linked to benchmark lending rates published by the People's Bank of China ("PBOC"). Any material fluctuation in the benchmark lending rate may have a material impact on the Group's interest expenses and payables under its bank loans and other borrowings and in turn affect its results of operations. The PRC government from time to time adjusted interest rates as implementation of the PRC government's economic and monetary policies. Any material fluctuation in the benchmark lending interest rate could have a material impact on the Group's interest payables under its bank loans and in turn affect its results of operations. The Group's future loan facilities will also carry interest rates based on the PBOC benchmark lending rate and subject to market conditions. There is no assurance, as a result of any increase in the PBOC benchmark rate or otherwise, the Group will be able to service its existing bank borrowings as they become due or obtain sufficient additional bank borrowings going forward on commercially acceptable terms, or at all, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group may not successfully implement its growth strategy.

The Group has historically been focused on real estate development and infrastructure construction in Shouguang. Over the years, it has diversified its businesses into operation of land resources, heat energy, property leasing and commercial concrete production. The Group continues to develop these new businesses while maintaining sustainable growth of its core businesses as one of its strategies for the future. Whether the Group could successfully implement this strategy depends on the Group's ability to identify attractive projects, obtain required approvals from relevant regulatory authorities in the PRC, obtain sufficient capital on acceptable terms in a timely manner and maintain close working relationships with various governmental authorities and agencies. The success of negotiations with respect to any particular project cannot be assured. There can be no assurance that the Group will be able to successfully implement this strategy, manage or integrate newly-acquired operations with its existing operations. Failure to implement the Group's growth strategy could have a material adverse impact on its business, financial condition and results of operations.

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

The Group engages third-party contractors for its real estate development and infrastructure construction projects. The Group generally selects independent contractors through an open tender process. However, there can be no assurance that the services rendered by any of these independent contractors or subcontractors will always be satisfactory or meet the Group's quality and safety standards. If the performance of any independent contractor is not satisfactory, the Group may need to replace such contractor or take other actions to remedy the situation, which could adversely affect the cost and construction progress of its projects. Further, the completion of its infrastructure projects may be delayed, and the Group may incur additional costs in some cases due to a contractor's financial or other difficulties. In addition, the Group may be asked to undertake additional infrastructure development projects by the government on short notice, and there may be a shortage of contractors that meet the Group's quality requirements. Contractors may undertake projects for other companies and developers, engage in risky or unsound practices or encounter financial or other difficulties, which may affect their ability to complete their work for the Group on time or within budget. Any of these factors could have a material adverse effect on the Group's business, financial condition and results of operations.

The PRC Government may adopt measures aimed at slowing down growth in the real estate sector.

Since 2005, the PRC Government has from time to time introduced various measures to curtail property speculation in response to concerns over, among other things, the increases in property investments and property prices and the overheating of the property market. For example, according to the Notice of the State Council on Issues Relating to Further Well Managing the Central Control of the Real Estate Market (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知) issued by the General Office of the State Council on 26 January 2011 and the Notice of the State Council on Continuity to Well Manage the Central Control Work of the Real Estate Market (國務院辦公廳關於繼續做好房地產市場調控工作的通知) promulgated by the General Office of the State Council on 26 February 2013, the government will firmly restrain speculative demands and strengthen market supervision to better control the overheating of the PRC real estate market. Such measures may limit property developers' access to capital resources, reduce market demand for their properties and increase their operating costs in complying with these measures, which in turn could have an adverse impact on the demand for land developed by the Group. There can be no assurance that the PRC government will not adopt additional and more stringent measures to further dampen the growth of the property sector, which could slow down property development in China. This may have a material adverse effect on the Group's business, financial condition and results of operations.

The Group engages in government policy projects which serve the public interest for which the Group may not be able to achieve commercial returns.

The Issuer is a state-owned enterprise under the supervision of the Shouguang SASAO. As a state-owned enterprise, it is from time to time required to engage and participate in projects related to public interests and social welfare development. For example, the Group has engaged in several government-subsidized housing and shanty town redevelopment projects in Shouguang. Unlike ordinary commodity housing projects, government-subsidized housing projects and redevelopment of shanty districts promote public interest considerations of the government and, therefore, is not a highly profitable business. The Group is involved in various government projects and may participate in additional public interest projects in the future. There can be no assurance that such participation will not have a material and adverse effect on the Group's business, financial condition and results of operations.

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

Some of the past projects developed by the Group involved relocation of indigenous residents and businesses, and the Group believes that similar situations may recur when it develops its future projects. If any indigenous resident or business is dissatisfied with the relocation compensation and refuses to move, the relevant entity of the township government will seek to resolve the dispute by negotiating with the relevant resident or business to reach a mutually acceptable relocation compensation arrangement, or apply to the relevant land authority for its determination on whether the relocation compensation and relocation timetable is in compliance with PRC law. The relevant land authority will then make a decision as to the proper relocation compensation and timetable. There can be no assurance that the relocation of indigenous residents or businesses will proceed smoothly or that the indigenous residents or businesses will agree to the compensation. In addition, the amount of compensation to be paid is subject to PRC governmental regulation and can be changed at any time. Any delays affecting such relocations of these indigenous residents or businesses may result in delays in the Group's development schedules and/or increases in its development costs, any of which could have a material adverse effect on its business, financial condition and results of operations.

The Group's real estate development business may be materially and adversely affected if mortgage financing becomes more costly, less attractive or less available for purchasers.

Most of the purchasers of the residential properties the Group develops and sells rely on mortgages provided by PRC commercial banks to fund their purchase. Mortgage financing relating to property purchase has been heavily regulated in the PRC. In the past few years, different levels of the PRC government introduced a number of policies and measures to control the rapidly increasing property prices and to curtail the overheating property market in the PRC.

From time to time, the PRC government issues laws, regulations or government policies regarding mortgage financing to regulate the PRC property market. In January 2010, the State Council issued the Circular on Promoting the Stable and Sound Development of the Real Estate Market, which, among other things, provides that homeowners with outstanding mortgage loans who intend to buy additional housing properties for themselves, their spouses or dependent children are required to pay a down payment of no less than 40% of the purchase price and the applicable interest rate shall be set strictly based upon the associated risk level. In April 2010, the State Council issued a notice to raise the minimum down payment for second home purchases to 50% and set a minimum 30% down payment on first homes with a GFA of more than 90 sq.m. Further, pursuant to such notice, interest rate for mortgage loans of second homes cannot be lower than 110% of the PBOC benchmark lending rate. In May 2010, the Ministry of Housing and Urban-Rural Development ("**MOHURD**", previously the Ministry of Construction), PBOC and the CBRC jointly issued a circular to clarify that the number of residential properties owned by an individual property purchaser who is applying for mortgage loans shall be determined by taking into account all residential properties owned by the family members of such purchaser (including the purchaser and such purchaser's spouse and children under the age of 18), and that property purchasers of second or subsequent residential properties shall be subject to different credit terms when applying for mortgage loans. According to a notice jointly issued by PBOC and CBRC on September 29, 2010, the minimum down payment has been raised to 30% for all first home purchases, and commercial banks are required to suspend mortgage loans for purchases of a customer's third or subsequent residential properties. In January 2011, the State Council issued a circular to further raise the minimum down payment for second home purchases to 60%. In September 2014, PBOC and CBRC jointly issued a circular which provide that (1) the minimum mortgage loan interest rate for first-time purchasers of residential property was set at 70% of the benchmark lending interest rate; (2) where a family that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to purchase another residential property to improve living conditions, the bank may apply the aforesaid mortgage loan policy for first-time purchasers of residential property; and (3) in cities that have lifted restrictions on the purchase of residential property by residents or those that have not imposed such restrictions, when a family that owns two residential properties or more and has paid off its existing mortgage loans applies for a new mortgage loan to purchase another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency and credit standing of the borrower and other factors, to decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions required by the related policies. In March 2015, PBOC, CBRC and MOHURD jointly issued a notice to lower the minimum down payment from 60% to 40% for the family that owns a residential property and has not paid off its existing mortgage loan applying for a new mortgage loan to purchase another ordinary residential property to improve living conditions and allow the bank at its own discretion to decide the down payment ratio and loan interest rate taking into consideration the solvency and credit standing of the borrower. In February 2016, the PBOC and CBRC jointly issued a notice which provides that in cities where property purchase control measures are not being implemented, the minimum down payment ratio for a personal housing commercial loan obtained by a household for purchasing its first ordinary residential property is, in principle, 25% of the property price, which can be adjusted downward by 5% by local authorities. For existing residential property household owners which have not fully repaid the previous loan and are obtaining further personal housing commercial loan to purchase an additional ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio shall be not less than 30%, which is lower than the previous requirement of not less than 40%. On August 25, 2019, PBOC issued the

Announcement of the People's Bank of China No.16 [2019] under which, starting from October 8, 2019, new commercial individual housing loans should be priced by adding basis points to the latest monthly loan prime rate (LPR) of corresponding maturity. The basis points added should conform to the national and local housing credit policy requirements, reflect the loan risk profile, and remain fixed during the contract period. The interest rate of first-time commercial individual housing loans should not be lower than the LPR of corresponding maturity, and the interest rate of second-time commercial individual housing loans not be lower than the LPR of corresponding maturity plus 60 basis points. In addition, mortgagee banks may not lend to any individual borrower if the monthly repayment of the anticipated mortgage loan would exceed 50% of the individual borrower's monthly income or if the total debt service of the individual borrower would exceed 55% of such individual's monthly income. Since 2013, as a result of foregoing factors, PRC banks have generally tightened mortgage lending, which had affected the demand in the property market in general. In the event that mortgages become more difficult to obtain or that the costs of such financing increases, many of our prospective customers who rely on mortgages may not be able to purchase our properties. In line with industry practice, the Issuer provides guarantees to banks for mortgage loans they offer to purchasers of the Issuer's properties. If there are changes in laws, regulations, policies or practices that would prohibit property developers from providing such guarantees and these banks do not accept alternative guarantees from third parties, if available, it may become more difficult for property purchasers to obtain mortgages from banks in connection with pre- sales. Such difficulties may inhibit pre-sales, which could materially and adversely affect our business, prospects, financial condition and results of operations.

The real estate development business is subject to claims under statutory quality warranties.

Under the Regulations on Administration of Development and Operation of Urban Real Estate (城市房屋地產開發經營管理條例) enacted by the State Council, and Regulations for the Administration of Sale of Commodity Building (商品房銷售管理辦法), all property developers in the PRC must provide certain quality warranties for the properties they develop or sell. The Group is required to provide these warranties to the purchasers of the properties it develops and sells. Generally, the Group receives quality warranties from its third-party contractors with respect to its property projects. If a significant number of claims were brought against the Group under its warranties and if the Group was unable to obtain compensation for such claims from third-party contractors in a timely manner or at all, the Group could incur significant expenses to resolve such claims or face delays in remedying the related defects, which could in turn harm its reputation, and materially adversely affect its real estate development business and related financial condition and results of operations.

The PRC property market is cyclical, and the Group's real estate development activities are susceptible to significant fluctuations.

The PRC property market is, and is expected to continue to be, cyclical as a result of changes in market supply and demand. The rapid expansion of the property market in certain major cities in the PRC, including Guangzhou, Beijing and Shanghai, in the early 1990s culminated in an oversupply in the mid-1990s and a corresponding fall in property and rents in the second half of that decade. In addition, there was also a fall in property prices and rental yields during the economic downturn in 2008. Since the late 1990s, the number and price of residential real estate development projects have increased in major cities as a result of an increase in demand driven by domestic economic growth. In particular, prices of residential real estates in major PRC cities such as Shanghai and Beijing have experienced rapid and significant growth. In recent years, however, risk of property oversupply is increasing in certain parts of China, where property investment, trading and speculation have become overly active. In the event of actual or perceived oversupply, together with the effect of the PRC government policies to curtail the overheating of the property market, property prices may fall significantly and property sales and results of operations of the Group could be adversely affected. The growth of the property market in the PRC has become relatively flat in the last twelve months. It is uncertain what the effect of the lifting of the various government regulations on the property market will be as ultimately property prices are driven by demand and supply. There can be no assurance that the problems of oversupply and falling property prices will not recur in the PRC property market. To the extent that supply in the overall property market significantly exceeds demand, the Group may be affected by significant market downturns, and its sales of real properties, financial condition and results of operations could be materially and adversely affected.

In addition, the results of operations of the Group's real estate development business are subject to seasonality and may fluctuate from time to time. The number of properties that the Group can develop or complete during any particular period is subject to a number of factors including but not limited to availability of land, construction schedules, permit approvals and lengthy development periods before revenue and profit from developments are realized and recognized (in particular for projects that are developed in multiple phases over the course of several years). Therefore, the cyclical property market in the PRC affects the timing for the Group's sale of completed properties. This cyclicality, combined with the lead time required for the completion of projects and the sale of properties, means that the results of operations of the Group relating to real estate development activities may be susceptible to significant fluctuations from year to year.

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

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

The Group is dependent on the primary land development business and infrastructure construction business and may not be able to sustain operating revenue and profitability if its primary land development and infrastructure projects are completed.

The Issuer is the primary state-owned entity through which Shouguang implements its development plans for the government-subsided housing, operates its land resources and conducts its infrastructure construction. Since the Group's establishment, it has been engaged by Shouguang to conduct real estate development and construct infrastructure by way of an agent construction model. In the recent years, the Group begins to operate land resources which brought significant revenues to the Group. The Group is dependent on its real estate development and operation of land resources businesses. A significant portion of the Group's operating revenue is derived from its real estate development and operation of land resources businesses. For the years ended 31 December 2017, 2018 and 2019, the Group's operating revenue generated from its real estate development business was RMB148.9 million, RMB177.7 million and RMB256.2 million respectively, representing 25.4 per cent., 25.8 per cent and 21.5 per cent., respectively, of the Group's total operating revenue. For the years ended 31 December 2017, 2018 and 2019, the Group's operating revenue generated from its operation of land resources was RMB50.5 million, RMB109.2 million and RMB418.1 million respectively, representing 8.6 per cent., 15.9 per cent and 35.1 per cent., respectively, of the Group's total operating revenue. In this case, if the real estate development and operation of land resources projects are completed, the Group may experience a significant decrease in operating revenue and operating profit.

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

The cost of construction materials, such as steel, which constitutes a significant portion of the Group's payments to its construction contractors, may fluctuate. Any increase in the cost of construction materials may result in additional costs to the Group and may lead to future increases in construction contract costs. Construction material costs have fluctuated in recent years. Any increase in the cost of any significant construction materials will adversely impact the Group's overall construction costs, which is generally one of the largest components of the Group's cost of sales for its properties. If the Group cannot pass any or all of the increased costs on to its customers, its profitability could be adversely affected.

The insurance coverage of the Group may not adequately protect it against all operational risks.

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

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

To manage operating risks, the Group maintains insurance policies that provide different types of risk coverage, which the Group believes to be consistent with the relevant law and industry and business practice in the PRC. However, claims under the insurance policies may not be honoured fully or on time, or the insurance coverage may not be sufficient to cover costs incurred in the Group's operations due to the above-mentioned operational risks. There are also certain types of losses (such as from wars, acts of terrorism or acts of God, business interruption, property risks and third party (public) liability) that generally are not insured because they are either uninsurable or not economically insurable. To the extent that the Issuer or any of its subsidiaries suffers loss or damage that is not covered by insurance or that exceeds the limit of its insurance coverage, the Group's results of operations and cash flow may be materially and adversely affected.

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

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

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 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 operation. If the Group's accounts receivables were 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 Shouguang is subject to seasonal peaks and troughs. Heat energy demand typically peaks in cooler periods in Shouguang. Demand begins to slacken during the warm season. As such, revenue typically rises during the peak season and decreases during the slack period. For the years ended 31 December 2017, 2018 and 2019, 100.0 per cent., 100.0 per cent. and 100.0 per cent. of the total sales volume of heat energy of Shouguang Jinhui Heat Energy Co., Ltd.（壽光市金惠熱力有限公司）occurred in the peak season, respectively, and 100.0 per cent., 100.0 per cent. and 100.0 per cent. of the total sales volume of heat energy of Shouguang Chengtou Heating Co., Ltd.（壽光城投熱力有限公司）(formerly known as Shouguang Xicheng Heating Co., Ltd.（壽光西城供熱有限公司）) occurred in the same peak season, respectively. As such, the interim financial performance may not be indicative of a business segment or the Group's financial performance for the full year.

Adverse events concerning the Group's existing tenants or negative market conditions affecting the Group's existing tenants could have an adverse impact on the Group's ability to attract new tenants, release space, collect rent or renew leases, and thus could adversely affect cash flow from operations and inhibit growth.

The Group's cash flow from its property leasing operations depends on the ability to lease space to tenants on economically favourable terms. The Group could be adversely affected by various facts and events over which the Group has limited or no control, such as:

- lack of demand for space in areas where the properties are located;
- inability to retain existing tenants and attract new tenants;
- oversupply of or reduced demand for space and changes in market rental rates;
- defaults by tenants or failure to pay rent on a timely basis;
- the need to periodically renovate and repair marketable space;
- physical damage to properties;
- economic or physical decline of the areas where properties are located; and
- potential risk of functional obsolescence of properties over time.

At any time, any tenant may experience a downturn in its business that may weaken its financial condition. As a result, a tenant may delay lease commencement, fail to make rental payments when due, decline to extend a lease upon its expiration, become insolvent or declare bankruptcy. Any tenant bankruptcy or insolvency, leasing delay or failure to make rental payments when due could result in the termination of the tenant's lease and material losses to the Group.

If tenants do not renew their leases as they expire, the Group may not be able to rent the space. Furthermore, leases that are renewed, and some new leases for space that is re-let, may have terms that are less economically favourable than expiring lease terms, or may require the Group to incur significant costs, such as renovations, tenant improvements or lease transaction costs. Any of these events could adversely affect the Group's cash flow from operations and the Group's ability to make distributions to shareholders and service indebtedness. A significant portion of the costs of owning property, such as real estate taxes, insurance, property management fees and debt service payments, are not necessarily reduced when circumstances cause a decrease in rental income from the properties.

Construction materials are commodity-like, which are subject to significant changes in supply and demand and price fluctuations, and any substantial or extended decrease in the selling prices would have a material adverse effect on the Group's manufacturing of construction materials business.

Construction materials are commodity-like and competition among producers is based largely on price. Prices are often subject to material changes in response to relatively minor fluctuations in supply and demand, general economic conditions and other market conditions beyond the Group's control. Increases in the production capacity of industry participants tend to create an oversupply, leading to an imbalance between supply and demand, which may have a negative impact on product prices. Currently, there continues to be significant excess supply of construction materials in China which has led to increased price competition and depressed average selling prices in the past few years.

The selling prices of the construction materials have decreased in recent years. Many factors, however, could cause these prices to further decrease, including the level of demand and supply in the primary markets, the nature and extent of governmental regulation and taxation, the number and strength of competitors, the availability, proximity and capacity of transportation facilities, and general economic conditions. Accordingly, the average unit selling prices of construction materials might continue to decrease. Any substantial or prolonged decrease in the selling prices of construction materials may adversely affect the Group's liquidity, business, results of operations and financial condition.

The Group may not be able to fully detect money laundering and other illegal or improper activities in its business operations on a timely basis

The Group is required to comply with applicable anti-money laundering, anti-terrorism laws and other regulations in the PRC and other relevant jurisdictions. The PRC's anti-money laundering law requires financial institutions to establish sound internal control policies and procedures with respect to anti-money laundering monitoring and reporting activities. Such policies and procedures require the Group to, among other things, establish a customer identification system in accordance with the relevant rules, record the details of customer activities and report suspicious transactions to the relevant authorities.

While the Group has adopted policies and procedures aimed at detecting and preventing the use of its business platforms to facilitate money laundering activities and terrorist acts, such policies and procedures in some cases have only been recently adopted and may not completely eliminate instances in which it may be used by other parties to engage in money laundering and other illegal activities. In the event that the Group fails to detect money laundering or other illegal or improper activities or fails to fully comply with applicable laws and regulations, the relevant government agencies may freeze its assets or impose fines or other penalties on it. Any of these may materially and adversely affect its business reputation, financial condition and results of operations.

The Group's businesses may be adversely affected if it is unable to retain and hire qualified employees.

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

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

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

- hiding unauthorized 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 authorized limits;
- engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities when marketing or selling products;
- engaging in unauthorized 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. Furthermore, it is not always possible to detect and prevent fraud and other misconduct, and the precautions the Group takes to prevent and detect such activities may not be effective. There is no assurance that fraud or other misconduct will not occur in the future. If such fraud or other misconduct does occur, it may cause negative publicity as a result.

The Group is exposed to litigation risks.

The Group may from time to time be involved in disputes with governmental entities, indigenous residents, contractors, suppliers, employees and other third party service providers during the course of its daily operations. Claims may be brought against members of the Group for a number of reasons, such as defective or incomplete work, personal injuries, property damages, breach of warranty or delay in completion and delivery projects. In addition, the Group may bring claims against project contractors for additional costs incurred as a result of the contractors' underperformance or non-performance, project defects or default by the contractors. If the disputes or claims are not resolved or settled through negotiation or mediation, the Group may be involved in lengthy and costly litigation or arbitration proceedings, which may distract the Group's financial and managerial resources. In the event that the Group prevails in those legal proceedings, there is no assurance that the judgement or awards will be effectively enforced. If a judgment or award is rendered against the Group, the amounts payable by the Group may not be fully covered by the Group's insurance, and the amounts could differ from the provisions made by the Group based on its estimates. Any material charges associated with claims brought against the Group and material write downs associated with the Group's claims could have a material adverse impact on its financial condition, results of operations and cash flow.

The Group faces competition in the markets in which it operates, which may adversely affect its business and results of operations.

The Group believes that the construction industry in the PRC operates in a market-oriented open competition environment. The Group's competition comes from various sources, including large state-owned enterprises of the PRC and privately-owned domestic companies, in Shouguang in particular. As a result of the PRC's accession to the World Trade Organisation, the PRC government has opened up domestic markets to foreign competition, and foreign invested companies are now allowed to participate in various types of infrastructure projects. The Group also competes with both local and international companies in capturing new business opportunities in the PRC. Some of these companies have significant financial resources, marketing and other capabilities. In the PRC, some of the local companies have extensive local knowledge and business relationships and a longer operational track record in the relevant local markets than the Group. The international companies are able to capitalize on their overseas experience to compete in various PRC markets. The Group's market position depends on its ability to anticipate and respond to various competitive factors, including pricing strategies adopted by competitors, changes in customer preferences, availability of capital and financing resources and the introduction of new or improved products and services. There can be no assurance that the Group's current or potential competitors will not offer services or products comparable or superior to those that it offers at the same or lower prices or adapt more quickly than the Group does to evolving industry trends or changing market conditions. The Group may lose its customers to its competitors if, among other things, it fails to keep its prices at competitive levels or to sustain and upgrade its capacity and technology. Increased competition may result in price reductions, reduced profit margins and loss of market share, which in turn may adversely affect the Group's financial condition and results of operations.

The Group is subject to joint venture risks.

Certain of the Group's operations are conducted through jointly controlled entities and associated companies. Co-operation and agreement among the Group's joint venture partners on its existing or any future projects are important factors for the smooth operation and financial success of such projects. The Group's joint venture partners may (i) have economic or business interests or goals that are inconsistent with those of the Group; (ii) be unable or unwilling to fulfil their obligations under the relevant joint venture or other agreements; or (iii) experience financial or other difficulties. Further, the Group may not be able to control the decision-making process of the joint ventures as, in some cases, it does not have majority control of the joint venture. The Group does, however, through contractual provisions or representatives appointed by it, typically have the ability to influence certain material decisions. Although the Group has not experienced any significant problems with its partners to date, no assurance can be given that disputes among its partners will not arise in the future that could adversely affect such projects.

The Group may be subject to risks related to changes in PRC tax law.

On 23 March 2016, MOF and the SAT issued the Circular of Full Implementation of Business Tax to Value-added Tax Reform(財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知)("**Circular 36**"), which stipulates that, as at 1 May 2016, all payers of business tax, including taxpayers engaged in the construction and real estate industries, shall be included in the scope of the pilot programme and subject to value-added tax ("**VAT**") instead of business tax. Circular 36 may have an impact on the Group's business model as it may increase the tax burden of the Group. On 4 April 2018, MOF and the SAT issued the Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates(財政部、稅務總局關於調整增值稅稅率的通知)("**Circular 32**"), which stipulates that the tax rate for provision of construction services and transfer of land use rights shall be reduced from 11 per cent. to 10 per cent. from 1 May 2018 onwards. In addition, on 20 March 2019, MOF, the SAT and the General Administration of Customs issued the Announcement on Relevant Policies for Deepening Value-Added Tax Reform(關於深化增值稅改革有關政策的公告)("**Circular 39**"), which stipulates that the tax rate for provision of construction services and transfer of land use rights shall be reduced from 10 per cent. to 9 per cent. from 1 April 2019 onwards.

As Circular 36, Circular 32 and Circular 39 are relatively new and given the limited volume of published decisions relating to their application, there are uncertainties as to the interpretation and enforcement of Circular 36, Circular 32 and Circular 39 and/or any tax-related laws and regulations which may be promulgated in the future from time to time. These tax law changes and the related uncertainties may have a material adverse effect on the Group's operating income and could in turn materially and adversely affect the Group's business, financial condition and results of operations.

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

The Group relies on third-party contractors to carry out infrastructure construction. Such businesses are labour intensive. However, in recent years, work stoppages, employee suicide and other similar events in certain cities in China have caused the government to amend labour laws to enhance protection of employees' rights. Increasing awareness of labour protection as well as increasing minimum wages is likely to increase the labour costs afforded by enterprises in China in general, including the contractors participating in the Group's projects. As the Group is responsible for making progress payments to its third-party contractors in its primary land development and infrastructure construction business, any increase in the labour costs of those third-party contractors may negatively affect the Group's cash flow, which could materially and adversely affect the Group's business, prospects and results of operations.

In addition, strikes or other labour unrests could directly or indirectly prevent or hinder the construction progress, and, if not resolved in a timely manner, could lead to delays in completing the Group's projects. Such actions are beyond the Group's foreseeability or control. There is no assurance that labour unrest will not affect general labour market conditions or result in further changes to labour laws.

The Group's operations are subject to force majeure events, natural disasters and outbreaks of contagious diseases.

Force majeure events, natural disasters, catastrophe or other events could result in severe personal injury to the Group's staff, property damage and environmental damage, which may curtail the Group's operations, cause delays in estimated completion dates for the Group's various construction and infrastructure projects and could in turn materially and adversely affect the Group's cash flows and accordingly, adversely affect its ability to repay any debt.

A substantial portion of the Group's operations are based in the Shouguang, which is exposed to potential natural disasters including, but not limited to, earthquakes, flooding, landslides, mudslides and drought. If any of the construction and infrastructure projects of the Group are damaged by severe weather or any other disasters, accidents, catastrophes or other events, the Group's operations may be significantly interrupted. The occurrence or continuance of any of such unforeseen events or similar events could increase the costs associated with the Group's operations and reduce its ability to operate its businesses effectively, thereby reducing its revenue and profits.

In addition, the Group's contracts with its suppliers and other counterparties may have force majeure provisions that permit such parties to suspend, terminate or otherwise not perform their obligations under the relevant contracts upon the occurrence of certain events such as strikes and other industrial or labour disturbances, terrorism, restraints of government, civil protests or disturbances, or any natural disasters; all of which are beyond the control of the party asserting such force majeure event. If one or more of the Group's suppliers or other counterparties do not fulfil their contractual obligations for any extended period of time due to a force majeure event or otherwise, the Group's results of operations and financial condition could be materially and adversely affected.

Risks of substantial costs and liabilities are inherent in the Group's principal operations and there can be no assurance that significant costs and liabilities will not be incurred, including those relating to claims for damages to property or persons. Insurance policies for civil liability and damages taken out by the Group could prove to be significantly inadequate, and there can be no assurance that the Group will always be able to maintain an adequate level of coverage at least equal to the Group's current coverage and at the same cost. The frequency and magnitude of natural disasters seen over the past few years, for example, the earthquakes, flooding and landslides in the Shandong Province in recent years, could have a significant impact on the capacities of the insurance and reinsurance market and on the costs of civil liability and damages insurance cover for the Group. Please see "*– The insurance coverage of the Group may not adequately protect it against all operational risks.*" in this section for further information.

In addition, the Group's operations are also subject to outbreaks of contagious diseases, such as Severe Acute Respiratory Syndrome ("**SARS**"), H5N1 avian flu or the human swine flu, also known as Influenza A or, most recently, the novel coronavirus named COVID-19 by the World Health Organization. Since December 2019, there has been an outbreak of a novel coronavirus named COVID-19 in China and abroad. COVID-19 is highly infectious and has resulted in a significant number of hospitalisations and deaths in the PRC and many other countries. On 11 March 2020, WHO declared COVID-19 outbreak a pandemic. Governments across the world have imposed travel restrictions and/or lockdown in an effort to curb the spread of highly infectious COVID-19. There is no assurance that the current containment measures will be effective in halting the pandemic. The current containment measures and any future containment measures may materially and adversely affect the manufacturing, exports and imports and consumption of goods globally, which may in turn lead to global economy slowdown. Due to the pandemic, the completion of the Group's projects may be delayed and sales might be lower than expected, which might in turn result in substantial increase in the Group's development costs, late delivery of projects and/or otherwise adversely affect the Group's profitability and cash flows. Further, customers who have previously entered into contracts to engage the Group for projects or to purchase equipment or materials from the Group may default on their contracts if the economic situation further deteriorates as a result of the epidemic.

Past occurrences of epidemics and pandemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. Another public health crisis in China triggered by a recurrence of SARS or an outbreak of any other epidemics and pandemics, including, for example, the ongoing COVID-19, especially in the cities where the Group has operations, may result in disruptions to the Group's operation. In addition, the outbreak of communicable diseases, such as the COVID-19 outbreak on a global scale, may affect investment sentiment and result in sporadic volatility in global capital markets or adversely affect China and other economies. Such outbreak has resulted in restrictions on travel and public transportation and prolonged closures of workplaces, which may have a material adverse effect on the global economy. Any material change in the financial markets, the PRC economy or regional economies as a result of these events or developments may materially and adversely affect the Group's business, financial condition and results of operations.

The Group publishes 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 Offering Circular.

The Group from time to time issues corporate bonds and short-term financing bills in the domestic capital markets in the PRC. According to applicable PRC securities regulations on debt capital markets, the Group needs to publish its quarterly, half year and annual financial information to satisfy its continuing disclosure obligations relating to its corporate bonds and short-term financing bonds. After the Bonds are issued, the Issuer is obligated by the terms of the Bonds, among others, to provide holders of the Bonds with its audited financial statements and certain unaudited but reviewed periodical financial statements. The quarterly and half year financial information published by the Group in the PRC is normally derived from the Group's management accounts and has not been audited or reviewed by independent auditors. As such, this financial information published in the PRC should not be relied upon by potential purchasers to provide the same quality of information associated with any audited information. The published financial information in the PRC may be adjusted or restated to address subsequent changes in accordance with the accounting standards, the Issuer's accounting policies and/or applicable laws and regulations affecting the Group's financial reporting or to reflect the subsequent comments given by the independent auditors during the course of their audit or review. Such adjustment or restatement may cause discrepancies between the financial information with respect to a particular period or date contained in the Issuer's management accounts subsequently published in the PRC and its audited or reviewed financial statements to be provided to holders of the Bonds. The Issuer is not responsible to holders of the Bonds 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.

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

The Issuer's historical financial information included in this Offering Circular is not indicative of its future financial results. Such financial information is not intended to represent or predict the results of operations of any future periods. The Group's future results of operations may change materially if its future growth does not follow the historical trends for various reasons, including factors beyond its control, such as changes in economic environment, PRC environmental rules and regulations and the domestic and international competitive landscape of the industries in which the Group operates its businesses.

The Group's accounts were prepared in accordance with PRC GAAP which may be different from IFRS.

The Group's accounts were prepared in accordance with PRC GAAP and other relevant regulations issued thereafter. Although PRC GAAP are substantively in line with IFRS, PRC GAAP are, to a certain extent, different from IFRS. See "*Summary of Certain Differences between PRC GAAP and IFRS*". There is no guarantee that the PRC GAAP will fully converge with IFRS or there will be no additional differences between the two accounting standards in the future. Potential investors should consult their own professional advisers for an understanding of any differences that may exist between PRC GAAP and IFRS, and how those differences might affect the financial information included in this Offering Circular.

RISKS RELATING TO DOING BUSINESS IN THE PRC

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

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

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

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

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

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

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

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

The Group is generally subject to laws and regulations of the PRC. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but they have limited precedential value. Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to market participants in the PRC. However, since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the enforcement of these laws, regulations and rules may be uncertain and their interpretation may not be as consistent or predictable as compared to other more developed jurisdictions. Such uncertainty may impede the Group's ability to enforce contracts that the

Group has entered into with its investors, creditors, customers, suppliers and business partners. The Group cannot predict the effect of future developments in the PRC legal system or the integration of such developments under the legal systems of other jurisdictions, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, the pre-emption of local regulations by national laws, or the overturn of local government's decisions by itself, provincial or national governments. This uncertainty may limit legal protections available to or against the Group. In addition, any litigation in the PRC may be protracted and could result in substantial costs and may divert the Group's resources or management's attention, all of which could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

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

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

It may be difficult to effect service of process upon, or to enforce against, the 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 directors of the Issuer and the members of its senior management of the Issuer 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 Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "**Choice of Court Arrangement**"), pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a "choice of court" agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final court judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a "choice of court" agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A "choice of court" agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Choice of Court Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for 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, the Group's assets or the Issuer's directors or members of its senior management in the PRC and/or to seek recognition and enforcement for foreign judgments in the PRC. On 18 January 2019, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters between the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "**2019 Arrangement**"), which seeks to establish a bilateral legal mechanism with greater clarity and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between Hong Kong and the PRC. The 2019 Arrangement will be implemented by local legislation in Hong Kong and will take effect after both Hong Kong and the PRC have completed the necessary procedures to enable implementation. However, the recognition and enforcement of foreign judgements in the PRC are subject to the provisions, limitations, procedures and other terms and requirements of the 2019 Arrangement and there may still be hurdles for investors to effect service of process against the Issuer, the Group's assets or the Issuer's directors or members of its senior management in the PRC and/or 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 payment of dividends by the Issuer's operating subsidiaries in the PRC is subject to restrictions under the PRC law.

The Issuer operates a substantial portion of its businesses through its operating subsidiaries in the PRC. The PRC laws require that dividends be paid only out of net profit, calculated according to the PRC accounting principles, which differ from generally accepted accounting principles in other jurisdictions. In addition, the PRC law requires enterprises set aside part of their net profit as statutory reserves before distributing the net profit for the current financial year. These statutory reserves are not available for distribution as cash dividends. Since the availability of funds to fund the 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.

The Group's labour costs may increase for reasons such as the implementation of China's employment regulation.

Labour Contract Law of the PRC (中華人民共和國勞動合同法), as amended on 28 December 2012, was issued on 29 June 2007 and came into effect on 1 January 2008. It imposes more stringent requirements on employers in relation to entry into fixed-term employment contracts and compensation payment at dismissal of employees. A minimum wage requirement has also been incorporated into Labour Contract Law of the PRC. In addition, under the Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例), issued on 14 December 2007 and effective from 1 January 2008, employees who have worked continuously for more than one year are entitled to paid annual leave ranging from 5 to 15 days. Employees who consent to waive such vacation at the request of employers due to work commitments shall be compensated an amount equal to three times their normal daily salaries for each vacation day being waived. The implementation of the labour law in the PRC has increased the Group's labour costs (including those incurred by contractors). In the event the Group decides to significantly change its workforce, Labour Contract Law of the PRC could adversely affect its ability to effect these changes in a cost-effective manner or in the manner that the Group desires, which may result in an adverse impact on the Group's businesses and results of operations.

Further, in the event that there is a labour shortage or a significant increase to labour costs, the Group's business operation costs is likely to increase. In such circumstances, the profit margin may decrease and the financial results may be adversely affected. In addition, inflation in the PRC has increased in recent years, which also results in the increase of the costs of labour. Rising labour costs may increase the Group's operating costs and partially erode the cost advantage of the Group's operations and therefore negatively impact the Group's profitability.

The PRC government's control of foreign currency may limit the Group's foreign exchange transactions.

Government control of currency conversion may adversely affect the value of investors' investments. All of the Group's revenues and expenses are denominated in Renminbi, which is also the Group's reporting currency. A portion of the Group's cash may be required to be converted into other currencies in order to meet the Group's foreign currency needs, including repayment of the principal amount and interests of the Bonds. Currently, Renminbi is not a freely convertible currency. Conversion and remittance of foreign currencies are subject to PRC laws and regulations that affect exchange rates and foreign exchange transactions. Under the current PRC foreign exchange control system, foreign exchange transactions under the Group's current account do not require prior approval from SAFE, but the Group is required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks. Foreign exchange transactions under the capital account conducted by the Group, however, must be approved in advance by SAFE or registered with SAFE upon approval of other competent authorities, including NDRC and the Ministry of Commerce of the PRC.

There can be no assurance that policies regarding foreign exchange transactions under current accounts or capital accounts will continue in the future. The PRC government may restrict future access to foreign currencies under current or capital account transactions at its discretion. A change in policy could restrict the Group's ability to obtain sufficient foreign currency, which could have an effect on the Group's ability to meet foreign exchange requirements. In addition, foreign exchange transactions under current accounts may no longer be freely convertible and could require the approval of the SAFE. Failure to obtain approval from the SAFE to convert Renminbi into any foreign currency for foreign exchange transactions could have an adverse effect on the Group's results of operations and financial condition. Moreover, if the Group was unable to obtain sufficient foreign currency, it might not be able to pay interest to the holders of the Bonds in foreign currencies.

RISKS RELATING TO THE BONDS AND THE STANDBY LETTER OF CREDIT

The Bonds will be mandatorily redeemed upon a pre-funding failure.

The Conditions provide for a demand to be made under the Standby Letter of Credit in the event the Issuer fails to pre-fund the principal and interest due on any Bonds or upon the occurrence of an Event of Default under the Bonds. Such demand will be made in respect of the full amount of the outstanding principal due and interest accrued on the Bonds (together with all fees, expenses and other amounts payable by the Issuer under or in connection with the Bonds, the Trust Deed and/or the Agency Agreement then outstanding), and thereafter the Bonds will be mandatorily redeemed in accordance with Condition 6(d) (*Mandatory Redemption upon Pre-funding Failure*) of the Conditions. Bondholders will not be able to hold their Bonds to maturity should such mandatory redemption occur.

Any failure to complete the relevant filings and/registration under the NDRC Circular and with SAFE within the prescribed time frames may have adverse consequences for the Issuer and/or the investors of the Bonds.

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 or medium- and long-term loans with a term not less than one year issued or incurred outside the PRC with the NDRC prior to the issue of the securities or drawings under the loans, and notify the particulars of the relevant issues or drawings within ten PRC working days after the completion of the issue of the securities. The Issuer has registered the issuance of the Bonds with the NDRC and obtained a certificate from the NDRC on 24 May 2019 with an extension on 13 May 2020 evidencing such registration. The Issuer also undertakes to file or cause to be filed with the NDRC the requisite information and documents on the issuance of the Bonds with the NDRC within ten Registration Business Days after the Issue Date. As the NDRC Circular is a new regulation, there are still uncertainties regarding its interpretation, implementation and enforcement by the NDRC. If the Group fails to complete such filing in accordance with the relevant requirements, due to any change in the relevant regulation the Group may be subject to penalties or other enforcement actions by relevant PRC government authorities. Depending on the governmental agency or the presentation of an application or case to such agency, the Group may receive less favorable interpretations of laws and regulations than its competitors.

In addition, the administration of the NDRC Circular may be subject to a certain degree of executive and policy discretion by the NDRC. There is also risk that the registration certificate with the NDRC may be revoked or amended in the future or that future changes in PRC laws and regulations may have a negative impact on the performance or validity and enforceability of the Bonds in the PRC. Potential investors in the Bonds are advised to exercise due caution when making their investment decisions.

The Issuer also undertakes that it will within 15 Registration Business Days after the Issue Date, submit or cause to be submitted with SAFE an application to register the issue of the Bonds in accordance with the applicable law, regulations and implementation rules issued by SAFE and other competent authorities in the PRC from time to time, and use its best endeavours to complete the Foreign Debt Registration and obtain a registration record from SAFE on or before the Registration Deadline (being the day falling 90 Registration Business Days after the Issue Date). However, whether or not the registration of the Bonds will be completed within such prescribed time period is subject to SAFE's sole discretion. If the Issuer fails to complete the registration with the local branch of SAFE, the Issuer may have difficulty in remitting funds offshore to service payments in respect of the Bonds and investors may encounter difficulties in enforcing judgments obtained in the Hong Kong courts with respect to the Bonds and the Trust Deed in the PRC. In such circumstances, the value and secondary market price of the Bonds may be materially and adversely affected.

The Bonds are unsecured obligations of the Issuer and are subordinated to the Issuer's secured indebtedness to the extent of the value of the collateral securing such indebtedness.

The Bonds are the Issuer's general unsecured obligations, and the repayment of the Bonds may be compromised if: (i) the Issuer enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings; (ii) there is a default in payment under the 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 and any amounts received from the sale of such assets may not be sufficient to pay amounts due on the Bonds.

The Bonds are the Issuer's unsecured obligations and will (i) rank at least equally in right of payment with all the Issuer's other present and future unsecured and unsubordinated obligations, (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 indebtedness, and (iii) be senior to all of the Issuer's present and future subordinated obligations, subject in all cases to exceptions as may be provided by applicable law and regulations. As a result, claims of secured lenders, whether senior or junior, with respect to assets securing their loans will be prior to those of unsecured creditors. In the event of the Issuer's bankruptcy, insolvency, liquidation, reorganisation, dissolution or other winding up, or upon any acceleration of the Bonds, these assets will be available to pay obligations on the Bonds only after all other debt secured by these assets has been repaid in full. Any remaining assets will be available to the Bondholders rateably with all of the Issuer's other unsecured and unsubordinated creditors, including trade creditors. If there are insufficient assets remaining to pay all these creditors, then all or a portion of the Bonds then outstanding would remain unpaid.

The Bonds will be structurally subordinated to the existing and future indebtedness and other liabilities and commitments of the Issuer's existing and future subsidiaries.

None of the Issuer's subsidiaries will guarantee the Bonds. Therefore, the Bonds will be structurally subordinated to any indebtedness and other liabilities and commitments, including trade payables and lease obligations, of the Issuer's existing or future subsidiaries, whether or not secured. 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 and the contracts and agreements that they enter into from time to time. The Issuer's subsidiaries are separate legal entities that have no obligation to pay any amounts due under the Bonds or make any funds available therefor, whether by dividends, loans or other payments. As a result, all claims of creditors of the existing and future subsidiaries of the Issuer, including trade creditors, lenders and all other creditors, and rights of holders of preferred shares of such subsidiaries (if any) will have priority as to the assets of such subsidiaries over claims of the Issuer as shareholder and those of creditors of the Issuer, including holders of the Bonds.

If the Issuer is unable to comply with the restrictions and covenants in its debt agreements, or the Bonds, there could be a default under the terms of these agreements, or the Bonds, which could cause repayment of the Issuer's debt to be accelerated.

If the Issuer is unable to comply with the restrictions and covenants in its present or future debt obligations and other financing agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the lenders of the debt could terminate their commitments to lend to the Issuer, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. From time to time the Issuer may need consents under these agreements for actions that the Issuer wants to undertake. Although the Issuer believes that it have obtained all necessary consents, there is no assurance that the relevant lenders may take the same view. Furthermore, some of the Issuer's debt agreements contain cross-acceleration or cross-default provisions. As a result, the default by the Issuer under one debt agreement may cause the acceleration of repayment of, or result in a default under, the Bonds. If any of these events occur, there can be no assurance that the Issuer's assets and cash flows would be sufficient to repay all of the Issuer's indebtedness in full, 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.

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

The Conditions and the transaction documents are governed by English law, whereas parties to these documents submit to the exclusive jurisdiction of the Hong Kong courts. In order to hear matters or disputes governed by English law, Hong Kong courts may require certain additional procedures be taken. Under the Choice of Court Arrangement, judgments of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of the Hong Kong courts. However, recognition and enforcement of a Hong Kong court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC or under certain other circumstances specified by the Choice of Court Arrangement. While it is expected that the PRC courts will recognise and enforce a judgment given by the Hong Kong courts, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area. Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the holders of the Bonds will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the holder's ability to initiate a claim outside Hong Kong will be limited.

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

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

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

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

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds;

- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial advisor) possible economic scenarios, such as interest rate and other factors which may affect its investment and the ability to bear the applicable risks.

An active trading market for the Bonds may not develop.

The Bonds are a new issue of securities for which there is currently no trading market. There can be no assurance as to the liquidity of the Bonds or that an active trading market will develop. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. Although application has been made to the SEHK for the Bonds to be admitted for listing on the official list of the SEHK, no assurance can be given as to the liquidity of, or trading market for, the Bonds. Each of the Managers is not obliged to make a market in the Bonds, and if any Manager does so, it may discontinue such market making activity at any time at its sole discretion. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. In addition, Bondholders should be aware of the prevailing and widely reported global credit market conditions (which continue at the date of this Offering Circular), whereby there is a general lack of liquidity in the secondary market for instruments similar to the Bonds. Such lack of liquidity may result in investors suffering losses on the Bonds in secondary resales even if there is no decline in the performance or the assets of the Group. It is not possible to predict which of these circumstances will change and whether, if and when they do change, there will be a more liquid market for the Bonds and instruments similar to the Bonds at that time. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, holders will only be able to resell their Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act.

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

The Bonds are denominated and payable in United States dollars. An investor who measures investment returns by reference to a currency other than United States dollars would be subject to foreign exchange risks by virtue of an investment in the Bonds due to the fluctuation in the exchange rate of United States dollars and the investor's reporting currency. The value of United States dollars is affected by many economic, political and other factors over which the Issuer has no control. Depreciation of the United States dollar against such currency could cause a decrease in the value of the Bonds and a decrease in effective yield of the Bonds below their stated coupon rates causing a loss when the return on the Bonds is translated into such currency.

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

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in the Issuer's revenue, earnings and cash flows, proposals for new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in price for comparable companies, the revenues, earnings, results of operations or otherwise in the financial condition of the LC Bank, changes in government regulations and changes in general economic conditions nationally or internationally could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the trading volume and price of the Bonds. There is no assurance that these developments will not occur in the future.

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

The market price of the Bonds may be adversely affected by international financial markets, world economic conditions and global interest rates. The market for the Bonds is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investor reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including the PRC. Since the global financial crisis in 2008 and 2009, international financial markets have experienced significant volatility. Beginning in December 2016, the US Federal Reserve has raised interest rates several times each year. Such continued increases in interest rates may increase the uncertainties relating to the prices of bonds denominated in U.S. dollars. If similar developments as those described above occur in the international financial markets in the future, the market price of the Bonds could be adversely affected.

The Issuer may be unable to redeem the Bonds upon the due date for redemption thereof.

Upon maturity, the Bonds will be redeemed at their principal amount, or following the occurrence of a Relevant Event (as defined in the Conditions), the Issuer may, at the option of any Bondholder, be required to redeem all, but not some only, of such Bondholder's Bonds at 100 per cent. of their principal amount, together with accrued interest up to (but excluding) the date of redemption. See "*Terms and Conditions of the Bonds – Redemption and Purchase*". On the Maturity Date or if such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to repay, repurchase or redeem the Bonds on the Maturity Date or in such event may also be limited by the terms of other debt instruments. The Issuer's failure to repay, repurchase or redeem tendered Bonds could constitute an event of default under the Bonds, which may also constitute a default under the terms of the Issuer's other indebtedness.

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

Because the Issuer is incorporated under the laws of the PRC, any insolvency proceeding relating to the Issuer would probably 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 Bonds are familiar. There is no assurance that investors in the Bonds will be able to receive the same level of protection under the insolvency laws of the PRC as those in their respective home jurisdictions.

Modifications and waivers of the Conditions, the Trust Deed and the Standby Letter of Credit may be made by the Trustee or less than all of the holders of the Bonds, and decisions may be made on behalf of all holders of the Bonds that may be adverse to the interests of the individual holders of the Bonds.

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

The Conditions provide that the Trustee may, without the consent of the holders of the Bonds, agree to any modification of the Trust Deed, the Conditions, the Agency Agreement and/or the Standby Letter of Credit (other than in respect of a Reserved Matter (as defined in the Trust Deed)) which will not be materially prejudicial to the interests of the holders of the Bonds and to any modification of the Conditions, the Trust Deed, the Agency Agreement or the Standby Letter of Credit which is of a formal, minor or technical nature or is to correct a manifest error or to comply with any mandatory provision of applicable law.

The Trustee is not, however, responsible nor shall have any liability for the legality, effectiveness, validity, enforceability or admissibility in evidence of the Trust Deed, the Agency Agreement, the Standby Letter of Credit or the Bonds or any transaction documents relating to the Bonds, save in relation to its own gross negligence, wilful default or fraud.

In addition, the Trustee may, without the consent of the holders of the Bonds, authorise or waive any proposed breach or breach of the Conditions, the Trust Deed, the Agency Agreement or the Standby Letter of Credit if, the interests of the holders of the Bonds will not be materially prejudiced thereby. See "*Terms and Conditions of the Bonds – Meetings of Bondholders, Modification, Waiver, Authorisation, Determination and Entitlement of Trustee*".

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

In certain circumstances (including without limitation the giving of notice pursuant to Condition 9 (*Events of Default*) of the Conditions and the taking of enforcement steps pursuant to Condition 13 (*Enforcement*) of the Conditions), the Trustee may (in its sole discretion) request the Bondholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes any action on behalf of Bondholders. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to any indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or pre-funding to it, in breach of the terms of the Trust Deed 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 Bondholders to take such actions directly.

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

Under the Enterprise Income Tax Law of the PRC (the "**EIT Law**") which took effect on 1 January 2008 and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a "non-resident enterprise" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. There remains uncertainty as to whether the gains realised on the transfer of the Bonds by non-resident enterprise Bondholders would be treated as income derived from sources within the PRC and be subject to PRC enterprise income tax. In addition, under the Individual Income Tax Law of the PRC (the "**IIT Law**") as last amended on 30 June 2011, and its implementation rules, 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 Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the ten per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to the Arrangement 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)(the "**Arrangement**") which was promulgated on 21 August 2006, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds if such capital gains are not connected with an office or establishment that the Bondholders have in the PRC and all the other relevant conditions are satisfied.

On 23 March 2016, the MOF and the State Administration of Taxation issued the Circular of Full Implementation of Replacing Business Tax with Value-Added Tax Reform (關於全面推開營業稅改征增值稅試點的通知)(Caishui [2016] No.36) ("**Circular 36**"), which introduced a new VAT from 1 May 2016. Under Circular 36, VAT is applicable where the entities or individuals provide services within the PRC. The Issuer will be obliged to withhold VAT of 6 per cent. and certain surcharges on payments of interest and certain other amounts on the Bonds paid by the Issuer to Bondholders that are non-resident enterprises or individuals. VAT is unlikely to be applicable to any transfer of Bonds between entities or individuals located outside the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Bonds, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. Circular 36 together with other laws and regulations pertaining to VAT are relatively new, and the interpretation and enforcement of such laws and regulations involve uncertainties.

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

The Bonds will initially be evidenced by a Global Certificate and holders of a beneficial interest in a Global Certificate must rely on the procedures of the clearing systems.

The Bonds will initially be evidenced by beneficial interests in a Global Certificate. Such Global Certificate will be registered in the name of a nominee for, and deposited with, a common depositary for Euroclear and Clearstream (the "**Clearing Systems**"). Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive Certificates. The Clearing Systems will maintain records of the beneficial interests in the Global Certificate. While the Bonds are evidenced by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Bonds are represented by the Global Certificate, the Issuer will discharge its payment obligations under the Bonds by making payments to the relevant Clearing Systems for distribution to their account Bondholders.

A holder of a beneficial interest in a Global Certificate must rely on the procedures of the relevant Clearing Systems to receive payments under the Bonds. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

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

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

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

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

The Issuer may redeem the Bonds at its option, in whole but not in part, at a redemption price equal to their principal amount (together with interest accrued to but not including the date fixed for redemption) if, subject to certain conditions, as a result of a change in tax law, the Issuer has or will become obliged to pay Additional Tax Amounts (as defined in the Conditions), as further described in Condition 6(b) (*Redemption for Taxation Reasons*) of the Conditions.

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

The Issuer may issue additional Bonds in the future.

The Issuer may, from time to time, and without the consent of the Bondholders, create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects save for the issue date, the first payment of interest on them and the timing for making the NDRC Post-issue Filing and the Foreign Debt Registration and any reports or notices in respect thereof) or otherwise raise additional capital through such means and in such manner as it may consider necessary. See "*Terms and Conditions of the Bonds – Further Issues*". There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Bonds. The issue of any such debt securities may also reduce the amount recoverable by investors in the Bonds upon the Issuer's bankruptcy, winding-up or liquidation.

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

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

The LC Bank's ability to perform its obligations under the Standby Letter of Credit is subject to the financial condition of Xiamen International Bank Co., Ltd. ("XIB").

The LC Bank is not a separate and independent legal person but has capacity to carry on its activities within its scope of the authorisation given by XIB, and if the assets of the LC Bank are not sufficient to meet the obligations of the LC Bank under the Standby Letter of Credit, XIB would have an obligation to satisfy the balance of the obligations under the Standby Letter of Credit. Therefore, the ability of the

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

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

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

In addition, as neither XIB nor the LC Bank has 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 SBLC expires 21 days after the Maturity Date.

The SBLC will expire 21 days after the Maturity Date. In the event that the Trustee does not enforce the SBLC by this expiration date, Bondholders will not be able to benefit from the credit protection provided by the LC Bank.

EXCHANGE RATES

The PBOC sets and publishes on a daily basis a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. On 21 July 2005, the PRC Government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by two per cent. against the U.S. dollar. The PRC Government has since made and in the future may make further adjustments to the exchange rate system. On 18 May 2007, the PBOC enlarged, effective on 21 May 2007, the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar from 0.3 per cent. to 0.5 per cent. around the central parity rate. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5 per cent. above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0 per cent. on 16 April 2012. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 26.9 per cent. from 21 July 2005 to 31 December 2013. On 14 March 2014, the PBOC further widened the floating band against the U.S. dollar to 2.0 per cent. On 11 August 2015, the PBOC announced to improve the central parity quotations of Renminbi against the U.S. dollar by authorising market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre daily before the opening of the interbank foreign exchange market with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. Following the announcement by the PBOC on 11 August 2015, Renminbi depreciated significantly against the U.S. dollar. In January and February 2016, Renminbi experienced further fluctuation in value against the U.S. dollar. Following the gradual appreciation of Renminbi in 2017, Renminbi experienced a recent depreciation in value against the U.S. dollar following a fluctuation in 2018. The PRC Government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future.

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

	Renminbi per U.S. Dollar Noon Buying Rate[1]			
Period	**End**	**Average[2]**	**High**	**Low**
	(RMB per U.S.$1.00)			
2014	6.2046	6.1704	6.2591	6.0402
2015	6.4778	6.2869	6.4896	6.1870
2016	6.9430	6.6549	6.9580	6.4480
2017	6.5063	6.7350	6.9575	6.4773
2018	6.8755	6.6292	6.9737	6.2649
2019				
November	7.0308	7.0199	7.0389	6.9766
December	6.9618	7.0137	7.0609	6.9618
2020				
April	7.0622	7.0708	7.0989	7.0341
May	7.1348	7.1016	7.1681	7.0622
June	7.0651	7.0816	7.1263	7.0575
July	6.9744	7.0041	7.0703	6.9744
August	6.8474	6.9301	6.9799	6.8474
September	6.7896	6.8106	6.8474	6.7529
October	6.6919	6.7254	6.7898	6.6503
November (through 13 November 2020)	6.6039	6.6316	6.6899	6.6027

Notes:

(1) Exchange rates between Renminbi and U.S. dollars represent the noon buying rates as set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System.

(2) Annual averages have been calculated from month-end rate. Monthly averages have been calculated using the average of the daily rates during the relevant period.

TERMS AND CONDITIONS OF THE BONDS

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

The U.S.$28,000,000 in aggregate principal amount of 3.5 per cent. credit enhanced bonds due 2023 (the "**Bonds**", which expression, unless the context requires otherwise, includes any further securities issued pursuant to Condition 15 and to be consolidated and forming a single series therewith) of Shouguang City Construction Investment Development Co., Ltd. (壽光市城市建設投資開發有限公司)(the "**Issuer**") are constituted by, are subject to, and have the benefit of, a trust deed (as amended and/or supplemented from time to time, the "**Trust Deed**") dated 30 November 2020 (the "**Issue Date**") made between the Issuer and China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)(in such capacity, the "**Trustee**", which expression shall include any successor trustee and all persons for the time being acting as trustee or trustees under the Trust Deed) as trustee for itself and the Bondholders (as defined in the Trust Deed). The Bonds have the benefit of an irrevocable standby letter of credit (the "**Standby Letter of Credit**") dated on or about 30 November 2020 issued by Xiamen International Bank Co., Ltd. Shanghai Branch (the "**LC Bank**").

The Bonds are the subject of an agency agreement dated on or about 30 November 2020 (as amended and/or supplemented from time to time, the "**Agency Agreement**") made 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 (in such capacity, the "**Principal Paying Agent**", which expression shall include any successor principal paying agent appointed from time to time in connection with the Bonds), China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as registrar (in such capacity, the "**Registrar**", which expression shall include any successor registrar appointed from time to time in connection with the Bonds) and as transfer agent (in such capacity, the "**Transfer Agent**", which expression shall include any additional or successor transfer agent appointed from time to time in connection with the Bonds) and China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as the bank holding the Pre-funding Account (as defined below) and the LC Proceeds Account (as defined below) (in such capacities, the "**Pre-funding Account Bank**" and the "**LC Proceeds Account Bank**", respectively, each of which expressions shall include any successor). References herein to "**Paying Agents**" means the Principal Paying Agent together with any additional or successor paying agent appointed from time to time in connection with the issue of the Bonds, and "**Agents**" means the Principal Paying Agent, any other Paying Agents, the Registrar, any Transfer Agent and any other agent or agents and their successor(s) appointed from time to time under the Agency Agreement with respect to the Bonds.

Certain provisions of these terms and conditions (these "**Conditions**") are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and those provisions of the Agency Agreement and the Standby Letter of Credit applicable to them. Copies of the Trust Deed, the Agency Agreement and the Standby Letter of Credit are available for inspection by the Bondholders upon written request and satisfactory proof of holding at all reasonable times during normal business hours at the principal place of business for the time being of the Trustee, being at the Issue Date at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong, and at the specified office for the time being of the Principal Paying Agent.

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

1 FORM, AUTHORISED DENOMINATION AND TITLE

The Bonds are issued in the specified denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (each an "**Authorised Denomination**"). The Bonds are evidenced by registered certificates (the "**Certificates**") and, save as provided in Condition 3(b), each Certificate shall evidence the entire holding of Bonds by the same holder.

Title to the Bonds shall pass by transfer and registration in the Register as described in Condition 3. The holder of any Bond shall (except as ordered by a court of competent jurisdiction or as otherwise required by law) be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate (other than the endorsed form of transfer, duly completed) evidencing it or the alleged destruction, theft or loss of such Certificate and no person shall be liable for so treating the holder.

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

*Upon issue, the Bonds will be initially evidenced 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. The Conditions are modified by certain provisions contained in the Global Certificate in respect of any of the Bonds that are evidenced by the Global Certificate. See "Summary of Provisions relating to the Bonds in Global Form".*

2 STATUS, STANDBY LETTER OF CREDIT AND PRE-FUNDING

(a) Status

The Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by Applicable Law and regulations, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

(b) Standby Letter of Credit

The Bonds will have the benefit of the Standby Letter of Credit which is issued in favour of the Trustee, on behalf of itself and the Bondholders, 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 Bondholders upon the presentation of a demand by authenticated SWIFT (or otherwise as permitted under the Standby Letter of Credit) sent by the Trustee or an agent of the Trustee to the LC Bank in accordance with the Standby Letter of Credit (a "**Demand**") stating that (i) the Issuer has failed to comply with Condition 2(c) 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 (as defined in Condition 2(c)) in accordance with Condition 2(c); or (ii) an Event of Default (as defined in Condition 9) has occurred and the Trustee has given notice to the Issuer that the Bonds are immediately due and payable in accordance with Condition 9.

Only one drawing is permitted under the Standby Letter of Credit. Such drawing on the Standby Letter of Credit will be payable to or to the order of the Trustee and at the time and to the account specified in the Demand presented to the LC Bank. Payments received by the Trustee in respect of a 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 Bonds, the Trust Deed, the Agency Agreement and/or any other transaction document relating to the Bonds shall, to the extent of the drawing paid to or to the order of the Trustee, satisfy the obligations of the Issuer in respect of such amount payable under these Conditions or in connection with the Bonds, the Trust Deed, the Agency Agreement and/or any other transaction document relating to the Bonds.

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.$29,490,000, representing only (i) the aggregate principal amount of the Bonds plus interest payable for one Interest Period (being six months) and (ii) U.S.$1,000,000 being the maximum amount payable under the 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 Bonds, the Trust Deed, the Agency Agreement and/or any other transaction document relating to the Bonds. The Standby Letter of Credit takes effect from the Issue Date and shall remain valid and in full force until 6:00 p.m. (Hong Kong time) on 20 November 2023 unless extended in accordance with its terms.

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

(c) Pre-Funding

In order to provide for the payment of any amount in respect of the Bonds (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 (the "**Pre-funding Date**") falling 10 Business Days prior to the due date for such payment:

(i) unconditionally pay or procure to be paid the Relevant Amount into the Pre-funding Account; and

(ii) deliver to the Trustee and the Principal Paying Agent by facsimile or email (X) a Payment and Solvency Certificate signed by any Authorised Signatory, 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**").

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

(1) as soon as practicable, and in any event not later than 6:00 p.m. (Hong Kong time) on the Business Day immediately following the Pre-funding Date, notify the LC Bank and the LC Proceeds Account Bank by facsimile or email of the occurrence of the Pre-funding Failure; and

(2) by no later than 6:00 p.m. (Hong Kong time) on the second Business Day following the Pre-funding Date (X) give notice (the "**Pre-funding Failure Notice**") to the Bondholders of (aa) the Pre-funding Failure and (bb) the redemption of the Bonds in

accordance with Condition 6(d) to occur as a result of the Pre-funding Failure and (Y) issue a Demand to the LC Bank for an amount equal to the aggregate principal amount of all of the Bonds then outstanding, together with interest accrued to but excluding the Mandatory Redemption Date (as defined in Condition 6(d)) and all fees, costs, expenses, indemnity payments and all other amounts incurred by or payable to the Trustee under or in connection with the Bonds, the Trust Deed, the Agency Agreement and/or any other transaction document relating to the Bonds, provided that, subject to and in accordance with the terms of the Standby Letter of Credit, need not physically present the Demand under the Standby Letter of Credit to the LC Bank and shall be entitled to draw on the Standby Letter of Credit by way of a Demand by authenticated SWIFT sent on its behalf, or, in the event that the SWIFT system is unavailable for any reason, via facsimile transmission as contemplated in the Standby Letter of Credit.

After receipt by the LC Bank of such Demand, the LC Bank shall by 10:00 a.m. (Hong Kong time) on the fourth Business Day immediately following receipt of such Demand (or, if such Demand is received after 6:00 p.m. (Hong Kong time) on a Business Day, the fifth Business Day following receipt of such Demand) pay to or to the order of the Trustee the amount in U.S. dollars specified in the Demand to the LC Proceeds Account.

(d) Definitions

In these Conditions:

"**Authorised Signatory**" means any director or any other officer of the Issuer who has been duly authorised by the board of directors of the Issuer to sign any certificate or document required in connection with the Bonds on behalf of, and so as to bind, the Issuer and which the Issuer has notified in writing to the Trustee and the Agents as provided in the Agency Agreement;

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

"**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 in substantially the form set forth in the Agency Agreement stating the Relevant Amount due on the relevant due date in respect of the Bonds and confirming that (a) a payment for the Relevant Amount has been made by the Issuer to the Pre-funding Account in accordance with Condition 2(c) and (b) the Issuer is solvent; 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.

3 TRANSFERS OF BONDS AND ISSUE OF CERTIFICATES

(a) Register

The Issuer will cause a register (the "**Register**") to be kept at the specified office of the Registrar and in accordance with the terms of the Agency Agreement, on which shall be entered the names, addresses and details of the registered account (as defined in Condition 7(a)(ii)) of the holders of the Bonds and the particulars of the Bonds held by them and of all transfers of the Bonds. Each holder shall be entitled to receive only one Certificate in respect of its entire holding of Bonds.

(b) Transfer

Subject to the Agency Agreement and Conditions 3(e) and 3(f), a Bond may be transferred (in whole or in part but in any case in an Authorised Denomination) by surrendering the Certificate issued in respect of that Bond at the specified office of the Registrar or any Transfer Agent, with the form of transfer on the back of the Certificate (or in the form obtainable from the Registrar or any Transfer Agent) duly completed and signed and any other evidence as the Registrar or the relevant Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed such form of transfer. In the case of a transfer of only part of a holding of Bonds evidenced 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 (which shall be in an Authorised Denomination) shall be issued to the transferor. In the case of a transfer of the Bonds to a person who is already a holder of the Bonds, a new Certificate evidencing the enlarged holding shall only be issued against surrender of the Certificate evidencing the existing holding. No transfer of title to a Bond will be valid unless and until entered on the Register.

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

(c) Delivery of New Certificates

Each new Certificate to be issued upon transfer of Bonds pursuant to Condition 3(b) shall be made available for delivery within seven business days (as defined below) of receipt of a duly completed form of transfer, surrender of the existing Certificate(s) and provision of any other evidence required by the Registrar or the relevant Transfer Agent as provided in Condition 3(b). 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, Certificate and evidence 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 3(c), "**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 herein (see "Summary of Provisions relating to the Bonds in Global Form"), owners of interests in the Bonds will not be entitled to receive physical delivery of Certificates.

(d) Formalities Free of Charge

Registration of a transfer of Bonds and issuance of new Certificates will be effected without charge by or on behalf of the Issuer or any Agent but upon (i) payment (or the giving of such indemnity and/or security and/or pre-funding as the Issuer, the Registrar or the relevant Transfer Agent (as the case may be) may require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer; (ii) the Registrar or the relevant Transfer Agent (as the case may be) 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 (as the case may be) being satisfied that the Regulations (as defined in Condition 3(f)) have been complied with.

(e) Closed Periods

No holder may require the transfer of a Bond to be registered (i) during the period of seven days ending on (and including) the due date for any payment of principal (or premium) in respect of that Bond; or (ii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(a)); or (iii) after a Tax Redemption Notice (as defined in Condition 6(b)) has been delivered by the Issuer pursuant to Condition 6(b); or (iv) after a Put Exercise Notice (as defined in Condition 6(c)) in respect of such Bond has been deposited by such holder pursuant to Condition 6(c).

(f) Regulations

All transfers of Bonds and entries on the Register will be made subject to the detailed regulations promulgated concerning transfers of Bonds (the "**Regulations**"), the initial form of which is scheduled to the Agency Agreement. The Regulations may be changed by the Issuer from time to time, 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 for inspection by the Registrar to any Bondholder upon prior written request and satisfactory proof of holding.

4 COVENANTS

(a) Undertakings relating to Foreign Debt Registration

The Issuer undertakes that it will (i) within 15 Registration Business Days after the Issue Date, submit or cause to be submitted an application for the registration of the Bonds with SAFE pursuant to the Administrative Measures for Foreign Debt Registration（外債登記管理辦法）and its operating guidelines, effective as of 13 May 2013 (the "**Foreign Debt Registration**"), (ii) use its best endeavours to complete the Foreign Debt Registration and obtain a registration record from SAFE on or before the Registration Deadline, (iii) if applicable, as soon as possible upon being required or requested to do so by any relevant governmental authority, file or cause to be filed with SAFE the Bonds pursuant to the Circular of the People's Bank of China on Matters concerning the Macro Prudential Management of Full-Covered Cross-border Financing（中國人民銀行關於實施全口徑跨境融資宏觀審慎管理有關事宜的通知）(the "**Cross Border Financing Circular**") and (iv) comply with all applicable PRC laws and regulations in relation to the Bonds, including but not limited to, if applicable, the Foreign Debt Registration and the Cross Border Financing Circular and any implementing measures promulgated thereunder from time to time.

(b) Notification to NDRC

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

(c) Notification of Completion of the NDRC Post-issue Filing and Foreign Debt Registration

The Issuer shall before the relevant Registration Deadline and within 10 Registration Business Days after the submission of the relevant NDRC Post-issue Filing and receipt of the registration form or any other document evidencing the completion of Foreign Debt Registration, provide the Trustee in respect of the Bonds with (i) a certificate in English signed by an Authorised Signatory substantially in the form set out in the Trust Deed confirming (A) the completion of the relevant NDRC Post-issue Filing and the relevant Foreign Debt Registration and (B) no Change of Control, Event of Default or Potential Event of Default has occurred; and (ii) copies of the relevant documents evidencing the relevant NDRC Post-issue Filing (if any) and the relevant Foreign Debt Registration, each certified in English by an Authorised Signatory as being a true and complete copy of the original (the "**Registration Documents**"). In addition, the Issuer shall, within 10 Registration Business Days after the documents comprising the Registration Documents are delivered to the Trustee, give notice to the Bondholders (substantially in the form set out in the Trust Deed and in accordance with Condition 16) confirming the completion of the relevant NDRC Post-issue Filing and the relevant Foreign Debt Registration.

The Trustee may rely conclusively on the Registration Documents and shall have no obligation or duty to monitor or ensure or to assist with either the NDRC Post-issue Filing or the filing or registration of the Bonds with SAFE on or before the Registration Deadline or to verify the accuracy, validity and/or genuineness of any certificates, confirmations or other documents in relation to or in connection with the relevant NDRC Post-issue Filing and the relevant Foreign Debt Registration and/or the Registration Documents, and shall not be liable to Bondholders or any other person for any of foregoing or for not doing so.

(d) Financial Information

So long as the Bonds remain outstanding (as defined in the Trust Deed) the Issuer will furnish the Trustee with (i) a copy of the Audited Financial Reports within 150 days of the end of Relevant Period prepared in accordance with the Accounting Standards for Business Enterprises in China ("**PRC GAAP**") (audited by a nationally or internationally recognised firm of independent accountants) and (ii) a copy of the Unaudited Financial Reports within 90 days of the end of each Relevant Period prepared on a basis consistent with the audited consolidated financial statements of the Issuer and its Subsidiaries (if any); and if such statements shall be in the Chinese language, together with an English translation of the same translated by (A) a nationally or internationally recognised firm of independent accountants or (B) a professional translation service provider and checked by a nationally or internationally recognised firm of independent accountants, together with a certificate in English signed by an Authorised Signatory certifying that such translation is complete and accurate.

The Trustee shall not be required to review the Audited Financial Reports or the Unaudited Financial Reports delivered to it as contemplated in this Condition 4(d) and, if the same shall not be in the English language, shall not be required to request or obtain an English translation of the same, and the Trustee shall not be liable to any Bondholder or any other person for not doing so.

(e) Compliance Certificate

The Issuer shall send a Compliance Certificate (on which the Trustee may conclusively rely as to such compliance) to the Trustee (i) at the same time as the Audited Financial Reports are provided pursuant to Condition 4(d) and (ii) within 14 days of any written request therefor from the Trustee.

(f) Definitions

In these Conditions:

"**Audited Financial Reports**" means, for a Relevant Period, the annual audited consolidated balance sheet, income statement, statement of cash flows and statement of changes in owners' equity of the Issuer together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them;

“**Compliance Certificate**” means a certificate of the Issuer in English substantially in the form scheduled to the Trust Deed signed by an Authorised Signatory 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:

(i) no Event of Default (as defined in Condition 9) or Potential Event of Default (as defined below in this Condition 4) or a Change of Control (as defined in Condition 6) had occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it; and

(ii) the Issuer has complied with all of its obligations under the Trust Deed and the Bonds or, if non-compliance has occurred, giving details of it;

“**NDRC**” means the National Development and Reform Commission of the PRC or any relevant local branch thereof;

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

“**Potential Event of Default**” means any event or circumstance which could, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfilment of any other requirement provided for in Condition 9, become an Event of Default;

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

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

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

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

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

“**SAFE**” means the State Administration of Foreign Exchange of the PRC or its local branch;

“**Subsidiary**” means, with respect to any person, (a) any corporation, association or other business entity of which more than 50 per cent. of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such person and one or more other Subsidiaries of such person; or (b) any corporation, association and other business entity which at any time has its accounts consolidated with those of that person or which, under the laws, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person;

"**Unaudited Financial Reports**" means, for a Relevant Period, the semi-annual unaudited and unreviewed consolidated balance sheet, income statement and statement of cash flows of the Issuer; and

"**Voting Stock**" means, with respect to any person, capital stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such person.

5 INTEREST

The Bonds bear interest on their outstanding principal amount from and including the Issue Date at the rate of 3.5 per cent. per annum, payable semi-annually in arrear on 30 May and 30 November in each year and on 30 October 2023 (each an "**Interest Payment Date**"), commencing on 30 May 2021.

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

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**". If interest is required to be calculated for a period of less than a complete Interest Period, 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.

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

6 REDEMPTION AND PURCHASE

(a) Final Redemption

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 30 October 2023 (the "**Maturity Date**"). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

(b) Redemption for Taxation Reasons

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**"), which shall specify the date for redemption and the names and addresses of all Paying

Agents, and the method by which payment shall be made, to the Bondholders in accordance with Condition 16 (which shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at 100 per cent. of their principal amount (together with any interest accrued to but excluding the date fixed for redemption), if the Issuer satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 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 24 November 2020, and (ii) 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 Bonds then due.

Prior to the giving of any Tax Redemption Notice pursuant to this Condition 6(b), the Issuer shall deliver to the Trustee (A) a certificate in English signed by an Authorised Signatory stating that the obligation referred to in (i) above of this Condition 6(b) cannot be avoided by the Issuer taking reasonable measures available to it, and (B) an opinion, in form and substance satisfactory to the Trustee, of independent tax or legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendment. The Trustee shall be entitled (but shall not be obliged) to accept and rely upon such certificate (without further investigation or query and without liability to the Bondholders or any other person) and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above of this Condition 6(b), in which event they shall be conclusive and binding on the Bondholders and the Trustee shall be protected and shall have no liability to any Bondholder or any other person for so accepting and relying on such certificate or opinion. All Bonds in respect of which any notice of redemption is given under this Condition 6(b) shall be redeemed on the date and in such manner as specified in such notice in accordance with this Condition 6(b).

(c) Redemption for Relevant Events

Following the occurrence of a Relevant Event, the holder of any Bond will have the right (the "**Relevant Event Put Right**"), at such Holder's option, to require the Issuer to redeem all, but not some only, of such Holder's Bonds on the Put Settlement Date (as defined below in this Condition 6(c)) at 100 per cent. of their principal amount, together in each case with accrued interest up to (but excluding) the Put Settlement Date. To exercise such right, the Holder of the relevant Bond must deposit at the specified office of the Principal Paying Agent or any other Paying Agent a duly completed and signed notice of redemption, in the form scheduled to the Agency Agreement, obtainable from the specified office of any Paying Agent (a "**Put Exercise Notice**"), together with the Certificate evidencing the Bonds to be redeemed, by not later than 30 days following a Relevant Event, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 16.

The "**Put Settlement Date**" shall be the fourteenth day after the expiry of such period of 30 days as referred to above.

A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds, the subject of Put Exercise Notices delivered as aforesaid on the Put Settlement Date.

Not later than 14 days (in the case of a Change of Control) or five days (in the case of a No Registration Event) following the day on which the Issuer becomes aware of the occurrence of a Relevant Event, the Issuer shall procure that notice regarding such Relevant Event shall be delivered to the Trustee and the Principal Paying Agent in writing and to the Bondholders (in accordance with Condition 16) stating:

(i) the applicable Put Settlement Date;

(ii) the date of the Relevant Event and, briefly, the events causing, as applicable, the Change of Control or No Registration Event;

(iii) the date by which the Put Exercise Notice must be given;

(iv) the redemption amount and the method by which such amount will be paid;

(v) the names and addresses of all Paying Agents;

(vi) the procedures that Bondholders must follow and the requirements that Bondholders must satisfy in order to exercise the Relevant Event Put Right; and

(vii) that a Put Exercise Notice, once validly given, may not be withdrawn.

The Trustee and the Agents shall have no obligation or duty to verify the accuracy, validity and/or genuineness of any documents in relation to or connection with the Registration Conditions and 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 liable to Bondholders, the Issuer or any other person for not doing so.

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

For the purposes of these Conditions:

(A) a "**Change of Control**" occurs when:

(i). the Shouguang State-owned Assets Supervision and Administration Office（壽光市國有資產監督管理辦公室）and any other Shouguang Government Persons (as defined below in this Condition 6) together cease to directly or indirectly hold or own 100 per cent. of the issued share capital of the Issuer; or

(ii). the Issuer consolidates with or merges into or sells or transfers all or substantially all of its assets to any other Person, unless such Person is a Shouguang Government Person or is directly or indirectly 100 per cent. held or owned by a Shouguang Government Person(s);

(B) "**Control**" means (where applicable) (i) the ownership, acquisition or control of more than 100 per cent. of the voting rights of the issued share capital of a person or (ii) the right to appoint and/or remove all or the majority of the members of a person's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise; the term "**Controlled**" has the same meaning correlative to the foregoing;

(C) a "**No Registration Event**" occurs when the Registration Conditions are not satisfied on or before the Registration Deadline;

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

(E) "**Shouguang Government Persons**" means, collectively, the government of Shouguang Municipality and any person directly or indirectly Controlled by the government of Shouguang Municipality;

(F) "**Registration Conditions**" means the receipt by the Trustee of

(i) a certificate in English in the form set out in the Trust Deed signed by an Authorised Signatory confirming (A) the completion of the relevant Foreign Debt Registration and (B) no Change of Control, Event of Default or Potential Event of Default (as defined in the Trust Deed) has occurred; and

(ii) copies of the relevant documents evidencing the relevant Foreign Debt Registration, each certified in English by an Authorised Signatory as being a true and complete copy of the original; and

(G) "**Relevant Event**" will be deemed to occur if:

(i) there is a No Registration Event; or

(ii) there is a Change of Control;

(d) Mandatory Redemption upon Pre-funding Failure

The Bonds shall be redeemed at their principal amount on the Interest Payment Date immediately falling after the date a Pre-funding Failure Notice is given to the Bondholders in accordance with Condition 2(c) (the "**Mandatory Redemption Date**"), together with interest accrued to, but excluding, the Mandatory Redemption Date.

If any Bondholder shall have exercised its right to require the Issuer to redeem its Bonds in accordance with Condition 6(c) and a Pre-funding Failure Notice is given to the Bondholders in accordance with Condition 2(c) as a result of a Pre-funding Failure relating to the amount payable pursuant to such redemption, the Bonds shall be redeemed in whole, but not in part, at their principal amount in accordance with this Condition 6(d) on the Put Settlement Date, together with interest accrued to, but excluding, the Put Settlement Date, *provided that* if such Pre-funding Failure occurs and a Pre-funding Failure Notice has been given or is given to the Bondholders in respect of a scheduled payment of principal or interest payable under Condition 5 or Condition 6(a), the Bonds shall be redeemed in whole, but not in part, on the Mandatory Redemption Date at their principal amount, together with interest accrued to, but excluding, the Mandatory Redemption Date.

(e) Notice of redemption

All Bonds in respect of which any notice of redemption is given under this Condition 6 shall be redeemed on the date specified in the Tax Redemption Notice or, as the case may be, on the applicable Put Settlement Date. If there is more than one notice of redemption given in respect of any Bond (which shall include a Tax Redemption Notice given by the Issuer pursuant to Condition 6(b) and any Put Exercise Notice given by a Bondholder pursuant to Condition 6(c)), the notice given first in time shall prevail. Neither the Trustee nor any of the

Agents shall be responsible for calculating or verifying any calculations of any amounts payable under any notice of redemption or Put Exercise Notice and shall not be liable to Bondholders, the Issuer or any other person for not doing so.

(f) Purchase

The Issuer or any of its Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for certain purposes, including without limitation for the purpose of calculating quorums at meetings of the Bondholders or for the purposes of Condition 9, Condition 12(a) and Condition 13.

(g) Cancellation

All Certificates evidencing Bonds purchased by or on behalf of the Issuer or its Subsidiaries, the holding company of the Issuer or any Subsidiary of such holding company shall be surrendered to the Registrar for cancellation and, upon surrender thereof, all such Bonds and Certificates shall be cancelled forthwith. Any Certificates so surrendered for cancellation and the relevant Bonds may not be reissued or resold and the obligations of the Issuer in respect of any such Bonds shall be discharged.

7 PAYMENTS

(a) **Method of Payment**:

(i) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of any Paying Agent if no further payment falls to be made in respect of the Bonds evidenced by such Certificates) in the manner provided in paragraph (ii) of this Condition 7(a).

(ii) Interest on each Bond shall be paid to the Bondholders at their registered accounts shown on the Register at the close of business on the fifth Payment Business Day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Bond shall be made in U.S. dollars by wire transfer to such registered account. In these Conditions, 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 in the Register at the close of business on the Record Date.

(iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested in writing by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount (which need not be an Authorised Denomination). 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.

(iv) In this Condition 7, "**Payment Business Day**" means a day (other than a Saturday, a Sunday or a public holiday) on which commercial banks and foreign exchange markets are open for business in Beijing, Hong Kong, New York and the place in which the specified office of the Principal Paying Agent is located.

Notwithstanding the foregoing, so long as the Global Certificate is held on behalf of Euroclear Bank SA/NV, Clearstream Banking S.A. or an Alternative Clearing System (as defined in the Trust Deed), each payment in respect of the Global Certificate will be made to *the person shown as the holder 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 1 January and 25 December.*

(b) **Payments subject to Fiscal Laws**: Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Bondholders in respect of such payments.

(c) **Payment Initiation**: Payment instructions (for value on the due date or, if that is not a Payment Business Day, for value the next following day which is a Payment Business Day) will be initiated on the due date for payment (or, if this 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 Paying Agent, on the first Payment Business Day on which the Principal Paying Agent is open for business and on which the relevant Certificate is surrendered.

(d) **Delay in Payment**: Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day or a day on which the bank where a registered account is maintained is open for receipt of such transfers, or if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so) or if a transfer made in accordance with Condition 7(a)(ii) reaches the registered account of the Bondholder after the due date for payment.

(e) **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 Agents, act solely as agents of the Issuer and (to the extent provided in the Agency Agreement) the Trustee, and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of any Agent and to appoint additional or other Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar with a specified office outside the United Kingdom, (iii) a Transfer Agent and (iv) such other agents as may be required by any stock exchange on which the Bonds may be listed. Notice of any such termination or appointment or any change of any specified office of an Agent shall promptly be given by the Issuer to the Bondholders in accordance with Condition 16.

(f) **Non-Payment Business Days:** If any date for payment in respect of any Bond is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment.

8 TAXATION

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

Where such withholding or deduction is made by or within the PRC up to and including the aggregate rate applicable on 24 November 2020 (the "**Applicable Rate**"), the Issuer will increase the amounts paid by it to the extent required so that the net amount received by Bondholders equals the amounts which would otherwise have been 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 Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond:

(i) **Other connection**: held by a Bondholder (or on behalf of a Bondholder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the PRC other than the mere holding of the Bond; or

(ii) **Presentation more than 30 days after the Relevant Date**: in respect of which the Certificate evidencing it is presented (where presentation is required) for payment more than 30 days after the Relevant Date except to the extent that the relevant Bondholder would have been entitled to such Additional Tax Amounts on presenting the Certificate evidencing such Bond 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 8 or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

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

If the Issuer becomes subject at any time to any taxing jurisdiction other than the PRC, references in Condition 6(b) and this Condition 8 to the PRC shall be construed as references to the PRC and/ or such other jurisdiction (as the case may be).

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

9 EVENTS OF DEFAULT

If an Event of Default (as defined below) occurs and is continuing, the Trustee at its discretion may, and if so requested in writing by Holders of at least 25 per cent. of the aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall (provided in any such case that the Trustee shall have first been indemnified and/or secured and/or pre-funded to its satisfaction), give written notice to the Issuer that the Bonds are, and they shall immediately become, due and payable at their principal amount together (if applicable) with any accrued but unpaid interest without further action or formality.

An "**Event of Default**" occurs if:

(a) With respect to the Issuer

(i) **Non-Payment**: there has been a failure to pay (i) the principal of the Bonds when due or (ii) any interest on the Bonds when due and such failure continues for a period of 14 days; or

(ii) **Breach of Other Obligations**: the Issuer does not perform or comply with any one or more of its other obligations under the Bonds, the Agency Agreement or the Trust Deed (other than where such default gives rise to a redemption right pursuant to Condition 6(c)), which default is incapable of remedy or, if such default is capable of remedy, such default is not remedied within 15 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 Bonds and/or provide the Required Confirmations in accordance with Condition 2(b) 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 Bonds, then such breach will not constitute an Event of Default under this Condition 9(a)(ii); or

(iii) **Cross-Default**: (A) any other present or future 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 (B) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (C) the Issuer or any of its Subsidiaries fails to pay when due or as extended by any originally applicable grace period any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(a)(iii) have occurred equals or exceeds U.S.$20,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this Condition 9(a)(iii) operates); or

(iv) **Enforcement Proceedings**: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against the whole or any material part of the property, assets or revenues of the Issuer or any of the Principal Subsidiaries and is not discharged or stayed within 45 days; or

(v) **Security Enforced**: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of the Principal Subsidiaries on the whole or any material part of its assets becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not discharged or stayed within 45 days; or

(vi) **Insolvency**: the Issuer or any of its Principal Subsidiaries (A) is (or is deemed by law or a court of competent jurisdiction to be) insolvent or bankrupt, or unable to pay its debts as and when such debts fall due, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts when they fall due, (B) proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of the Issuer or any of the Principal Subsidiaries provided, for the avoidance of doubt, this sub-clause (B) shall not apply to an assignment, arrangement or composition with creditors entered into by the Issuer or any Principal Subsidiary (as defined below in this Condition 9(a)) on a solvent basis with respect to the indebtedness of any Principal Subsidiary (or any guarantee thereof granted by the Issuer) and on terms as notified to the Trustee through a notice to be delivered on or before the commencement of such assignment, arrangement or composition, which notice should confirm that such assignment, arrangement or composition is conducted on a solvent basis and will not affect the Issuer's ability to perform its obligations under the Bonds and the Trust Deed; or

(vii) **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 threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (A) on terms approved by an Extraordinary Resolution of the Bondholders, or (B) in the case of a Principal Subsidiary, whereby the undertaking and assets of such Subsidiary are transferred to or otherwise vested in the Issuer or any of its Principal Subsidiaries; or

(viii) **Nationalisation**: (A) any step is taken by any person acting under the authority of any national, regional or local government with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the undertaking, assets and revenues of the Issuer or (B) the Issuer is prevented by any such person from exercising normal control over all or a material part of its undertaking, assets and revenues; or

(ix) **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 the Standby Letter of Credit is modified, amended or terminated without approval by an Extraordinary Resolution of the Bondholders; or

(x) **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 (A) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds and the Trust Deed, (B) to ensure that those obligations are legally binding and enforceable and (C) to make the Bonds and the Trust Deed admissible in evidence in the courts of Hong Kong and the PRC is not taken, fulfilled or done; or

(xi) **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 Bonds, the Agency Agreement and/or the Trust Deed; or

(xii) **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 9(a)(iv) to 9(a)(vii) (both inclusive).

In this Condition 9(a),

"**Principal Subsidiary**" means any Subsidiary of the Issuer:

(a) whose total revenues (consolidated in the case of a Subsidiary which has Subsidiaries), as shown by its latest audited income statement are at least five per cent. of the consolidated revenues as shown by the latest published audited consolidated statement of comprehensive income of the Issuer and its consolidated Subsidiaries; or

(b) whose net profit or (consolidated in the case of a Subsidiary which has Subsidiaries), as shown by its latest consolidated audited income statement are at least five per cent. of the consolidated net profit as shown by the latest published audited consolidated income statement of the Issuer and its consolidated Subsidiaries, including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of associated entities and after adjustments for minority interests; or

(c) whose net assets (consolidated in the case of a Subsidiary which has Subsidiaries), as shown by its latest audited balance sheet, are at least five per cent. of the consolidated net assets of the Issuer and its Subsidiaries as shown by the latest published audited consolidated balance sheet of the Issuer and its Subsidiaries, including, for the avoidance of doubt, the investment of the issuer and its consolidated Subsidiaries in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Issuer and of associated companies and after adjustment for minority interests; or

(d) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that (xx) the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall forthwith become a Principal Subsidiary and (yy) on or after the date on which the first published audited accounts (consolidated, if appropriate) of the Issuer prepared as of a date later than such transfer are issued, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Principal Subsidiary shall be determined on the basis of such accounts by virtue of the provisions of paragraphs (a), (b) or (c) above of this definition;

provided that, in relation to paragraphs (a), (b) and (c) above of this definition:

(i) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Issuer relate, the reference to the then latest consolidated audited accounts of the Issuer for the purposes of the calculation above shall, until consolidated audited accounts of the Issuer for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published be deemed to be a reference to the then latest consolidated audited accounts of the Issuer adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;

(ii) if at any relevant time in relation to the Issuer or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, total revenue, net profit or total assets of the Issuer and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Issuer;

(iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its total revenue, net profit or total assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Issuer; and

(iv) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (i) above) 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 accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Issuer.

A certificate signed by any Authorised Signatory that in its opinion a Subsidiary is or is not or was or was not at any particular time or during any particular period a Principal Subsidiary of the Issuer may be relied upon by the Trustee without further enquiry or evidence and shall, in the absence of manifest error, be conclusive and binding on the Trustee, the Agents and the Bondholders.

(b) With respect to the LC Bank

(i) **Cross-Default**: any other present or future Public External Indebtedness (as defined below in this Condition 9(b)) of the LC Bank or any LC Bank Subsidiary (as defined below in this Condition 9(b)) becomes due and payable prior to its stated maturity by reason of any default, event of default or the like (howsoever described) in respect of the terms thereof, or any such Public External 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 Public External Indebtedness in respect of which one or more of the events mentioned above in this Condition 9(b)(i) have occurred equals or exceeds U.S.$30,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the US dollar as quoted by any leading bank on the day on which this Condition 9(b)(i) operates); or

(ii) **Insolvency**: the LC Bank or any Material Subsidiary (as defined below in this Condition 9(b)) is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts; stops, suspends or threatens to stop or suspends payment of all or a material part of its debts; proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or a material part of its debts; proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts; or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of the LC Bank or any Material Subsidiary; or

(iii) **Winding-up**: an order is made or an effective resolution passed for the winding-up or dissolution or administration of the LC Bank or any Material Subsidiary, or the LC Bank ceases or threatens to cease to carry on all or a material part of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation while solvent (X) on terms approved by an Extraordinary Resolution of the Bondholders, or (Y) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in the LC Bank or an LC Bank Subsidiary; or

(iv) **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, and the LC Bank fails to obtain the necessary waiver or approval or complete such other necessary remedial action within 30 calendar days such that the LC Bank may lawfully perform such obligations; or

(v) **Analogous Events**: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in Conditions 9(b)(ii) or 9(b)(iii).

In this Condition 9(b):

"**LC Bank Subsidiary**" means any entity whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the LC Bank;

"**Material Subsidiary**" means an LC Bank Subsidiary whose total assets or total revenue (consolidated in the case of an LC Bank Subsidiary which itself has subsidiaries) as at the date at which its latest audited financial statements were prepared or, as the case may be, for the financial period to which those audited financial statements relate, account for five per cent. or more of the consolidated assets or consolidated revenue of the LC Bank as at such date or for such period. If a Material Subsidiary transfers all of its assets and business to an LC Bank Subsidiary, the transferee shall become a Material Subsidiary and the transferor shall cease to be a Material Subsidiary on completion of such transfer.

A certificate signed by an authorised signatory of the LC Bank that in its opinion a Subsidiary is or is not or was or was not at any particular time or during any particular period a Material Subsidiary of the LC Bank may be relied upon by the Trustee without further enquiry or evidence and shall, in the absence of manifest error, be conclusive and binding on the Trustee, the Agents and the Bondholders; and

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

The Trustee and the Agents shall not be obliged to take any steps to ascertain whether an Event of Default or Potential Event of Default has occurred or to monitor the occurrence of any Event of Default or Potential Event of Default, and shall not be liable to the Bondholders or any other person for not doing so. In particular, the Trustee will not receive any ongoing information or certifications from the LC Bank and will not be in a position to determine at any stage whether or not an Event of Default or Potential Event of Default in relation to the LC Bank has occurred. In this regard, the Trustee is entitled to rely without further enquiry on Compliance Certificates from the Issuer as to whether or not any such Event of Default or Potential Event of Default has occurred.

10 PRESCRIPTION

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

11 REPLACEMENT OF CERTIFICATES

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

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

(a) Meetings of holders

The Trust Deed contains provisions for convening meetings of the Bondholders (and of passing written resolutions or Electronic Resolutions) to consider any matter affecting their interests, including without limitation the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement or the Standby Letter of Credit. Such a meeting may be convened by the Trustee or the Issuer and shall be convened by the Trustee upon request in writing from Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding (as defined in the Trust Deed) and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding (as defined in the Trust Deed), or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes the modification or abrogation of certain of the provisions of these Conditions and certain of the provisions of the Trust Deed (each, a "**Reserved Matter**"), including consideration of proposals, *inter alia*, (i) to modify the Maturity Date or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, any premium payable on redemption of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, or (v) to modify or 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 securities pursuant to Condition 15 or modification pursuant to Condition 12(b), in which case the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 75 per cent., or at any such meeting adjourned for lack of quorum not less than 25 per cent., in aggregate principal amount of the Bonds then outstanding (as defined in the Trust Deed). Any Extraordinary Resolution duly passed shall be binding on Bondholders, whether or not they were present at the meeting at which such resolution was passed.

The Trust Deed provides that a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than 75 per cent. of the votes cast on such resolution and a resolution (A) in writing signed by or on behalf of the Bondholders of not less than 90 per cent. in aggregate principal amount of the Bonds for the time being outstanding or (B) passed by Electronic Consent (as defined in the Trust Deed) shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document, or several documents in the same form each signed by or on behalf of one or more Bondholders.

*So long as the Bonds are represented by the Global Certificate, Extraordinary Resolution includes a consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of all the Bondholders of not less than 90 per cent. in principal amount of the Bonds for the time being outstanding (an "**Electronic Resolution**").*

(b) Modification, Waiver, Authorisation and Determination

The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to any modification (other than any modification relating to a Reserved Matter) of, or to the waiver or authorisation of any breach or proposed breach of, or any failure to comply with, any of these Conditions or any of the provisions of the Trust Deed and/or the Agency Agreement and/or the Standby Letter of Credit which in its opinion is not materially prejudicial to the interests of the Bondholders, or may agree, without any such consent as aforesaid, to any modification hereof or thereof which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or to comply with any mandatory provision of Applicable Law. Any such modification, waiver or authorisation shall be binding on the Bondholders and, unless the Trustee agrees otherwise, such modification, waiver or authorisation shall be notified to the Bondholders by the Issuer as soon as practicable thereafter in accordance with Condition 16.

(c) Entitlement of the Trustee

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation determination or substitution), the Trustee shall have regard to the general interests of the Bondholders as a class but shall not have regard to any interests arising from circumstances particular to individual Bondholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Bondholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders except to the extent already provided for in Condition 8 and/or any undertaking given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

13 ENFORCEMENT

The Trustee may, at its discretion and without further notice, take such actions and/or steps and/or institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed and/or the Bonds and, where appropriate, to draw down on and enforce the Standby Letter of Credit, but it need not take any such actions and/or steps and/or institute such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Bondholders holding at least 25 per cent. in aggregate principal amount of the Bonds then outstanding (as defined in the Trust Deed), and (b) other than in the case of the making of a drawing under the Standby Letter of Credit, it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Bondholder may proceed directly against the Issuer 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.

14 INDEMNIFICATION OF THE TRUSTEE AND THE AGENTS

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking steps and/or actions and/or instituting proceedings to enforce its rights under the Trust Deed, the Agency Agreement, the Standby Letter of Credit and/or these Conditions and in respect of the Bonds and to enforce payment or taking other actions unless first indemnified and/or secured and/or pre-funded to its satisfaction and for the Trustee to be paid or reimbursed for its fees, costs, expenses and indemnity payments and for any liabilities incurred by it in priority to the claims of Bondholders. The Trustee and its affiliates are entitled (i) to enter into business transactions with the Issuer, the LC Bank and/or any entity related to the Issuer or the LC Bank without accounting for any profit and to act as trustee for the Bondholders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of the Issuer's Subsidiaries, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Bondholders, and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Trustee and the Agents shall not be responsible or liable for the performance by the Issuer, the LC Bank and any other person appointed by the Issuer and/or the LC Bank in relation to the Bonds of the duties and obligations on their part expressed in respect of the same, nor have obligation to monitor compliance with the provisions of the Trust Deed, the Agency Agreement, the Standby Letter of Credit or these Conditions, or to ascertain whether an Event of Default or a Potential Event of Default, a Pre-funding Failure, or a Change of Control has occurred, and shall not be liable to the Bondholders or any other person for not doing so. Unless it has written notice from the Issuer to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed.

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 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 any such action, making any such decision, or giving any such direction or certification, to seek directions from the Bondholders by way of an Extraordinary Resolution or clarification of any directions, and the Trustee shall not be responsible for any loss or liability incurred by the Issuer, the LC Bank, the Bondholders or any other person as a result of any delay in it exercising such discretion or power, taking or refraining from such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions or certification of directions from Bondholders or in the event that no such directions or clarifications are received by the Trustee.

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

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

Each Bondholder 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 and the LC Bank, and the Trustee shall not at any time have any responsibility for the same and each Bondholder shall not rely on the Trustee in respect thereof.

15 FURTHER ISSUES

The Issuer may from time to time without the consent of the Bondholders create and issue further securities having the same terms and conditions as the Bonds in all material respects (or in all material respects save for the issue date, the first payment of interest on them and the timing for making the NDRC Post-issue Filing and the Foreign Debt Registration and any reports or notices in respect thereof) and so that the same shall be consolidated and form a single series with the outstanding Bonds, *provided that* 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 is at least equal to the principal of and an amount equal to one interest payment due on such further securities) and such 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 or supplemental or replacement or amended standby letter of credit.

16 NOTICES

All notices to the Bondholders shall be mailed to them at the Issuer's expense by uninsured mail at their respective addresses in the Register. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any notice shall be deemed to have been given on the second day after being mailed or, as the case may be, on the date of such publication or, if published more than once, on the first date on which publication is made.

So long as the Bonds are evidenced by the Global Certificate and the Global Certificate is held in its entirety on behalf of Euroclear Bank SA/NV and/or Clearstream Banking S.A. and/or an Alternative Clearing System, notices to the Bondholders shall be validly given by the delivery of the relevant notice to Euroclear Bank SA/NV and/or Clearstream Banking S.A. and/or the Alternative Clearing System, as applicable, for communication by it to entitled accountholders, in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing systems.

17 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Bonds and the Trust Deed under the Contracts (Rights of Third Parties) Act 1999, but this shall not affect any rights or remedies which exist or are available apart from such Act.

18 GOVERNING LAW AND JURISDICTION

(a) Governing Law

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

(b) Jurisdiction

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

(c) Agent for Service of Process

The Issuer has, in the Trust Deed and the Agency Agreement, irrevocably appointed 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. Such service shall be deemed completed on delivery to such agent (whether or not it is forwarded to and received by the Issuer). If for any reason such agent ceases to act as such or no longer has an address in Hong Kong, the Issuer has, in the Trust Deed and the Agency Agreement, irrevocably agreed to forthwith appoint a substitute process agent in Hong Kong and deliver to the Trustee a copy of the agent's acceptance of that appointment within 30 days of such cessation, failing which the Trustee shall be entitled to appoint such an agent by written notice to the Issuer. Nothing herein shall affect the right to serve process in any other manner permitted by law.

(d) Waiver of Immunity

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

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

The Global Certificate contains provisions which apply to the Bonds while they are in global form, some of which modify the effect of the Conditions set out in this Offering Circular. The following is a summary of certain of those provisions.

Terms defined in the Conditions set out in this Offering Circular have the meaning in the paragraphs below.

The Bonds will be represented by a Global Certificate which will be registered in the name of a nominee of, and deposited with, a common 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 Bonds to the holder of the Bonds on such date or dates as the same may become payable in accordance with the Conditions.

This Global Certificate will be exchanged in whole (but not in part) for duly authenticated and completed definitive certificates ("**Definitive Certificates**") if any of the circumstances descried in Condition 9 (*Events of Default*) has occurred and is continuing, Euroclear or Clearstream or any other relevant 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.

Owners of interests in the Bonds in respect of which the Global Certificate is issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive Certificates if either Euroclear or Clearstream or any other clearing system (an "**Alternative Clearing System**") through which the Bonds are held 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.

Whenever this Global Certificate is to be exchanged for Definitive Certificates, such Definitive Certificates shall be issued in an aggregate principal amount equal to the principal amount of the Global Certificate then outstanding within seven business days of the delivery, by or on behalf of the Holder, Euroclear, Clearstream and/or any Alternative Clearing System, to the Registrar of such information as is required to complete and deliver such Definitive Certificates (including, without limitation, the names, addresses and registered account details for payment purposes of the persons in whose names the Definitive Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Certificate at the specified office of the Registrar. Such exchange shall be effected in accordance with the provisions of the Trust Deed, the Agency Agreement and the regulations concerning the transfer and registration of the Bonds (the initial form of which is scheduled to the Agency Agreement) and, in particular, shall be effected without charge to any Holder or the Trustee but against such indemnity and/or security as the Registrar may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange.

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

PAYMENT

So long as the Bonds are evidenced 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 Bonds 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 Bonds are evidenced 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 Bonds shall be given by delivery of the relevant notice to Euroclear or Clearstream and/or such Alternative Clearing System, as applicable, for communication by it to accountholders entitled to an interest in the Bonds in substitution for notification as required by the Conditions.

MEETINGS

For the purposes of any meeting of Bondholders, the Holder of the Bonds evidenced by this Global Certificate shall be treated for the purposes of any quorum requirements of a meeting of Bondholders and as being entitled to one vote in respect of each U.S.$1,000 in principal amount of Bonds for which the Global Certificate is issued.

BONDHOLDER'S REDEMPTION

The Bondholder's redemption option in Condition 6(c) (*Redemption for Relevant Events*) of the Conditions may be exercised by the holder of the Global Certificate giving notice to the Principal Paying Agent of the principal amount of Bonds in respect of which the option is exercised within the time limits specified in the Conditions in accordance with the rules and procedures of Euroclear, Clearstream and/or any Alternative Clearing System, as applicable, failing which, in the form of the redemption notice available from any Paying Agent. Any such notice shall be irrevocable and may not be withdrawn.

ISSUER'S REDEMPTION

The option of the Issuer provided for in Condition 6(b) (*Redemption for Taxation Reasons*) of the Conditions shall be exercised by the Issuer giving notice to the Bondholders in accordance with Condition 16 (*Notices*) within the time limits set out in and containing the information required by the Conditions and in accordance with the rules and procedures of Euroclear, Clearstream and/or any Alternative Clearing System.

TRANSFERS

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

CANCELLATION

Cancellation of any Bond by the Issuer following its redemption or purchase by the Issuer or its Subsidiaries will be effected by a reduction in the principal amount of the Bonds in the Register.

TRUSTEE'S POWERS

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

AUTHENTICATION

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

USE OF PROCEEDS

The Issuer estimates that the net proceeds from the offering of the Bonds, consisting of the gross proceeds less commissions and other estimated expenses payable by the Issuer in connection with the offering of the Bonds, will be approximately U.S.$25.6 million. The net proceeds are planned to be used for project construction and/or domestic debt refinancing purpose.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the consolidated total borrowings (both current and non-current portions), total equity and total capitalisation of the Group as at 31 December 2019 on an actual basis and as adjusted to give effect to the issue of the Bonds.

	As at 31 December 2019			
	Actual	**Actual**	**As adjusted**	**As adjusted**
	(RMB in millions)	**(U.S.$ in millions)[1]**	**(RMB in millions)**	**(U.S.$ in millions)[1]**
Current debt				
Short-term borrowings	439.6	63.1	439.6	63.1
Long-term borrowings due within one year	385.0	55.3	385.0	55.3
Bonds payable due within one year	1,236.3	177.6	1,236.3	177.6
Total current indebtedness	2,060.9	296.0	2,060.9	296.0
Non-current debt				
Long-term borrowings[2]	2,154.2	309.4	2,154.2	309.4
Bonds payables[3]	2,130.0	306.0	2,130.0	306.0
May 2020 Bonds[4]	–	–	278.5	40.0
Bonds to be issued	–	–	194.9	28.0
Total non-current debt	4,284.2	615.4	4,757.6	683.4
Total indebtedness[5]	6,345.1	911.4	6,818.5	979.4
Total equity	5,336.5	766.5	5,336.5	766.5
Total capitalisation[6]	11,681.6	1,678.0	12,155.0	1,745.9

Except as otherwise disclosed in this Offering Circular, there has been no material change in the consolidated capitalisation and indebtedness of the Group since 31 December 2019.

1 For convenience only, all conversions from Renminbi into U.S.$ are made at the rate of RMB6.9618 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 2019.

2 Subsequent to 31 December 2019, the Group has, in the ordinary course of business, entered into additional financing arrangements for project financing and general corporate purposes. These additional borrowings are not reflected in the table above.

3 Subsequent to 31 December 2019, except as adjusted for the May 2020 Bonds, the Group has issued onshore notes and corporate bonds, which includes 6.5 per cent. five-year corporate bonds with an aggregate principal amount of RMB1,000.0 million, and 5.94 per cent. five-year medium-term notes with an aggregate principal amount of RMB500.0 million. These bond issuances are not reflected in the table above.

4 On 21 May 2020, the Issuer issued US$40 million bonds due 2023 supported by an irrevocable Standby Letter of Credit issued by China Zheshang Bank Weifang Branch (the "**May 2020 Bonds**").

5 Total indebtedness equals the sum of total current indebtedness and total non-current indebtedness.

6 Total capitalisation equals the sum of total indebtedness and total equity.

DESCRIPTION OF THE LC BANK

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

*The Bonds have the benefit of the Standby Letter of Credit which will be issued by Xiamen International Bank Co., Ltd. Shanghai Branch as the LC Bank. Under PRC laws, the LC Bank is not a separate and independent legal person but has capacity to carry on its activities within its scope of authorisation given by Xiamen International Bank Co., Ltd. ("**XIB**"), and if the assets of the LC Bank are not sufficient to meet the obligations of the LC Bank under the Standby Letter of Credit, XIB would have an obligation to satisfy the balance of the obligations under the Standby Letter of Credit.*

OVERVIEW

Founded on 31 August 1985, XIB was the first Sino-foreign joint venture bank with its head office located in Xiamen. In 2013, XIB was transformed from a limited liability company to a joint stock limited company and was restructured from a Sino-foreign joint venture bank to a Chinese funded commercial bank.

For over 30 years since its establishment, XIB has been staying true to its original aspiration and keeping forging ahead as it is dedicated to providing quality financial services to its clients and setting a benchmark for Chinese small and medium-sized banks. In the "Top 1,000 Global Banks of 2019" ranking list published by the Banker, a British magazine, XIB ranked 158th in terms of total assets, up by 7 places compared with 2018; and 193rd in terms of tier I capital, up by 11 places compared with 2018, representing its ranking was on rise.

As one of the very few banks in China owning affiliated institutions in Hong Kong and Macao, XIB has developed the strategic layout with a focus on Mainland China and two flanks in Hong Kong and Macao, respectively. Based on this, it has over 120 business institutions in Beijing, Shanghai, Guangzhou, Shenzhen, Hangzhou, Zhuhai, Xiamen, Fuzhou, Quanzhou, Hong Kong and Macao etc., forming a strategic layout across domestic and overseas regions. Luso International Bank, one of XIB's affiliated institutions outside mainland China, ranks among the top 3 banks in Macao in terms of key indicators; it has 13 branches in Macao and Guangzhou Branch, Hangzhou Branch, Dongguan Sub-branch and Foshan Sub-branch in mainland China; Chiyu Bank, XIB's another affiliated institution outside mainland China, is a licensed bank in Hong Kong established by overseas Chinese leader Mr. Chen Jiageng in 1947. It has 24 branches in Hong Kong, subsidiaries including Chiyu International Capital Co., Ltd. and Chiyu Capital Management Co., Ltd., and Shenzhen Branch, Fuzhou Branch, Xiamen Branch and two sub-branches in Xiamen in the mainland China.

Taking serving the real economy as its mission and adhering to the technology-led managerial philosophy of "characteristic development and green development", XIB has been intensifying its support for the real economy in various aspects including small and micro-sized enterprises, private enterprises, inclusive finance, green finance, etc. to fulfil its corporate social responsibility as it always did. Meanwhile, with cross-border financial service as bond, XIB promotes the economic and financial connection between mainland China and Hong Kong and Macao and makes ongoing contribution to the "Belt and Road Initiative", "Guangdong-Hong Kong-Macao Greater Bay Area" and the construction of the free trade pilot zone.

Looking ahead, XIB will strive to provide customers with more considerate, convenient, safe and professional high quality services, as well as diversified, tailor-made and internationalized financial products and solutions, and create good returns for shareholders, the society and employees.

HONOURS AND AWARDS

Over the years, XIB has received a number of awards, recognitions and honours for its business performance and management capabilities, including:

- 193rd (in terms of tier I capital) and 158th (in terms of total assets) in the "Top 1000 Global Banks of 2019" ranking by the Banker Magazine of the U.K.;

- 80th in the "Asian Bank Competitiveness Ranking of 2019" ranking by the 21st Century Business Herald and Southern University of Science and Technology;

- One of the "Top 100 Banks in Inter-bank RMB Foreign Exchange Market in 2019" and one of the "Top 300 Banks in Inter-bank Domestic Currency Market Transactions in 2019" rating by China Foreign Exchange Trade System (National Inter-bank Funding Centre);

- One of "Outstanding Financial Bond Issuers" and one of "Top 100 Outstanding Dealers in Settlement Services" rating by China Central Depository & Clearing Co., Ltd.;

- 51th in the "Top 100 Fujian Enterprises of 2019" and 20th in the "Top 100 Fujian Service Providers" jointly ranking by Fujian Enterprises and Entrepreneurs Confederation, Fujian Media Group and Fujian Academy of Social Sciences;

- Xiamen Advanced Anti-money Laundering Units of 2018 by Xiamen Central Sub-branch of the People's Bank of China;

- Luso International Banking Ltd., an affiliate of the Bank, was awarded the "Medal for Industrial and Commercial Merits" by Macao SAR government, and was awarded the Medal of Honour for "Poverty Alleviation by Financial Means to Benefit the Society" by Guangzhou Financial Supervisory Authority; and

- Chiyu Bank, an affiliate of the Bank, was titled as a "5+ Caring Company of 2018-2019" by the Hong Kong Council of Social Service.

BUSINESS

The principal businesses of XIB include corporate business, retail business, financial market business and asset management business.

Corporate Business

In 2019, closely following the national policy orientation, XIB was persistent in exploring the local market, implementing inclusive finance and supporting the development strategies of the real economy, thus keeping its corporate business on the positive trend of high-quality development. In 2019, corporate customer loans were mainly go to customers in real economy industries such as manufacturing, infrastructure construction, information technology, science, education, culture and health care that meet the economic transformation requirements. In terms of customer base construction, firstly, XIB was devoted to the strategy of co-development with private enterprises and co-growth with small and medium-sized enterprises, continuously strengthen credit support to private enterprises, and made remarkable progress in localization and decentralization of credit; secondly, the corporate customer deposits continued to gain growth and the customer base continued to expand, laying a solid foundation for the optimization of XIB's debt structure and the sustained and steady development of its business; thirdly, it in an active transformed to a transactional bank by launching separate letter of guarantee, all-in-one property management (Wuguantong), supply chain financing, scenario collection platform and other innovative services, creating the brand of "China Bank E-home" as a transactional bank, at the preliminary stage of developing three major systems including "Yingsheng" channel service, "Huisheng" payment and settlement and "Rongsheng" innovative financing; fourthly XIB took advantage of financial technologies to improve the effectiveness of corporate business development and on a continuous base strengthened smart marketing by connecting the internal and external databases, multidimensional marketing performance management indicators and smart marketing analysis.

Retail Business

In 2019, XIB increased its resource inputs in its retail business to seek for development from reform and innovation, for benefits from financial technologies. XIB made joint efforts to help the retail business to achieve steady development and important breakthroughs by ideological transformation, mechanism reform, product innovation, marketing management and other means. Firstly, closely based on the market popularity, it drove high-quality retail loans to scale up. As of the end of 2019, its retail loan balance reached RMB32.259 billion. Meanwhile, in active response to the national policies and regulatory guidance, it boosted robust development of inclusive finance and completely met the regulatory targets of "two increases and two controls" for inclusive finance; secondly, XIB established in an innovative way the online retail studio and expert panel, the first agile organization highly integrating technology and business and strongly coordinating the front, middle and back offices, launched "Shuixiangdai", "E-car loan", "Good E-loan", "Click E-loan" and other online loan products, driving the steady growth of retail loans; thirdly, XIB continued to optimize its wealth management products, improved its wealth management product lines and improved its wealth management-related professional services, generating retail customer assets under management of RMB40.681 billion; fourthly, it expanded external cooperation channels for its retail businesses, broke through the restrictions on the number of banking offices and employees with the help of external resources, and gained a breakthrough growth in the number of customers. In 2019, the number of retail customers topped 380,000, up by 48 per cent. from the end of 2018; at the same time, it set up the "Zhixin" payment platform integrating collection, payment and account management to expand its internet payment services and provide differentiated payment solutions to various merchants.

Financial Market Business

In 2019, XIB was persistent in the two major work objectives of quality control and transformation by reform, seized market opportunities, strengthened trading concepts and revitalized financial market business through organizational and mechanism innovation and strategies, drove optimization of investment structure and continuously improved the income level of financial market business.

In 2019, XIB further pushed forward transformation and upgrading of financial market business, continued to improved team building for investment and research, in an active way captured market trading opportunities, continuously optimized the asset portfolio structure of financial market business, continued to improve the profitability of innovative business and continuously to increase market trading activities. XIB successfully obtained the qualification as a primary dealer in open market business and in an actively performed its duties as a primary dealer. XIB was titled among "Top 100 on the RMB Inter-bank Exchange Market of 2019" and "Top 300 in Base Currency Inter-bank Transactions" and otherwise upon an evaluation by China Foreign Exchange Trade System (National Inter-bank Funding Centre); in addition, it was titled as one of "Outstanding Financial Bond Issuers" and one of "Top 100 Outstanding Dealers in Settlement Services" by China Central Depository & Clearing Co., Ltd., improving its market presence.

Asset Management Business

In 2019, XIB's asset management business, in an external environment with great market changes, was subject to the requirements of the new asset management regulations. By determined reform, innovation and transformation, pacing up net worth-based transformation and launching a variety of net worth-based financial products, XIB increased the netting level of its wealth management products to 57 per cent. Following closely the market development trend, increasing services to the real economy, and continuously increasing the proportion of retail financing, XIB achieved preliminary success in diversification of asset allocation and gained steady growth in its asset management services. Meanwhile, XIB accelerated the integration and development of investment banking and asset management, effectively laid the foundation for transformation of "Ronghuizongheng", an investment banking service, and achieved initial breakthroughs with the focus on the horizontal integration of investment banking in various business lines.

BOARD OF DIRECTORS

The table below sets forth the members of the board of directors of XIB as at 31 December 2019:

Name	Position
Weng Ruotong (翁若同)	Chairman
Lyu Yaoming (呂耀明)	Vice Chairman
Huang Wenzhou (黃文洲)	Shareholder Representative Director
Peng Jinguang (彭錦光)	Shareholder Representative Director
Song Hanyi (宋翰乙)	Shareholder Representative Director
Wang Fei (王非)	Shareholder Representative Director
Roy Doumani[1]	Shareholder Representative Director
Xu Ye (許曄)	Shareholder Representative Director
Wang Xiaohong (王曉鴻)	Shareholder Representative Director
Zheng Zhenlong (鄭振龍)	Independent Director
Tsalm-hsiang Lin (林蒼祥)	Independent Director
Chen Hanwen (陳漢文)	Independent Director
Zhang Dechun (章德春)	Executive Director
Jiao Yundi (焦雲迪)	Executive Director
Zheng Wei (鄭威)	Executive Director
Lyu Xiaoting (呂小艇)	Executive Director

SHAREHOLDERS

As at 31 December 2019, XIB had 136 shareholders. The largest shareholder was Fujian Futou Investment Co., Ltd., holding approximately 1,114 million shares of XIB, representing approximately 13.28 per cent. of XIB's share capital.

GENERAL INFORMATION

XIB is domiciled at Floors 1-6, Xiamen International Bank Building, No. 8-10 Lujiang Road, Xiamen, Fujian Province, the PRC. Its website address is *http://www.xib.com.cn*. Information contained on XIB's website is subject to change from time to time and does not form part of this Offering Circular. No representation is made by the Issuer, the Managers, the Trustee or any Agent or any person who controls any of them or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers, and none of the Issuer, the Managers, the Trustee or any Agent or any person who controls any of them or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers, take any responsibility for any information contained on XIB's website.

Copies of the latest annual reports of the Bank, as well as its public filings, can be downloaded free of charge from XIB's website. Information contained in such filings does not form part of this Offering Circular.

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[1] *The Bank's Shareholder Representative Director Mr. Roy Doumani passed away from illness in the US on 10 March 2019. According to relevant regulatory requirements, the Bank ceased Mr. Roy Doumani's positions as a shareholder representative director, and member of the Strategy Committee of the Board of Directors, etc. on 14 March 2019.*

DESCRIPTION OF THE GROUP

OVERVIEW

The Group is a major investment, financing and infrastructure construction platform under the Shouguang Municipal Government and is wholly owned by the Shouguang Municipal Government. It plays a crucial role in the development of Shouguang, one of county-level cities in Weifang, Shandong Province. The Group's strategic positioning and its state-owned background offers it advantages and resources to fulfil its business missions. Since its establishment in 2008, the Group has been engaged in many projects to increase the urbanisation and commercial attractiveness of Shouguang, involving real estate development (such as construction of commodity housing projects, resettlement housing projects and affordable housing projects) as well as infrastructure construction (such as construction of stadium, swimming pool and the Citizen Fitness Centre (市民健身中心)). By focusing on real estate development, operation of land resources, heat energy, infrastructure construction, property leasing and commercial concrete production businesses and leveraging on strong governmental support, the Group has established itself as a well-known state-owned asset investment vehicle in Shouguang and plays a crucial role in the modernisation and development of Shouguang.

Since its establishment in 2008, the Group has played an important role in implementing the Shouguang Municipal Government's blueprint for infrastructure construction and regional development and has received strong support from the Shouguang Municipal Government. Over the years, the Group has developed a diversified business portfolio, its operations and investment primarily focuses on six business segments, including: (i) real estate development, (ii) operation of land resources, (iii) heat energy, (iv) infrastructure construction, (v) property leasing and (vi) commercial concrete production. The Group also conducts other businesses, including constellation, property management and greening projects, advertising and sales of decoration materials businesses. Set forth below is an overview of the principal business segments of the Group:

- ***Real Estate Development***. The Group's real estate development business is primarily conducted by the Issuer, which holds a National Level Two Qualification for Real Estate Development (國家房地產開發二級資質). The Group's real estate development business mainly includes three categories of projects: (i) commodity housing projects, (ii) resettlement housing projects, and (iii) affordable housing projects. Over the years and since 2009, the Group has developed numerous large-scale residential projects, such as Wuxing Garden (五星花園), Lanting Xiangyuan (蘭亭香苑), Jinxiu City (錦繡城), Xuejing Garden (學景花園) and Jingxin Yuan (景新園), the Group also developed commercial projects, such as Wuxing Mansion (五星大廈).

- ***Operation of Land Resources***. The Group started its operation of land resources business in 2016. According to Notice of the People's Government of Shouguang on Printing and Distributing the Implementation Opinion Regarding Investment and Operation of Rural Land Remediation Projects and Land Use Quotas by City Construction Investment Company (壽光市人民政府關於印發城建投投資運營農村土地整治項目及土地指標實施意見的通知(壽政發[2015]35號文)), the Group is the designated entity with the right to invest the rural land remediation projects within Shouguang. The Issuer can receive revenue by following the standard steps of "investing in land remediation project based on approvals issued by the Shouguang Municipal Government – paying to local town or sub-district offices for cost incurred in demolition, resettlement and reclamation on the land – surplus land quotas are created by converting the disposed land into arable land – receiving fees from parties who use land quotas".

- ***Heat Energy***. The Group conducts its heat energy business through two of its wholly-owned subsidiaries, namely, Shouguang Jinhui Heat Energy Co., Ltd. (壽光市金惠熱力有限公司) and Shouguang Chengtou Heating Co., Ltd. (壽光城投熱力有限公司) (formerly known as Shouguang Xicheng Heating Co., Ltd. (壽光西城供熱有限公司)) ("**Chengtou Heating**"). The Group is principally engaged in the generation and supply of heat energy as well as the construction and operation of heat supply networks. As at 31 December 2019, Shouguang Jinhui Heat Energy Co., Ltd. and Shouguang Xicheng Heating Co., Ltd. together had an aggregate market share of over 50.0 per cent. in the heat energy market in Shouguang.

- ***Infrastructure Construction.*** The Group is one of major infrastructure construction platforms under the Shouguang Municipal Government. The Group's infrastructure construction business is mainly conducted by the Issuer and one of the Group's subsidiaries, Shouguang City Construction Investment Bridge Engineering Management Co., Ltd.(壽光市城投橋梁工程管理有限公司). Since its establishment in 2008, the Group has been entrusted by the Shouguang Municipal Government as the entity responsible for carrying out certain Shouguang's major public infrastructure projects by way of an agent construction model. The Group's works in infrastructure projects include the construction of road, bridge, stadium, swimming pool and other facilities. As at 31 December 2019, the Group had undertaken and completed 3 infrastructure construction projects in Shouguang since its establishment in 2008 with a total investment amount of approximately RMB740.3 million.

- ***Property Leasing.*** The Group leases certain commercial properties it owns in Shouguang, including the office building located in the north of Shengcheng Street(聖城街)and in the west of East Ring Road(東環路). The Group's anchor tenants include a number of governmental agencies, enterprises and public institutions.

- ***Commercial Concrete Production.*** The Group's commercial concrete production business is primarily conducted by Shouguang Runcheng Construction Materials Co., Ltd.(壽光潤城建材有限公司), the Group's wholly-owned subsidiary. The Group is primarily engaged in the production and sales of commercial concrete in the urban area of Shouguang and surrounding areas.

- ***Other Businesses***. The Group engages in other business operations that complements to its main business segments. The Group's other business operations primarily focus on constellation, property management and greening projects, advertising and sales of decoration materials businesses.

HISTORY AND DEVELOPMENT

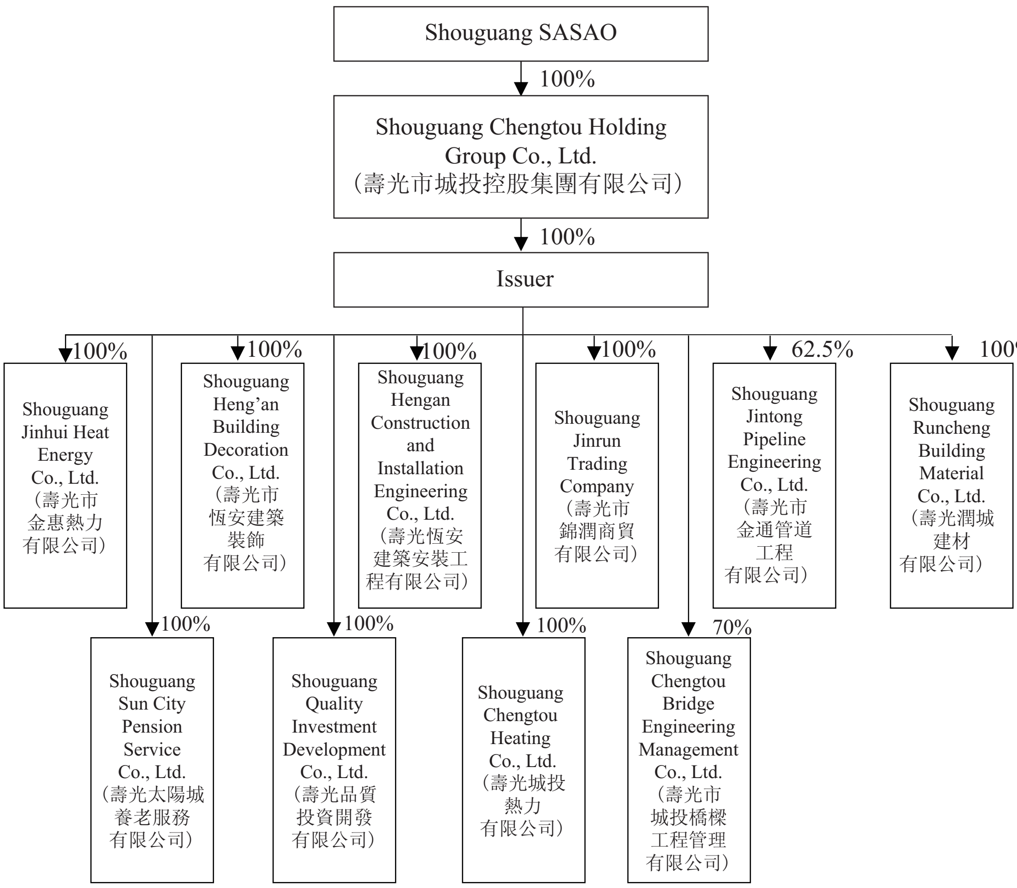
The table below sets forth selected key milestones in the Group's development history:

Year	Milestone
2008	According to Reply to Agreement on the Establishment of Shouguang City Construction Investment Development Co., Ltd.(關於同意成立壽光市城市建設投資開發有限公司的批復(壽政函[2008]8號))issued by the Shouguang Municipal Government in February 2008, the Issuer was established by Shouguang Urban Infrastructure Construction Investment Management Centre(壽光市城市基礎設施建設投資管理中心)with an initial registered capital of RMB20.0 million. In May 2008, the Issuer's registered capital was raised to RMB150.0 million by Shouguang Urban Infrastructure Construction Investment Management Centre.

Year	Milestone
2018	In July 2018, Shouguang City Infrastructure Construction Investment Management Centre transferred all of its shareholding in the Issuer to Shouguang Chengtou Holding Co., Ltd.(壽光市城投控股有限公司), according to Notice Regarding the Allocation of Equity Interests of Shouguang City Construction Investment Development Co., Ltd.(關於無償劃轉壽光市城建建設投資開發有限公司股權的通知(壽財國資[2018]53號)) issued by the Shouguang Finance Bureau. After the equity transfer, Shouguang Chengtou Holding Co., Ltd. held 100 per cent. of the equity interests in the Issuer. In August 2018, Shouguang Chengtou Holding Co., Ltd. changed its name to Shouguang Chengtou Holding Group Co., Ltd.(壽光市城投控股集團有限公司). In September 2018, the Shouguang SASAO transferred 25.0 per cent. of its shareholding in Shouguang Jincai Public Assets Management Co., Ltd.(壽光市金財公有資產經營有限公司) to the Group, according to Approval Regarding the Allocation of Equity Interests of Shouguang City Construction Investment Development Co., Ltd.(關於無償劃轉壽光市金財公有資產經營有限公司股權的批復(壽財國資[2018]95號)) issued by the Shouguang Finance Bureau.

CORPORATE STRUCTURE

The following chart sets forth a simplified corporate structure of the Group, which shows the Issuer, its sole shareholder and selected subsidiaries as at the date of this Offering Circular:



RECENT DEVELOPMENT

The Recent Coronavirus Epidemic Outbreak

At the end of December 2019, public health officials from China informed the World Health Organization that an unknown, new virus was causing pneumonia-like illness, namely COVID-19, in the city of Wuhan. On 11 March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. The COVID-19 pandemic has resulted in a number of countries declaring a state of emergency and a number of countries and imposing extensive business and travel restrictions with a view to containing the pandemic. Widespread reductions in consumption, industrial production and business activities arising from the COVID-19 pandemic will significantly disrupt the global economy and global markets and is likely to result in a global economic recession. In addition, COVID-19 has led to significant volatility in the global markets across all asset classes, including stocks, bonds, oil and other commodities and this volatility may persist for some time. The global outbreak of COVID-19 may continue to affect the Group's industry and cause temporary suspension of projects and shortage of labour and raw materials, which would have a material adverse effect on the Group's business, financial condition and results of operations. See "*Risk Factors – Risks Relating to the Group's Business and Industries – The Group's operations are subject to force majeure events, natural disasters and outbreaks of contagious diseases.*"

Financial Information as of and for the Nine Months Ended 30 September 2020

In October 2020, the Group published its unaudited and unreviewed consolidated financial statements as of and for the nine months ended 30 September 2020 (with the inclusion, for comparison purposes, of similar information for the six months ended 30 September 2019 and as of 31 December 2019) (the "**30 September Financial Statements**"), which are not included in and do not form a part of this Offering Circular. For the nine months ended 30 September 2020, the Group's operating revenue, operating profit and net profit increased as compared with the corresponding period in 2019. As of 30 September 2020, both the Group's long-term borrowings and long-term payables significantly increased as compared with the respective amounts as of 31 December 2019, as the Group entered into additional financing arrangements to finance its project constructions and for general corporate purposes; the Group's bonds payable also significantly increased, as a result of its issuance of bonds in both onshore and offshore bond markets.

The 30 September Financial Statements have not been audited or reviewed by the Group's independent accountants, or any other independent accountants and may be subject to adjustments if audited and reviewed. Consequently, such financial statements should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit or review by an independent auditor and 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 and Industries – The Group publishes 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 Offering Circular.*"

COMPETITIVE STRENGTHS

The Group believes that the competitive strengths outlined below are important to its success and future development:

One of the major investment, financing and infrastructure construction platforms under the Shouguang Municipal Government.

The Group is a major investment, financing and infrastructure construction platform under the Shouguang Municipal Government and is wholly owned by the Shouguang Municipal Government. Since its establishment in 2008, the Group has played an important role in implementing the Shouguang

Municipal Government's blueprint for infrastructure construction and has received strong support from the Shouguang Municipal Government. The Shouguang Municipal Government has implemented a variety of favourable policies to ensure the sustainable development of the Group. Accordingly, the Group has been entrusted by the Shouguang Municipal Government as the entity responsible for carrying out certain major public infrastructure projects in Shouguang. After the Group completes the construction and development of such public infrastructure projects, the governmental authorities will repurchase the projects at a price that covers the costs incurred by the Group plus a 20.0 per cent. profit. This allows the Group to obtain steady revenues, profit and cash flow and to benefit from low risks associated with its public infrastructure construction and development projects.

Strong support of the Shouguang Municipal Government.

Being designated by the Shouguang Municipal Government as a major operating entity for carrying out infrastructure constructions in Shouguang, the Group has received strong support from the Shouguang Municipal Government, which is critical to the Group's business operation. The government support received by the Group primarily includes:

- *Capital injections.* Since its establishment, the Group has received capital injections from the Shouguang Municipal Government and Shouguang SASAO on various occasions. For the years of 2010, 2011, 2012 and 2014, the Shouguang Municipal Government increased the Issuer's registered capital of RMB320.0 million, RMB86.0 million, RMB 195.0 million and RMB 204.0 million respectively, by means including transferring land use rights, allocating working capital and injecting cash.

- *Government subsidies.* The Group also receives financial support from the Shouguang Municipal Government in the form of government grants and subsidies. For the years ended 31 December 2017, 2018 and 2019, the government grants and subsidies received by the Group amounted to RMB307.1 million, RMB292.3 million and RMB179.5 million, respectively.

- *Asset injections.* The Shouguang Municipal Government has injected high-quality assets into the Group from time to time. Since the establishment of the Group, the Shouguang Municipal Government has transferred the equity interests of companies such as Shouguang Jincai Public Assets Management Co., Ltd.（壽光市金財公有資產經營有限公司）to the Group.

Diversified business portfolio and asset base to provide stable return to the Group.

The Group has a diversified business portfolio and asset base which provides it with steady revenue and cash flows from its businesses and enhance its risk resilience. The Group's real estate development, operation of land resources and heat energy businesses are its principal sources of revenue. The Group's infrastructure construction, property leasing and commercial concrete production supplements its cash flow. The Group's other businesses also provide stable revenue and cash flows to the Group. For details of the Group's business, see "*Description of the Group's Business*".

The Group's diversified business portfolio minimises the risk of business concentration and the level of volatility in its overall earnings and financial position as a result of changes in industrial conditions, selling prices or costs within any one sector. The Group's diversified business portfolio allows it to be less reliant on any single business segment and achieve more stable growth. The steady and diversified source of revenue and cash flows give the Group stability as well as flexibility in managing its operations.

Leading position in heat energy business in Shouguang.

The Group is also a leading player in the heat energy industry. Two of the Group's subsidiaries, Shouguang Jinhui Heat Energy Co., Ltd. and Chengtou Heating together had an aggregate market share of over 50 per cent. in the heat energy market in Shouguang as at 31 December 2019.

Leveraging the strong support from the Shouguang Municipal Government, the Issuer believes that the Group can strengthen its leading position in the heat energy industries in Shouguang.

Sufficient capital from diversified financing channels.

The Group has access to diversified financing channels to fund its project development, such as bank loans, issuance of debt securities in the onshore capital markets. The Group has cultivated close and extensive relationships with a number of reputable commercial banks and other financial institutions in China, which have provided a solid foundation for obtaining low-cost capital for the Group. In addition, the Group issued corporate bonds, privately placed debt financing instruments and medium-term notes in domestic capital markets to raise funds for its operating capital. The Group has been exploring other channels for low-cost capital to further enhance its diversified financing structure. With its diverse sources of funding, the Group believes that it will continue to have access to sufficient capital to support its business operations and expansion.

Sound and effective corporate governance and internal control.

The Group has instituted a sound corporate governance and internal control system which it believes distinguishes itself from other enterprises in Shouguang. The Group's corporate governance structure consists of the board of directors, the board of supervisors and ten departments which undertake different functions concerning the daily operations of the Group, namely, the General Office (綜合辦公室), Inspection and Supervision Office (督查辦), Human Resources Department (人力資源部), Safety and Environment Department (安全環境部), Finance Department (財務部), Development Planning Department (發展規劃部), Banking Department (金融部), Cost Control Department (成本控制部), Bidding and Procurement Department (招標採購部) and Engineering Management Department (工程管理部).

In addition, the Shouguang SASAO closely participates in the management of the Group and has the authority to appoint directors and senior management of the Issuer and to review their performance. The Group has also established several effective internal control systems, including financial management system, fund management rules, financing management system, related transaction system, bidding and procurement system, human resource management system, budget management system and subsidiary management system.

Experienced management team with sound corporate governance.

The Group's management team has extensive experience in various businesses of the Group including real estate development, operation of land resources, heat energy and infrastructure construction. Many members of the Group's management team have previously served as senior officials within various government departments in Shouguang. The Group believes that its management team's extensive experience in a broad range of industries and strong execution capabilities will continue to be instrumental in executing its business strategies and capturing market opportunities as they arise, and contribute to the sustainable growth of the Group. For details of management of the Issuer, see "*Directors and Senior Management of the Issuer*".

In addition, the Group's operation teams in all of the Group's businesses are led by professionals with extensive experience in operation and management of the relevant industries of the Group's business and supported by a highly skilled and well-trained workforce. Throughout its years of operation and management of its various businesses, the Group has been able to maintain effective and efficient management and operational control over its key subsidiaries. The Group has adopted a commercially driven approach to managing its business operations while leveraging on its established relationship with governmental authorities with a view to maximising its growth potential.

BUSINESS STRATEGIES

The Group's goal is to continue to grow its asset base, optimise its capital structure and enhance operational efficiency. The Group intends to focus on the following strategies:

Continue to fulfil its role as the major platform via which the Shouguang Municipal Government provides real estate development, operation of land resources, heat energy, infrastructure construction, property leasing and commercial concrete production in Shouguang.

The Group has been, and strives to continue to be, the major platform via which the Shouguang Municipal Government provides real estate development, operation of land resources, heat energy, infrastructure construction, property leasing and commercial concrete production in Shouguang. In particular, leveraging the strong track record of the Group's real estate development, operation of land resources, heat energy and infrastructure construction businesses, the Group intends to continue to proactively develop the Group's customer base and expand the coverage of the Group's business networks. The Group will continue to secure new operational locations and new customers to further expand its business segments.

Leveraging the strong support from the Shouguang Municipal Government, the Issuer believes that the Group is well-positioned to further expand its operations in its real estate development, operation of land resources, heat energy, infrastructure construction, property leasing and commercial concrete production business segments.

Explore new financing channels.

The Group used to raise funds through government subsidies, bank loans and issuing debt securities in the domestic capital market. The Issuer intends to utilise diversified financing methods to support its businesses by exploring new financing methods and developing a multi-level financing scheme. The Group maintains long-term relationships with several commercial banks and other financial institutions in the PRC, which have provided low-cost capital to support its business. As at 31 December 2019, the Group had credit facilities amounting to a total of approximately RMB6,740.0 million, of which approximately RMB1,054.0 million had not been utilised. The Group intends to explore and employ new financing channels to secure funding on more favourable terms to better support the financing needs of the Group's development projects.

Adhere to prudent financial policy with stringent risk control and enhanced financial management.

The Group plans to adhere to prudent financial policy with stringent risk control and enhanced financial management. The Group has established standardised capital management mechanisms to monitor capital, capital efficiency and capital risk prevention to effectively enhance the results and efficiency of its capital management. In respect of financial management, the Group focuses on contributing to the sustainable, healthy and rapid development of the Group and providing financial stability through financial risk control, value creation, implementation of budget management and the establishment of information platforms to assist communications and interaction between business operations and financial management. The Group will also continue to strengthen cooperation with banks, seek alternative sources of financing and maintain a balanced indebtedness structure consisting of short-term, medium-term and long-term credit facilities. The Group strives to prudently manage its financials while fulfilling investment and development needs to drive its profitability.

Continue to diversify the Group's businesses and increase investment in businesses that synergise with the Group's core businesses.

In addition to conducting real estate development, operation of land resources, heat energy, infrastructure construction, property leasing and commercial concrete production businesses in Shouguang, the Group is also engaged in other businesses, including constellation, property management and greening projects, advertising and sales of decoration materials. The Issuer also plans to further diversify the Group's business portfolio and develop other businesses that would create synergy with the Group's existing businesses.

In the future, the Group will continue to invest in areas that will complement the Group's business strategies to strengthen its profitability. For instance, financial investment business. The Issuer believes that the Group's diversified sources of income will contribute to a steady growth of the Group's operating revenues in the future.

Continue to build a professional management team.

The Issuer believes that the Group's experienced management team has been a key factor in contributing to its success in its businesses. The Group will continue to build a professional management team with well-educated and experienced personnel, carry out regular training so as to enable the Group to continue to improve the efficiency of its operations and achieve its strategic goals through the Group's management team.

DESCRIPTION OF THE GROUP'S BUSINESSES

Since its establishment in 2008, the Group has played an important role in implementing the Shouguang Municipal Government's blueprint for infrastructure construction and regional development and has received strong support from the Shouguang Municipal Government. Over the years, the Group has developed a diversified business portfolio, its operations and investment primarily focuses on six business segments, including: (i) real estate development, (ii) operation of land resources, (iii) heat energy, (iv) infrastructure construction, (v) property leasing and (vi) commercial concrete production. The Group also conducts other businesses, including constellation, property management and greening projects, advertising and sales of decoration materials businesses.

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

	Year ended 31 December					
	2017		2018		2019	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(RMB in millions) (audited)		*(RMB in millions) (audited)*		*(RMB in millions) (audited)*	
Business Segments						
Real Estate Development	148.9	25.4	177.7	25.8	256.2	21.5
Operation of Land Resources	50.5	8.6	109.2	15.9	418.1	35.1
Heat Energy	92.4	15.8	99.7	14.5	110.3	9.2
Infrastructure Construction	72.4	12.4	25.8	3.7	61.8	5.2
Property Leasing	45.0	7.7	49.6	7.2	83.7	7.0
Commercial Concrete Production	98.4	16.8	82.3	12.0	148.2	12.4
Other Businesses	77.9	13.3	144.1	20.9	114.3	9.6
Total	**585.5**	**100.0**	**688.4**	**100.0**	**1,192.6**	**100.0**

The following table sets forth a breakdown of the Group's profit from each business segment for the periods indicated:

	Year ended 31 December					
	2017		2018		2019	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(RMB in millions) (audited)		*(RMB in millions) (audited)*		*(RMB in millions) (audited)*	
Business Segments						
Real Estate Development	9.5	7.1	(11.5)	(9.5)	76.6	17.6
Operation of Land Resources	38.7	28.8	49.9	41.2	252.3	58.2
Heat Energy	18.7	13.9	22.3	18.4	14.6	3.4
Infrastructure Construction	9.1	6.8	3.5	2.9	3.4	0.8
Property Leasing	26.0	19.3	32.6	26.9	54.1	12.5
Commercial Concrete Production	(2.2)	(1.6)	11.8	9.8	16.6	3.8
Other Businesses	34.6	25.7	12.4	10.2	16.0	3.7
Total	**134.4**	**100.0**	**121**	**100.0**	**433.6**	**100.0**

Real Estate Development

Overview

The Group's real estate development business is primarily conducted by the Issuer, which holds a National Level Two Qualification for Real Estate Development (國家房地產開發二級資質). The Group's real estate development business mainly includes three categories of projects: (i) commodity housing projects, (ii) resettlement housing projects, and (iii) affordable housing projects. The Group is normally responsible for the feasibility study, project design, invitation for tender and project supervision. Construction work of such projects is typically outsourced to a third party contractor. Over the years and since 2009, the Group has developed numerous large-scale residential projects, such as Wuxing Garden (五星花園), Lanting Xiangyuan (蘭亭香苑), Jinxiu City (錦繡城), Xuejing Garden (學景花園) and Jingxin Yuan (景新園), the Group also developed commercial projects, such as Wuxing Mansion (五星大廈).

For the years ended 31 December 2017, 2018 and 2019, revenue generated from the Group's real estate development business was RMB148.9 million, RMB177.7 million, RMB256.2 million, respectively, representing approximately 25.4 per cent., 25.8 per cent. and 21.5 per cent. of the Group's total revenue for the same periods, respectively.

Business Model

Commodity Housing Projects

The Group acquires the land use rights in the public bidding, auction and sale-by-listing process for its commodity housing projects. The Group outsources its construction work to independent third party contractors to construct its commodity housing properties. Selection of third-party contractors is usually conducted through public tender and bidding process as required by national and local regulations. In selecting the contractor, the Group considers the bidder's track record, quality of work, delivery timetable and costs in its selection process. The Group calculates and confirms the total annual investment made by the third-party contractors in real estate development projects, and makes payments to the third-party contractors in accordance with the Commodity Housing Construction Contracts (商品房建造合同) entered into by and between the Group and third-party contractors.

Resettlement Housing Projects

The Group is engaged by the Shouguang Municipal Government or related entrusting parties to undertake the shanty town redevelopment projects and enters into a project cooperation development agreement with entrusting parties for each project, which provides the details of the key aspects of relevant projects, such as the scale of the project, construction and project management schedule, term, financing arrangement, allocation of responsibilities between the parties and dispute resolution mechanism. Upon completion of the construction, the resettlement housing will be partly repurchased by villagers of the redeveloped shanty town at the price of housing construction cost, the remaining resettlement housing and commercial storefronts will be repurchased by the entrusting parties at a price based on audited cost by qualified audit agencies.

Affordable Housing Projects

The Shouguang Municipal Government allocates land to be used as affordable housing construction sites to the Group. Details of the affordable housing projects to be developed by the Group (such as the scope of work, construction and management schedule and financing arrangement) are normally set out in the agreement between the Group and the Shouguang Municipal Government. The Group engages third-party contractors to carry out the construction of its affordable housing construction projects through its standardised public tender process in accordance with applicable PRC laws and regulations. When selecting contractors, the Group considers a number of factors, such as the reputation of the contractors, track records in similar projects, creditworthiness, technical capabilities, proposed construction blueprint and price. The Group makes interim payment to the contractors according to the project's progress.

Upon each project meets pre-sale conditions, it will be sold to qualified applicants with a price approved by related authorities, and the price margin between the sales price and the construction cost will be subsidised by the Shouguang Finance Bureau.

Completed Projects

As at 31 December 2019, the Group completed eleven real estate development projects in an aggregate investment amount of approximately RMB2,265.4 million, the particulars of which are set forth below:

Project	Project Type	Completion date	GFA	Total Investment
			(Sq. m.)	*(RMB in millions)*
Wuxing Square (五星廣場)	Commercial	May 2016	114,000.0	117.9
Wuxing Mansion (五星大廈)	Commercial	June 2015	108,600.0	450.0
Wuxing Garden (五星花園)	Residential	December 2012	58,100.0	
Lanting Xiangyuan (蘭亭香苑)	Residential	December 2014	32,800.0	80.0
Jinxiu City First Phase (錦繡城一期)	Residential	July 2014	43,100.0	249.0
Xuejing Garden (學景花園)	Residential	January 2015	22,100.0	20.0
Xiliu Shanty Town (Resettlement) Project (西劉棚戶區(安置))	Residential	October 2016	104,400.0	300.0
Dongjing Garden (東景花園)	Residential	December 2019	134,300.0	400.0
Jingxin Yuan First Phase (景新園一期)	Residential	May 2016	67,900.0	307.0
Changhong Xinda City (昌鴻·新達城)	Residential	November 2018	36,500.0	160.0
Yipin Family (一品世家)	Residential	December 2019	96,500.0	181.5
Total	–	–	**818,300.0**	**2,265.4**

Projects under Construction

As at 31 December 2019, the Group had four ongoing entrusted construction projects, the particulars of which are set forth below:

Project	Project Type	Commencement Date	Expected Completion Date	Total Investment	Invested Amount	GFA
				(RMB in millions)	*(RMB in millions)*	*(Sq. m.)*
Chengtou Sun City Project (城投·太陽城項目)	Residential	2017	August 2021	137,319.0	135.4	368,292.0
Luneng Yuedong Ecocity No.6 Community (魯能·悦動生態城6號小區)	Residential	2018	December 2022	1,300.0	873.9	279,120.2
Rehabilitation Centre (康復中心)	Residential	2015	August 2021	310.0	155.1	63,600.0
Chengtou Xinju Era (城投·新居時代)	Residential	2018	June 2021	147.9	39.4	56,900.0
Total	–	–	–	**139,076.9**	**1,203.8**	**767,912.2**

Operation of Land Resources

Overview

The Group started its operation of land resources business in 2016. According to Notice of the People's Government of Shouguang on Printing and Distributing the Implementation Opinion Regarding Investment and Operation of Rural Land Remediation Projects and Land Use Quotas by City Construction Investment Company (壽光市人民政府關於印發城建投投資運營農村土地整治項目及土地指標實施意見的通知(壽政發[2015]35號文)), the Group is the designated entity with the right to invest the rural land remediation projects within Shouguang. The Issuer can receive revenue by following the standard steps of "investing in land remediation project based on approvals issued by the Shouguang Municipal Government – paying to local town or sub-district offices for cost incurred in demolition, resettlement and reclamation on the land – surplus land quotas are created by converting the disposed land into arable land – receiving fees from parties who use land quotas". For the years ended

31 December 2017, 2018 and 2019, revenue from the operation of land resources business amounted to RMB50.5 million, RMB109.2 million and RMB418.1 million, representing 8.6 per cent., 15.9 per cent. and 35.1 per cent. of the Group's total revenue, respectively.

Business Model

The Issuer's business model of operation of land resources operates as follows:

- Firstly, based on approvals issued by the Shouguang Municipal Government, the Issuer uses its own funds and external financing to invest land remediation projects within pilot areas of Shouguang. According to Shouguang Municipal Government's approvals, local town or sub-district offices of pilot areas will engage third-party contractors to conduct works on deserted salt pans or house sites (宅基地) within the pilot areas, including demolition of existing attachments (if any), resettlement of original residents (if any) and finally to reclaim the deserted salt pans or house sites into arable land. The Group makes payments to local town or sub-district offices according to each project's progress.

- Secondly, upon the completion of demolition, resettlement and reclamation on the land, the Natural Resources and Planning Bureau of Shouguang and related authorities will, according to approvals of the Shouguang Municipal Government, created surplus land quotas (節餘土地指標) based on their inspection and measure on the completed land.

- Lastly, the Natural Resources and Planning Bureau of Shouguang will distribute surplus land quotas to parties who file applications, parties who acquire such surplus land quotas will have to pay fees to the Group at a price of not less than RMB350,000 per mu (畝), and if the actual sales prices are less than RMB350,000 per mu (畝), the price margin will be subsidised by the Shouguang Finance Bureau to the Group.

Completed Projects

As at 31 December 2019, the Group had twenty-two completed land remediation projects, the particulars of which are set forth below:

Project Name or Location	Surplus Land Quotas Created	Surplus Land Quotas Used	Total Investment
	(Mu)	*(Mu)*	*(RMB in millions)*
Yingli Town Beichenjia Village Deserted Salt Pans Project Area and Yingli Town Beichenjia Village (Northwest) Deserted Salt Pans Project Area (營裹鎮北陳家村廢棄鹽田掛鉤項目區及營裏鎮北陳家村(西北側)廢棄鹽田掛鉤項目區)	515.9	515.9	38.7
2015 Yingli Town Deserted Salt Pans Project (2015營裡鎮廢棄鹽田掛鉤項目)	567.9	567.9	42.6
Shuangwang City Eco-economic Zone Guojingzi Village Deserted Salt Pans Project Area (One)(雙王城生態經濟區郭井子村廢棄鹽田掛鉤專案區(一))	400.2	400.2	30.0
Shuangwang City Eco-economic Zone Guojingzi Village Deserted Salt Pans Project Area (Two)(雙王城生態經濟區郭井子村廢棄鹽田掛鉤專案區(二))	396.6	396.6	29.7
Shuangwang City Eco-economic Zone Guojingzi Village Deserted Salt Pans Project Area (Three)(雙王城生態經濟區郭井子村廢棄鹽田掛鉤專案區(三))	525.4	525.4	39.4
Shuangwang City Eco-economic Zone Guojingzi Village Deserted Salt Pans Project Area (Four)(雙王城生態經濟區郭井子村廢棄鹽田掛鉤專案區(四))	539.4	539.4	40.5
Qingshuipo Farm Deserted Slat Pans Project Area (One)(清水泊農場廢棄鹽田掛鉤項目區(一))	648.8	648.8	46.1
Qingshuipo Farm Deserted Slat Pans Project Area (Two)(清水泊農場廢棄鹽田掛鉤項目區(二))	631.5	631.5	44.8
Qingshuipo Farm Deserted Slat Pans Project Area (Three)(清水泊農場廢棄鹽田掛鉤項目區(三))	519.3	519.3	36.9

Project Name or Location	Surplus Land Quotas Created	Surplus Land Quotas Used	Total Investment
	(Mu)	*(Mu)*	*(RMB in millions)*
Hou Town Fengtailing Village (侯鎮豐台嶺村)	135.4	3.1	38.4
Hou Town Sanwuzi Village (侯鎮三屋子村)	32.7	13.2	7.5
Hou Town Beizhangzhuang Village (侯鎮北仉莊村)	23.8	0.0	5.5
Hou Town Liujiaguan Village (侯鎮劉家官莊)	87.3	0.0	30.6
Hualong Town Qianzhang Village, Peixi Village (化龍鎮前張村、裴西村)	141.4	0.0	41.0
Hualong Town Qinxi Village (化龍鎮欽西村)	10.5	0.0	2.4
Hualong Town Xiadian Village, Nianli Village (化龍鎮夏店村、廿裏村)	9.0	0.0	2.1
Hualong Town Xinjia Village (化龍鎮辛家村)	5.4	0.7	1.2
Tianliu Town Duliyuan Village (田柳鎮闍黎院村)	14.2	0.0	3.3
Tianliu Town Houchengmatuan Village (田柳鎮後乘馬疃村)	20.7	0.0	4.8
Tianliu Town Xingyao Village (田柳鎮邢姚村)	46.9	0.0	10.8
Shangkou Town Kouzi Village (上口鎮口子村)	122.7	122.7	42.9
Yangkou Town Nanzhaike Village (羊口鎮南宅科村)	294.6	0.0	103.1
Total	**5,689.7**	**4,884.8**	**642.3**

Projects under Construction

As at 31 December 2019, the Group had ten ongoing land remediation projects, the particulars of which are set forth below:

Project Name or Location	Expected Surplus Land Quotas	Invested Investment	Total Investment
	(Mu)	*(RMB in millions)*	*(RMB in millions)*
Yingli Town Beidan Village (營裏鎮北單村)	64.1	8.9	14.7
Yingli Town Lijiaying Village, Moujiaying Village, Dongheizhongzi Village, Qijiaheizhongzi Village (營裏鎮李家營村、牟家營村、東黑冢子村、齊家黑冢子村)	779.0	20.0	31.2
Hou Town Hegou Village (侯鎮河溝村)	500.0	40.0	175.0
Hualong Town Hualong Bridge (One)(化龍鎮化龍橋(一))	25.3	4.4	8.8
Hualong Town Hualong Bridge (Two)(化龍鎮化龍橋(二))	143.6	5.0	50.3
Gucheng Street Linzeer Village (古城街道臨澤一村、二村、三村)	327.4	97.0	1.1
Daotian Town Zhangjiayingqian Village (稻田鎮張家營前村)	209.0	20.0	73.1
Daotian Town Dongli Village (稻田鎮東裡村)	226.9	66.7	79.4
Sunjiaji Street Xiaodongjia Village (孫家集街道小董家村)	84.1	14.6	29.4
Jitai Town Dingjiayaohe Village (紀台鎮丁家堯河村)	166.7	5.0	58.3
Total	**2,526.1**	**281.6**	**521.3**

Heat Energy Business

Overview

The Group conducts its heat energy business through two of its wholly-owned subsidiaries, namely, Shouguang Jinhui Heat Energy Co., Ltd. and Chengtou Heating. The Group is principally engaged in the generation and supply of heat energy as well as the construction and operation of heat supply networks. As at 31 December 2019, Shouguang Jinhui Heat Energy Co., Ltd. and Chengtou Heating together had an aggregate market share of over 50.0 per cent. in the heat energy market in Shouguang.

For the years ended 31 December 2017, 2018 and 2019, revenue from the Group's heat energy business segment amounted to approximately RMB92.4 million, RMB99.7 million and RMB110.3 million, respectively, representing approximately 15.8 per cent., 14.5 per cent. and 9.2 per cent. of the Group's total revenue, respectively.

The following table sets forth the general information with respect to the heat energy business of the Group for the years ended 31 December 2017, 2018 and 2019:

	For the years ended 31 December		
	2017	**2018**	**2019**
Heating Fees *(RMB/sq. m.)*	22.5	22.5	22.5
Heating Covering Area *(sq. m.)*	5,600,000.0	5,600,000.0	5,600,000.0
Supporting Facilities Fees *(RMB/sq. m.)*	32.0	32.0	32.0
Annually-Added Supporting Facilities Covering Area *(sq. m.)*	675,900.0	449,300.0	Nil

Business Model

The Group's customer base in its heat energy business comprises residential and non-residential customers. The Group's revenues in terms of heat energy business are mainly derived from heating fees (供暖費), including residential and non-residential heating fees, and supporting facilities fees (配套費), which is a one-time fee charged by the Group to real estate companies for conducting heating construction works such as heat supply pipelines lying. The heating fees are mainly collected before November 15 of each year.

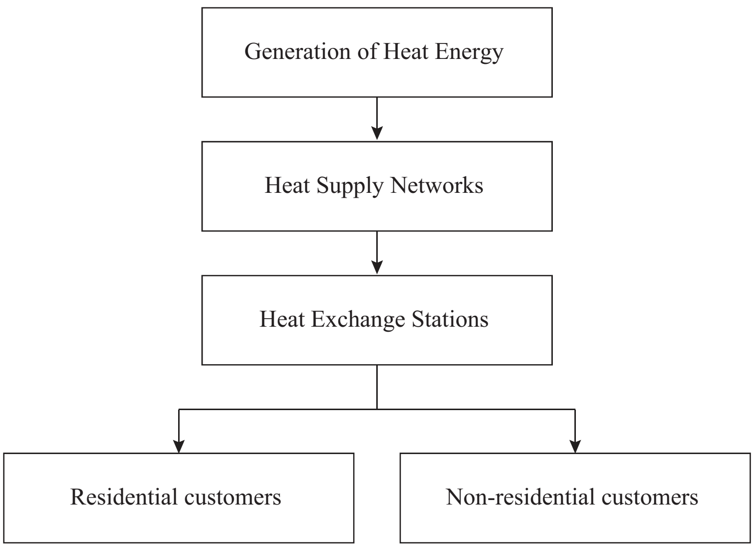
Suppliers

The Group generates heat energy from its heat generation plants. It primarily purchases coal for the generation of heat energy. For the years ended 31 December 2017, 2018 and 2019, the Group's total procurement volume of coal amounted to approximately 64,489.6 tonnes, 78,461.7 tonnes and 74,419.3 tonnes, respectively, and its total procurement value of coal amounted to approximately RMB51.7 million, RMB61.6 million and RMB54.3 million, respectively.

Heat Supply Process

The Group distributes its heat energy in the form of hot water generated from its heat generation plants to end-users through the Group's heat supply networks, which comprise pipelines and heat exchange stations. Heat exchange stations are the connection points between the heat supply pipelines and end-user customers. Their main function is to transfer heat energy from the heat supply networks to the facilities of the customers after adjusting the relevant parameters of the supplied heat energy according to the needs of the customers. Both residential customers and industrial customers generally use heat energy for heating purposes in winter.

The flow chart below sets forth the major heat supply process:



Pricing

Both of the heating fees and the supporting facilities fees for the Group's heat energy business is determined and approved by the relevant pricing bureau following a hearing. Both non-residential customers and residential customers usually pay for all of their heat fees during the heat consumption season before November 15 of each year through property management companies.

Infrastructure Construction

Overview

The Group is one of major infrastructure construction platforms under the Shouguang Municipal Government. The Group's infrastructure construction business is mainly conducted by the Issuer and one of the Group's subsidiaries, Shouguang City Construction Investment Bridge Engineering Management Co., Ltd.（壽光市城投橋梁工程管理有限公司）. Since its establishment in 2008, the Group has been entrusted by the Shouguang Municipal Government as the entity responsible for carrying out certain Shouguang's major public infrastructure projects by way of an agent construction model. The Group's works in infrastructure projects include the construction of road, bridge, stadium, swimming pool and other facilities. As at 31 December 2019, the Group had undertaken and completed 3 infrastructure construction projects in Shouguang since its establishment in 2008 with a total investment amount of approximately RMB740.3 million.

For the years ended 31 December 2017, 2018 and 2019, revenue from the Group's infrastructure construction business amounted to approximately RMB72.4 million, RMB25.8 million and RMB61.8 million, respectively, representing approximately 12.4 per cent., 3.7 per cent. and 5.2 per cent. of the Group's total revenue, respectively.

Business Model

The Group's infrastructure construction projects have been generally conducted under the agent construction model. Details of the infrastructure projects to be developed by the Group (such as the scope of work, construction and management schedule and financing arrangement) are normally set out in the agent construction agreement between the Group and the Shouguang Municipal Government or other governmental authorities. The Group usually funds its infrastructure projects with capital injected by government and external funding, such as bank loans.

The Group engages third-party construction companies to carry out the construction of its infrastructure projects through its standardised public tender process in accordance with applicable PRC laws and regulations, or the Group authorizes related authorities to undertake the construction works. When selecting contractors, the Group considers a number of factors, such as the reputation of the contractors, track records in similar projects, creditworthiness, technical capabilities, proposed construction blueprint and price. After the Group completes the construction and development of such infrastructure projects, the governmental authorities will repurchase the projects at a price that covers the costs incurred by the Group plus a 20.0 per cent. profit.

Completed Projects

As at 31 December 2019, the Group had completed three infrastructure construction projects, with a total investment of RMB740.3 million, the particulars of which are set forth below:

Project	Commencement and Completion Date	Buyback Period	Total Investment
			(RMB in millions)
Entrepreneur Headquarters No.3 Building Project (企業家總部群3號樓項目)	August 2011 – June 2015	June 2015 – June 2022	150.0
Two Pavilions and One Centre Project (兩館一中心項目)	May 2011 – June 2015	June 2015 – June 2022	525.0
Binhe Avenue Project (濱河大道項目)	December 2013 – June 2015	June 2015 – June 2022	65.3

Project under Construction

As at 31 December 2019, the Group had two ongoing infrastructure construction projects, the particulars of which are set forth below:

Project	Estimated Total Investment	Expected Completion Date	Invested Amount
	(RMB in millions)		*(RMB in millions)*
Jinguang Street Across Mi River Bridge PPP Project (金光街跨彌河大橋PPP專案)	420.0	October 2020	259.6
Luneng Yuedong Eco-city Land Ripening Phase One (魯能悅動生態城土地熟化一期)	480.0	December 2023	22.3

Property Leasing

Overview

The Group leases certain commercial properties it owns in Shouguang, including the office building located in the north of Shengcheng Street (聖城街) and in the west of East Ring Road (東環路). The Group's anchor tenants include a number of governmental agencies, enterprises and public institutions.

For the years ended 31 December 2017, 2018 and 2019, revenue from the Group's property leasing business amounted to approximately RMB45.0 million, RMB49.6 million and RMB83.7 million, respectively, representing approximately 7.7 per cent., 7.2 per cent. and 7.0 per cent. of the Group's total revenue, respectively.

Properties

The table below sets out certain details regarding major properties the Group leased for the years ended 31 December 2017, 2018 and 2019:

	For the years ended 31 December					
Project	2017		2018		2019	
	Rental Area	Rental Revenue	Rental Area	Rental Revenue	Rental Area	Rental Revenue
	(Sq. m.)	*(RMB in millions)*	*(Sq. m.)*	*(RMB in millions)*	*(Sq. m.)*	*(RMB in millions)*
Office Building (辦公樓)	156,623.0	42.4	156,623.0	42.4	156,623.0	42.4
Wuxing Mansion (五星大廈)	16,667.0	2.6	28,158.6	7.2	28,158.6	3.6
Wuxing Plaza (五星廣場)	–	–	–	–	125,621.0	1.4
Weifang College of Science and Technology, the Fifth Department (濰坊科技學院五專部)	–	–	–	–	89,269.0	13.8
Total	**173,290.0**	**45.0**	**184,781.6**	**49.6**	**399,671.6**	**61.2**

Commercial Concrete Production

Overview

The Group's commercial concrete production business is primarily conducted by Shouguang Runcheng Construction Materials Co., Ltd. (壽光潤城建材有限公司), the Group's wholly-owned subsidiary. The Group is primarily engaged in the production and sales of commercial concrete in the urban area of Shouguang and surrounding areas.

For the years ended 31 December 2017, 2018 and 2019, revenue from the Group's commercial concrete production business amounted to approximately RMB98.4 million, RMB82.3 million and RMB179.1 million, respectively, representing approximately 16.8 per cent., 12.0 per cent. and 12.4 per cent. of the Group's total revenue, respectively.

Raw material procurement

The primary raw materials for the production of commercial concrete are sand, rock and cement. The Group primarily procures raw materials from local suppliers in the market. The table below sets out certain details regarding the Group's raw material procurement for the years ended 31 December 2017, 2018 and 2019:

	For the years ended 31 December					
Raw Material	**2017**		**2018**		**2019**	
	Volume Procured	**Price**	**Volume Procured**	**Price**	**Volume Procured**	**Price**
	(Cubic metre or tonne)	*(RMB per cubic metre or RMB per tonne)*	*(Cubic metre or tonne)*	*(RMB per cubic metre or RMB per tonne)*	*(Cubic metre or tonne)*	*(RMB per cubic metre or RMB per tonne)*
Sand	95,337.5	137.0	103,758.9	145.0	159,880.8	15,067.0
Rock	72,338.8	147.0	97,459.3	163.0	160,646.7	150.5
Cement	1,683.7	560.0	1,875.8	580.0	50,910.0	517.4

Production, price and operation

For the years ended 31 December 2017, 2018 and 2019, the Group produced a total of approximately 220,000.0 cubic metres, 250,000.0 cubic metres, and 287,000.0 cubic metres of commercial concrete, respectively.

As at 31 December 2019, the Group operated four commercial concrete production lines. The Group supplies commercial concrete to meet the needs of its projects of real estate development business and infrastructure construction business, it also sells commercial concrete directly to other major medium- and large-scale construction enterprises of Shouguang.

Other Businesses

The Group engages in other business operations that complements to its main business segments. The Group's other business operations primarily focus on constellation, property management and greening projects, advertising and sales of decoration materials businesses. For the years ended 31 December 2017, 2018 and 2019, revenue from the Group's other businesses amounted to approximately RMB77.9 million, RMB144.1 million and RMB114.3 million, respectively, representing approximately 13.3 per cent., 20.9 per cent. and 9.6 per cent. of the Group's total revenue, respectively.

GOVERNMENT REGULATIONS

The operations of the Group are subject to various laws and regulations in the jurisdiction in which it operates. The Group's properties are subject to routine inspections by government officials with regard to various safety and environmental issues. The Group believes that it is in compliance in all material respects with government regulations currently in effect in the jurisdictions in which it operates. The

Group is not aware of significant problems experienced by any member of the Group with respect to compliance with government regulations in relation to its operations which could materially adversely affect its properties or operations, nor is it aware of any pending government legislation that might have a material adverse effect on its properties or operations.

RISK MANAGEMENT

The Group has established a risk management department to ensure compliance with regulatory requirements and to implement risk control measures to lower operational and investment risks. The risk management system covers different aspects of the Group's operations, including strategic management, financial and capital management, asset management, investment management, subsidiaries management, and information disclosure. Each level and department of the Group is well informed of the Group's internal control and risk management policies. The systematic approach adopted by the Group has helped the Group to manage its business in a disciplined manner.

OCCUPATIONAL SAFETY AND ENVIRONMENTAL PROTECTION

The Group adopts a comprehensive work safety system to ensure safety of the employees. The Group has assigned relevant officers at the planning and implementation stages of each project to ensure that the Group's safety objectives are met and to play a key role in monitoring the effectiveness of the safety measures, training the employees in each project on the safety requirements, handling any infractions or violations, ensuring the maintenance of safety records and managing onsite safety and emergency incidents. The Group believes that it is in compliance in all material respects with applicable safety regulations.

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

INSURANCE

The Group's major projects have been covered by insurance policies. Nevertheless, the Group cannot ensure that it has purchase insurance schemes to secure all of the projects it conducts. As such, damage to those unsecured urban infrastructure, roads, 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.

EMPLOYEES

As at 31 December 2019, the Group had approximately 366 employees, approximately 26.2 per cent. of whom hold an undergraduate degree or above. The Group maintains a good working relationship with its employees and as at 31 December 2019, the Group had not experienced any labour disputes that would have a material adverse effect on the Group's operation and performance.

In accordance with the applicable regulations of local governments in regions where the Group has business operations, the Group makes contributions to the pension plan, medical insurance, unemployment insurance, maternity insurance as well as personal injury insurance. The Group also makes contributions to an employee housing fund according to applicable PRC regulations. In addition to statutory contributions, the Group provides annual bonuses and supplemental commercial insurance policies to employees. The Group enters into an employment contract with each of its employees in accordance with applicable PRC laws. Such contracts include provisions on wages, annual leave, employee benefits, training programs, health and safety, confidentiality obligations and grounds for termination.

LEGAL PROCEEDINGS

The Group is from time to time involved in disputes and legal proceedings arising in the ordinary course of its business. See "*Risk Factors – Risks Relating to the Group's Businesses and Industries – The Group is exposed to litigation risks*". To the best of the Issuer's knowledge, there are no current litigation or arbitration proceedings against the Group or any of its directors as at the date of this Offering Circular that could have a material adverse effect on its financial condition or results of operations.

DIRECTORS AND SENIOR MANAGEMENT OF THE ISSUER

DIRECTORS

As at the date of this Offering Circular, there are six directors of the Issuer, among whom, Ms. CHEN Sufeng, is the employee director.

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

Name	Age	Position
Mr. FANG Guangsheng (房光勝) . . .	53	Chairman
Mr. LIU Zixing (劉子興)	49	Director; General Manager
Mr. ZHENG Canrong (鄭燦榮)	52	Deputy Chairman
Mr. ZHANG Wenli (張文利)	47	Director
Mr. LI Yijian (李益健)	45	Director
Ms. CHEN Sufeng (陳素鳳)	42	Employee Director; Head of Financial Department

Mr. FANG Guangsheng (房光勝), aged 53, is the chairman of the Issuer. Prior to joining the Group, Mr. Fang served as the deputy director at Shouguang Economic and Information Bureau (壽光市經濟和信息化局), the director at Shouguang Infrastructure Construction Investment Management Centre (壽光市城市基礎設施建設投資管理中心). Mr. Fang obtained a bachelor's degree at the Party School of Shouguang.

Mr. LIU Zixing (劉子興), aged 49, is a director and the general manager of the Issuer. Prior to joining the Group, Mr. Liu served as the office director of Shouguang Construction Committee (壽光市建委), a director of Shouguang Management Law Enforcement Supervision Brigade (壽光市城市管理執法監察大隊) and a deputy director and Party secretary of Shouguang Infrastructure Construction Investment Management Centre (壽光市城市基礎設施建設投資管理中心). Mr. Liu obtained a master degree at Shandong Agricultural University (山東農業大學). Mr Liu is an economist.

Mr. ZHENG Canrong (鄭燦榮), aged 52, is the deputy chairman of the Issuer. Prior to joining the Group, Mr. Zheng served as a deputy director at Shouguang Demolition Management Office (壽光市拆遷管理辦公室) and a deputy director at Shouguang Infrastructure Construction Investment Management Centre (壽光市城市基礎設施建設投資管理中心). Mr. Zheng obtained a college degree at Weifang Vocational College (濰坊市職工大學). Mr. Zheng is an engineer.

Mr. ZHANG Wenli (張文利), aged 47, is a director of the Issuer. Prior to joining the Group, Mr. Zhang served as a deputy director at Shouguang Real Estate Development Service Company (壽光市地產開發服務公司) a deputy director at Shouguang Infrastructure Construction Investment Management Centre (壽光市城市基礎設施建設投資管理中心). Mr. Zhang obtained a bachelor's degree at Shandong Academy of Governance (山東經濟管理幹部學院). Mr. Zhang is an engineer.

Mr. LI Yijian (李益健), aged 45, is a director of the Issuer. Prior to joining the Group, Mr. Li served as the office director of Daotian Town (稻田鎮政府) and a deputy section chief at Shouguang Infrastructure Construction Investment Management Centre (壽光市城市基礎設施建設投資管理中心). Mr. Li obtained a college degree at Shandong Agricultural University (山東農業大學). Mr. Li is a Party member and an agronomist.

Ms. CHEN Sufeng (陳素鳳), aged 42, is the employee director and the head of financial department of the Issuer. Prior to joining the Group, Ms. Chen worked at China Construction Bank, Shouguang Branch (中國建設銀行壽光支行) and Shouguang Mihe Water Services Co., Ltd. (壽光市彌河水務有限公司). Ms. Chen graduated from Shandong University (山東大學).

SENIOR MANAGEMENT

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

Name	Age	Position
Mr. LIU Zixing (劉子興)	49	Director; General Manager
Ms. CHEN Sufeng (陳素鳳)	42	Employee Director; Head of Financial Department
Mr. XIAO Zihua (肖子華)	53	Head of Cost Control Department
Ms. GE Cuiling (葛翠玲)	36	Head of Audit and Legal Department
Mr. WANG Wenhai (王文海)	30	Head of Supervision Office
Mr. YU Xiaoyi (于效康)	39	Deputy General Manager
Mr. WANG Jian (王健)	36	Assistant General Manager

Mr. LIU Zixing (劉子興), please see "– *Directors*" above.

Ms. CHEN Sufeng (陳素鳳), please see "– *Directors*" above.

Mr. XIAO Zihua (肖子華), aged 53, is the head of cost control department of the Issuer. Prior to joining the Group, Mr. Xiao had subsequently served as the head of the operation and development department, the head of the international engineering department and the technical director at Shouguang No.1 Construction Co., Ltd. (壽光第一建築有限公司). Mr. Xiao obtained a bachelor's degree at Shandong Jianzhu University (formerly known as 山東建工學院). Mr. Xiao is an engineer.

Ms. GE Cuiling (葛翠玲), aged 36, is the head of audit and legal department of the Issuer. Ms. Ge graduated from Yantai University (煙台大學). Ms. Ge is an accountant.

Mr. WANG Wenhai (王文海), aged 30, is the head of supervision office of the Issuer. Mr. Wang obtained a bachelor's degree at Heze University (菏澤學院).

Mr. YU Xiaoyi (于效康), aged 39, is the deputy general manager of the Issuer. Prior to joining the Group, Mr. Yu served as a deputy manager at Shouguang Tengda Logistics Co., Ltd. (壽光騰達物流有限公司). Mr. Yu obtained a master's degree at Northeast Forestry University (東北林業大學).

Mr. WANG Jian (王健), aged 36, is the assistant general manager of the Issuer. Prior to joining the Group, Mr. Wang worked at Shouguang Infrastructure Construction Investment Management Centre (壽光市城市基礎設施建設投資管理中心). Mr. Wang obtained a master's degree at China Agricultural University (中國農業大學).

PRC REGULATIONS

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

THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution and is made up of written laws, rules, regulations and local laws, regulations and policies, laws of Special Administrative Regions and laws resulting from international treaties entered into by the PRC government. Court rulings do not constitute binding precedents. However, they are used for the purposes of judicial reference and guidance.

The National People's Congress of the PRC, or NPC, and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the State. The NPC has the power to amend the PRC Constitution and enact and amend basic laws of the PRC, including the laws relating to management. The Standing Committee of the NPC is empowered to enact and amend all laws except for the laws that are required to be enacted and amended by the NPC.

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

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

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

The PRC Constitution vests the power to interpret laws in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (全國人民代表大會常務委員會關於加強法律解釋工作的決議) passed in June 1981, the Supreme People's Court, the State Council and its ministries and commissions are also vested with the power to interpret rules and regulations that they have promulgated. At the regional level, the power to interpret regional laws is vested in the regional legislative and administrative bodies which promulgate such laws.

THE PRC JUDICIAL SYSTEM

Under the PRC Constitution and the Law of Organization of the People's Courts, the judicial system is made up of the Supreme People's Court, the local courts, military courts and other special courts. The local courts comprise the basic courts, the intermediate courts and the high courts. The basic courts are organised into civil, criminal, economic and administrative divisions. The intermediate courts are organised into divisions similar to those of the basic courts, and are further organised into other special divisions, such as the intellectual property division. The high level court supervises the basic and intermediate courts. The people's procuratorates also have the right to exercise legal supervision over the proceedings of courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in China. It supervises the administration of justice by all other courts.

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

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

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

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

NDRC REGISTRATION IN RELATION TO FOREIGN DEBTS MANAGEMENT

On 14 September 2015, the NDRC issued the NDRC Circular, which became effective on the same day. In order to encourage the use of low-cost capital in the international capital markets in promoting investment and steady growth and to facilitate cross-border financing, the NDRC Circular abolishes the case-by-case quota review and approval system for the issuance of foreign debts by PRC enterprises. It sets forth the following measures to promote the administrative reform of the issuance of foreign debts by PRC enterprises or overseas enterprises and branches controlled by PRC enterprises:

- steadily promote the administrative reform of the filing and registration system for the issuance of foreign debts by enterprises;

- increase the size of foreign debts issued by enterprises, and support the transformation and upgrading of key sectors and industries;

- simplify the filing and registration of the issuance of foreign debts by enterprises; and

- strengthen the supervision during and after the process to prevent risks.

For the purposes of the NDRC Circular, "foreign debts" means RMB-denominated or foreign currency-denominated debt instruments with a maturity over one year which are issued offshore by PRC enterprises and their controlled offshore enterprises or branches and for which the principal and interest are repaid as agreed, including offshore bonds and long-term and medium-term international commercial loans. According to this definition, offshore bonds issued by both PRC enterprises and their controlled offshore enterprises or branches shall be regulated by the NDRC Circular.

Pursuant to the NDRC Circular, an enterprise shall: (i) apply to the NDRC for the filing and registration procedures prior to the issuance of the bonds; and (ii) shall report the information on the issuance of the bonds to NDRC within 10 working days after the completion of each issuance. The materials to be submitted by an enterprise shall include an application report and an issuance plan, setting out details such as the currency, size, interest rate, term, use of proceeds and the repatriation of funds. The NDRC shall decide whether to accept an application within five working days of receipt and shall issue an Enterprise Foreign Debt Pre-issuance Registration Certificate within seven working days of accepting the application.

To issue foreign debts, an enterprise shall meet the following basic conditions:

- have a good credit history with no default in its issued bonds or other debts;

- have sound corporate governance and risk prevention and control mechanisms for foreign debts; and

- have a good credit standing and relatively strong capability to repay its debts.

Pursuant to the NDRC Circular, the NDRC shall control the overall size of foreign debts that can be raised by PRC enterprises and their controlled overseas branches or enterprises. Based on trends in the international capital markets, the needs of the PRC economic and social development and the capacity to absorb foreign debts, the NDRC shall reasonably determine the overall size of foreign debts and guide the funds towards key industries, key sectors, and key projects encouraged by the State, and effectively support the development of the real economy. According to the NDRC Circular, the proceeds raised may be used onshore or offshore according to the actual needs of the enterprises, but priority shall be given to supporting the investment in major construction projects and key sectors, such as the Belt and Road strategy, the coordinated development of Beijing, Tianjin, and Hebei province, the Yangtze River Economic Belt, international cooperation on production capacity, and the manufacturing of equipment. As the NDRC Circular is newly published, certain detailed aspects of its interpretation and application remain subject to further clarification. The Guarantor undertakes that it will comply with the requirements of the NDRC Circular in respect of the Bonds.

SAFE REGISTRATION IN RELATION TO CROSS-BORDER SECURITY

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

According to the SAFE Operational Guideline on Capital Account (2017)(資本項目外匯業務操作指引(2017)), if a domestic issuer issues bonds offshore, it shall register with the local branch of the SAFE within five business days after the closing date of such issuance.

PBOC CIRCULAR IN RELATION TO CROSS-BORDER SECURITY

In early 2016, PBOC introduced a pilot macro-prudential management system for cross-border financing (the "MP Financing Management System") which specifically applied on 27 designated banks and non-financial enterprises registered in four free trade zones in Shanghai, Tianjin, Guangdong and Fujian (the "**FTZ**"). On 29 April 2016, the PBOC issued the Circular on Implementing Overall Macro-prudential Management System for Nationwide Cross-border Financing (《中國人民銀行關於在全國範圍內實施全口徑跨境融資宏觀審慎管理的通知》) (the "**2016 PBOC Circular**") to extend the MP Financing Management System nationwide. On 11 January 2017, the PBOC issued the Notice on the Relevant Issues of the Full Scale Macro-prudential Management of 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》(銀發[2017]9號)) (the "**2017 PBOC Circular**"), which came into effect on the same day and replaced the 2016 PBOC Circular. Under the 2017 PBOC Circular, enterprises are required to file with SAFE after a cross-border financing agreement is signed and at least three working days prior to the drawdown of the loan or issue of debt securities, and report the relevant capital settlement information after making such capital settlement. In addition, the enterprises are also required to update net assets, or the creditor, loan terms, amount or interest rate of the cross-border financing agreement changes, the enterprises are required to complete the change of the filing on due course. The 2017 PBOC Circular is a new regulation and is subject to interpretation and application by relevant PRC authorities.

TAXATION

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

PRC

The following summary describes certain PRC tax consequences of ownership and disposition of the Bonds by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as non-PRC Bondholders in this "Taxation – PRC" section. In considering whether to invest in the Bonds, investors should consult their own tax advisers with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction.

Enterprise Income Tax and Individual Income Tax Law

Pursuant to the EIT Law, the PRC Individual Income Tax Law (the "**IIT Law**") and the implementation regulations in relation to both the EIT Law and the IIT Law, PRC income tax at a rate of ten per cent. or 20 per cent. is normally applicable to PRC-source income derived by non-resident enterprises or individuals, respectively, subject to adjustment by applicable treaty. As the Issuer is a PRC resident enterprise for tax purposes, interest paid to non-resident Bondholders may be regarded as PRC-sourced, and therefore be subject to PRC income tax at a rate of ten per cent. for non-resident enterprise Bondholders and at a rate of 20 per cent. for non-resident individual Bondholders (or a lower treaty rate, if any).

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 or payment due. To the extent that the PRC has entered into arrangements relating to the avoidance of double taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified non-PRC resident enterprise Bondholders.

Under the EIT Law and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a "non-resident enterprise" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. There remains uncertainty as to whether the gains realised on the transfer of the Bonds by non-resident 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 Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the ten per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income.

According to the Arrangement, the Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds if such capital gains are not connected with an office or establishment that the Bondholders have in the PRC and all the other relevant conditions are satisfied.

VAT

According to Circular 36, the entities and individuals providing services within PRC will be subject to VAT. Services are treated as being provided within the PRC where either the service provider or the service recipient is located in the PRC. Services subject to VAT include the provision of financial services, such as the provision of loans and the transfer of financial products. It is further clarified under Circular 36 that "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon.

Therefore, starting from 1 May 2016, the VAT and surcharges are deducted at the rate of 6.72 per cent. of the interest payable by the Issuer on the Bonds under Circular 36.

Where a holder located outside of the PRC resells Bonds to a buyer also located outside of the PRC, since neither buyer nor seller is located in the PRC, theoretically Circular 36 would not apply and the Issuer would not have the obligation to withhold VAT or local levies. However, there is uncertainty as to the applicability of VAT if either a seller or buyer of Bonds is located within the PRC.

Circular 36 has been issued recently and remains subject to further clarification and/or interpretations by the competent tax authority. There is uncertainty as to the application of the Circular 36 in the context of the issuance of the Bonds, payments thereunder, and their sale and transfer.

Pursuant to the VAT reform detailed above, the Issuer may need to withhold VAT (should such tax apply) from the payments of interest in respect of the Bonds for any Bondholders located outside of the PRC. The Issuer has agreed to pay additional amounts to Bondholders, subject to certain exceptions, so that Bondholders would receive the full amount of the scheduled payment, as further set out in the Conditions.

Stamp Duty

No PRC stamp duty will be chargeable upon the issue or transfer of a Bond (for so long as the register of Bondholders is maintained outside the PRC).

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, such withholding would not apply prior to 1 January 2019. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Bonds.

HONG KONG

Withholding Tax

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

Profits Tax

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

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

- interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;
- interest on the Bonds is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;
- interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "**IRO**")) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- interest on the Bonds is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16 (3) of the IRO).

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

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

Stamp Duty

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

SUBSCRIPTION AND SALE

The Issuer has entered into a subscription agreement with the Managers dated 24 November 2020 (the "**Subscription Agreement**"), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to sell to the Managers, and the Managers have agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Bonds indicated in the following table:

	Principal amount of the Bonds to be subscribed
	U.S.$
China Industrial Securities International Brokerage Limited	18,800,000
CNCB (Hong Kong) Capital Limited	5,000,000
Luso International Banking Ltd.	4,200,000
Total	**28,000,000**

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

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

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

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

GENERAL

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

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

UNITED STATES

The Bonds 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, or to any U.S. person, unless pursuant to an exemption from or in a transaction not subject to the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act. The Bonds and the Standby Letter of Credit are being offered and sold outside of the United States in reliance on Regulation S under the Securities Act. Each of the Managers has represented and warranted that it has not offered or sold, and has agreed that it will not offer or sell, any of the Bonds or the Standby Letter of Credit 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 Bonds or the Standby Letter of Credit. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each of the Managers has represented and warranted that it has not entered and has agreed that it will not enter into any contractual arrangement with any distributor (as that term is defined in Regulation S) with respect to the distribution or delivery of the Bonds and the Standby Letter of Credit, except with its affiliates or with the prior written consent of the Issuer.

UNITED KINGDOM

Each of the Managers 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 Bonds 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 Bonds in, from or otherwise involving the United Kingdom.

HONG KONG

Each of the Managers 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 Bonds other than (a) to Professional Investors as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws 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 Bonds, 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 Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to Professional Investors as defined in the SFO and any rules made thereunder.

THE PEOPLE'S REPUBLIC OF CHINA

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

SINGAPORE

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

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Bonds may not be circulated or distributed, nor may any Bonds be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of 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 Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

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

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

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

(1) to an institutional investor or to a relevant person as 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;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276 (7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

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

JAPAN

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

SUMMARY OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS

The consolidated financial statement of the Issuer included in this Offering Circular were prepared and presented in accordance with PRC GAAP. PRC GAAP are substantially in line with IFRS, except for certain modifications between PRC GAAP and IFRS. The following is a general summary of certain differences between PRC GAAP and IFRS on recognition and presentation as applicable to the Issuer. The Issuer is responsible for preparing the summary below. Since the summary is not meant to be exhaustive, there is no assurance regarding the completeness of the financial information and related footnote disclosure between PRC GAAP and IFRS and no attempt has been made to quantify such differences. Had any such quantification or reconciliation been undertaken by the Issuer, other potentially significant accounting and disclosure differences may have required that are not identified below. Additionally, no attempt has been made to identify possible future differences between PRC GAAP and IFRS as a result of prescribed changes in accounting standards. Regulatory bodies that promulgate PRC GAAP and IFRS have significant ongoing projects that could affect future comparisons or events that may occur in the future.

REVERSAL OF AN IMPAIRMENT LOSS

Under PRC GAAP, once an impairment loss is recognized for a long term asset (including fixed assets, intangible assets and goodwill. etc.), it shall not be reversed in any subsequent period. Under IFRS, an impairment loss recognized in prior periods for an asset other than goodwill could be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.

RELATED PARTY DISCLOSURES

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

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

GENERAL INFORMATION

1. **Clearing Systems**: The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code 226353461 and ISIN XS2263534617.

2. **Legal Entity Identifier**: The Legal Entity Identifier (LEI) code of the Issuer is 3003003ZCM7RCBQYFF42.

3. **Authorisations**: The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue, execution, delivery and performance of its obligations under the Bonds, the Trust Deed and the Agency Agreement. The issue of the Bonds was authorised by a resolution of the board of directors of the Issuer dated 30 April 2020.

4. **No Material and Adverse Change**: There has been no material adverse change, or any development or event likely to involve a prospective change, in the condition (financial or other), prospects, properties, results of operations, business or general affairs of the Issuer or the Group since 31 December 2019.

5. **Litigation**: None of the Issuer or any other member of the Group is involved in any litigation or arbitration proceedings that the Issuer believes are material in the context of the Bonds and the issuance of the Standby Letter of credit, and so far as the Issuer is aware, no such proceedings are pending or threatened.

6. **Available Documents**: So long as any of the Bonds is outstanding, copies of the following documents will be available for inspection from the Issue Date during usual business hours at the registered office of the Issuer (currently at Room 2208, No. 3 Building of the Enterprise Headquarter, West of Haoyuan Road, South of Shengcheng Road, Luocheng Avenue, Shouguang City, Weifang City, Shandong Province, PRC) and, in the case of last three documents mentioned below, upon prior written request and proof of holding and identity satisfactory to the Trustee, at the specified office of the Trustee (currently at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong) and the registered office of the Issuer:

   - the articles of association of the Issuer;
   - the Audited Financial Statements;
   - the Trust Deed;
   - the Standby Letter of Credit; and
   - the Agency Agreement.

7. **Financial Statements**: The Audited Financial Statements, which are included elsewhere in this Offering Circular, have been audited by Ruihua, the Group's independent auditor, as stated in its reports appearing herein.

8. **LC Bank Financial Statements**: Copies of the latest annual reports of the LC Bank, as well as its public filings, can be downloaded free of charge from the website of the LC Bank at http://www.xib.com.cn. No representation, express or implied, is made by the Managers, the Trustee or the Agents, and none of them takes any responsibility, for the accuracy, completeness or sufficiency of any information available on such website.

9. **Listing of Bonds**: Application will be made to the SEHK for the listing of and permission to deal in the Bonds by way of debt issues to Professional Investors only and such permission is expected to become effective on or about 1 December 2020.

INDEX TO FINANCIAL STATEMENTS

瑞华会计师事务所
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Auditor’s Report

RHSZ[2020]95010014

To the Board of Directors of Shouguang City Construction Investment Development Co., Ltd.

1. Audit Opinion

We have audited the accompanying consolidated financial statements of Shouguang City Construction Investment Development Co.,Ltd. (the "Company"), which comprise the consolidated statement of financial position as of 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidate statement of cash flows for the year then ended, Statement of Changes in Equity as of 2019, as well as notes to the consolidated financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2019, its consolidated financial performance, and its consolidated cash flows for the year then ended, in accordance with China Accounting Standards for Business Enterprises.

2. Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the “Auditor's Responsibilities for the Audit of the Financial Statements” section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants ("CICPA Code"), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Responsibilities of Management and those Charged With Governance for the Financial Statements

Management of the Company （the “Management”）is responsible for the preparation and fair presentation of the financial statements in accordance with the CASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

4. Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also

(1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(4) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in these financial statements, or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

Ruihua Certified Public Accountants

Beijing, China

Chinese Certified Public Accountant

Xixian Wang

Chinese Certified Public Accountant

Keshu Ma

24-04-2020

Consolidated Statement of Financial Position

2019/12/31

Prepared by: Shouguang City Construction Investment Development Co., Ltd. **Currency: CNY**

Items	Notes	Closing Balance	Opening Balance
Current assets:		——	——
Monetary funds	VIII. 1	2,454,997,034.27	873,820,713.74
Financial assets measured at fair value through profit or loss			
Derivative financial assets			
Notes receivable	VIII. 2	150,970,000.00	68,270,000.00
Trade receivables	VIII. 3	1,306,025,094.06	1,114,776,100.09
Advances to suppliers	VIII. 4	410,489,984.85	189,465,048.49
Other receivables	VIII. 5	1,298,499,737.41	1,190,167,459.87
Inventories	VIII. 6	4,078,478,374.22	3,517,517,155.22
Including: Raw material			
Inventory goods			
Assets held for sale			
Non-current assets due within one year			
Other current assets	VIII. 7	93,201,991.66	74,776,074.01
Total current assets		9,792,662,216.47	7,028,792,551.42
Non-current assets：		——	——
Available-for-sale financial assets	VIII. 8	62,000,000.00	62,000,000.00
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	VIII. 9	2,677,559,694.83	2,598,171,118.22
Investment properties	VIII. 10	1,121,023,906.66	871,062,271.98
Fixed assets	VIII. 11	898,926,634.48	791,648,465.19
Construction in progress	VIII. 12	248,176,645.20	193,615,515.35
Bearer biological assets			
Oil and gas assets			
Intangible assets	VIII. 13	394,223,175.00	403,733,069.62
Development expenditures			
Goodwill			
Long-term prepaid expenses	VIII. 14	25,906,638.20	43,046,723.72
Deferred tax assets	VIII. 15	48,074.04	44,656.56
Other non-current assets	VIII. 16	19,754,733.99	19,528,139.81
Total non-current assets		5,447,619,502.40	4,982,849,960.45
Total assets		15,240,281,718.87	12,011,642,511.87

Consolidated Statement of Financial Position (Con.)

2019/12/31

Prepared by: Shouguang City Construction Investment Development Co., Ltd. **Currency: CNY**

Items	Notes	Closing Balance	Opening Balance
Current liabilities:		——	——
Short-term borrowings	VIII. 17	439,600,000.00	275,000,000.00
Financial liabilities measured at fair value through profit or loss			
Derivative financial liabilities			
Notes payable	VIII. 18	589,080,786.61	315,000,000.00
Trade payables	VIII. 19	467,262,075.11	418,059,627.38
Advances from customers	VIII. 20	1,243,654,338.72	599,077,721.93
Employee benefits payable	VIII. 21	171,701.55	77,595.77
Including: Payable wages			
Welfare payable			
Tax and surcharge payable	VIII. 22	51,215,944.93	53,788,883.64
Including:Tax payable			
Other payables	VIII. 23	570,188,259.06	479,926,434.52
Liabilities held for sale			
Non-current liabilities due within one year	VIII. 24	1,806,746,839.23	630,222,010.68
Other liabilities			
Total current liabilities		5,167,919,945.21	2,771,152,273.92
Non-current liabilities:		——	——
Long-term borrowings	VIII. 25	2,154,175,000.00	1,096,815,000.00
Bonds payable	VIII. 26	2,130,000,000.00	2,466,000,000.00
Including: Preference shares			
Perpetual debts			
Long-term payables	VIII. 27	451,673,339.95	637,120,179.18
Employee benefits payable			
Provisions			
Deferred income			
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		4,735,848,339.95	4,199,935,179.18
Total liabilities		9,903,768,285.16	6,971,087,453.10
Owners' equity (or Shareholders' equity):		——	——
Paid-in capital (or share capital)	VIII. 28	150,000,000.00	150,000,000.00
The state capital			
State-owned corporate capital	VIII. 28	150,000,000.00	150,000,000.00
Collective capital			
Private capital			
The foreign capital			
Net paid-in capital (or share capital)	VIII. 28	150,000,000.00	150,000,000.00
Other equity instruments			
Including: Preference shares			
Perpetual debts			
Capital reserve	VIII. 29	4,372,760,396.87	4,011,167,030.16
Less: Treasury shares			
Other comprehensive income			
Surplus reserve	VIII. 30	76,189,370.35	76,189,370.35
Including: Legal accumulation fund	VIII. 30	76,189,370.35	76,189,370.35
Arbitrary reserve fund			
Undistributed profits	VIII. 31	697,194,988.69	762,364,420.29
Total owners' equity (or shareholders' equity) attributable to the parent		5,296,144,755.91	4,999,720,820.80
*Non-controlling interests		40,368,677.80	40,834,237.97
Total owners' equity (or shareholders' equity)		5,336,513,433.71	5,040,555,058.77
Total liabilities and owners' equity (or shareholders' equity)		15,240,281,718.87	12,011,642,511.87

Page 16 to 113 in the Notes to Financial Statements are an integral part of these financial statements.

Page 4 to 15 of the Financial Statements are signed by the following persons:

Legal Representative: **Chief Financial Officer:** **Head of Accounting Department:**

Consolidated Statement of Comprehensive Income

2019

Prepared by: Shouguang City Construction Investment Development Co., Ltd. **Currency: CNY**

Items	Notes	Current Year	Prior Year
1. Total operating revenue		1,192,552,275.81	688,415,324.37
Including: Operating revenue	VIII. 32	**1,192,552,275.81**	**688,415,324.37**
2. Total operating costs		1,237,270,249.33	951,210,461.52
Including: Operating costs	VIII. 32	758,907,438.03	567,442,712.37
Taxes and surcharges		49,387,775.93	41,471,922.82
Selling expenses	VIII. 33	21,546,369.62	9,650,637.59
Administrative expenses	VIII. 33	58,446,775.29	51,931,191.00
Research and development expenses			
Financial expenses	VIII. 33	348,981,890.46	280,713,997.74
Including: Interest expense	VIII. 33	336,780,687.27	299,739,658.05
Interest income	VIII. 33	15,811,688.44	38,182,090.96
Net loss on exchange (net gain with "-")			
Other			
Add: Other income	VIII. 34	179,532,837.00	292,306,095.00
Investment income (losses expressed with "-")	VIII. 35	23,119,776.61	13,894,727.26
Including: investment income from associates and joint ventures	VIII. 35	23,119,776.61	13,543,647.52
Gains from changes in fair value (losses expressed with "-")			
Impairment loss of assets (loss marked with "-")	VIII. 36	-20,723,421.19	29,119,995.41
Gains on disposal of assets (losses expressed with "-")			
3. Operating profit (loss expressed with "-")		137,211,218.90	72,525,680.52
Add: Non-operating income	VIII. 37	427,146.16	726,843.47
Including: Government Grants			
Less: Non-operating expenses	VIII. 38	2,141,168.00	2,713,632.15
4. Total profit (loss expressed with "-")		135,497,197.06	70,538,891.84
Less: Income tax expenses	VIII. 39	1,132,188.83	429,682.95
5. Net profit (net loss expressed with "-")		134,365,008.23	70,109,208.89
(I) According to the ownership classification		——	——
Net profit attributable to the parent owner		134,830,568.40	74,839,172.06
* Minority shareholder gains and losses		-465,560.17	-4,729,963.17
(II) Classified by continuing and discontinued operations		——	——
Net profit from continuing operations		134,365,008.23	70,109,208.89
Net profit from discontinued operations			
6. Other comprehensive income, net of income tax			
Attributable to shareholders of the parent			
(i) Items that will not be reclassified subsequently to profit or loss			
1. Remeasurement of defined benefit liability /(asset)			
2. Other comprehensive income that cannot be reclassified to profit or loss under equity method			
3. Others			
(ii) Items that may be reclassified subsequently to profit or loss			
1. Other comprehensive income that can be reclassified to profit or loss under equity method			
2. Gains or losses on changes in fair value of available-for-sale financial assets			
3. Gains or losses on reclassification of held-to-maturity investments to available-for-sale financial assets			
4. Cash flow hedge reserve (Effective portion of gains or losses on cash flow hedge)			
5. Translation differences of financial statements presented in foreign currencies			
6. Others			
*Net amount of other comprehensive income after tax attributable to minority shareholders			
7. Total comprehensive income		134,365,008.23	70,109,208.89
Attributable to shareholders of the parent		134,830,568.40	74,839,172.06
*Attributable to non-controlling interests		-465,560.17	-4,729,963.17
8. Earnings per share		——	——
Basic earnings per share			
Diluted earnings per share			

Page 16 to 113 in the Notes to Financial Statements are an integral part of these financial statements.

Page 4 to 15 of the Financial Statements are signed by the following persons:

Legal Representative: **Chief Financial Officer:** **Head of Accounting Department:**

Consolidated Statement of Cash Flows

2019

Prepared by: Shouguang City Construction Investment Development Co., Ltd. **Currency: CNY**

Items	Notes	Current Year	Prior Year
1. Cash flows from operating activities:		—	—
Cash received from sales of goods or rendering of services		1,525,670,810.03	824,306,329.11
Refunds of taxes and surcharges			
Cash received relating to other operating activities		355,898,836.01	503,484,087.50
Sub-total of cash inflows from operating activities		1,881,569,646.04	1,327,790,416.61
Cash paid for goods and services		1,433,100,070.35	1,371,759,173.75
Cash paid for taxes and surcharges		50,149,176.80	38,013,038.49
Cash paid relating to other operating activities		73,967,823.45	59,198,613.00
Sub-total of cash outflows from operating activities		184,864,641.82	603,728,328.57
Subtotal		1,742,081,712.42	2,072,699,153.81
Net cash flows from operating activities	VIII. 40	139,487,933.62	-744,908,737.20
2. Cash flows from investing activities:		—	—
Cash received from disposal of investments			
Cash received from investment income			
Net cash received from disposal of fixed asses, intangible assets and other long-term assets		11,134.07	
Net cash received from disposal of subsidiaries and other business units			1,842,337.18
Cash received relating to other investing activities			
Sub-total of cash inflows from investing activities		11,134.07	1,842,337.18
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		60,761,225.24	69,505,392.71
Cash paid for acquisition of investments		56,268,800.00	20,916,000.00
Cash paid for obtaining subsidiaries and other business units			1,000,000.00
Cash paid relating to other investing activities			
Sub-total of cash outflows from investing activities		117,030,025.24	91,421,392.71
Net cash flows from investing activities		-117,018,891.17	-89,579,055.53
3. Cash flows from financing activities:		—	—
Cash received from capital contributions		224,553,800.00	26,457,700.00
Including: Cash received from non-controlling shareholders' capital contributions to subsidiaries			25,457,700.00
Cash received from borrowings		2,021,960,000.00	615,815,000.00
Cash received relating to other financing activities		1,252,800,000.00	2,008,300,000.00
Sub-total of cash inflows from financing activities		3,499,313,800.00	2,650,572,700.00
Cash repayments of borrowings		887,500,000.00	974,000,000.00
Cash payments for distribution of dividends, profits, or for interest expenses		530,032,927.06	248,941,918.33
Including: Subsidiaries' cash payments for distribution of dividends or profits to non-controlling shareholders			
Cash paid relating to other financing activities		936,046,797.29	584,796,500.85
Sub-total of cash outflows from financing activities		2,353,579,724.35	1,807,738,419.18
Net cash flows from financing activities		1,145,734,075.65	842,834,280.82
4. Effect of foreign exchange rate changes on cash and cash equivalents		-7,584.18	
5. Net increase/ (decrease) in cash and cash equivalents		1,168,195,533.92	8,346,488.09
Add: Opening balance of cash and cash equivalents	VIII. 40	489,070,713.74	480,724,225.65
6. Closing balance of cash and cash equivalents	VIII. 40	1,657,266,247.66	489,070,713.74

Page 16 to 113 in the Notes to Financial Statements are an integral part of these financial statements.

Page 4 to 15 of the Financial Statements are signed by the following persons:

Legal Representative: **Chief Financial Officer:** **Head of Accounting Department:**

Consolidated Statement of Changes in Equity

2019

Prepared by: Shouguang City Construction Investment Development Co., Ltd. **Currency: CNY**

Items	Current Year												
	Shareholders' equity attributable to the parent											Non-controlling interests	Total shareholders' equity
	Paid-in capital (Share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Sub-total		
		Preference shares	Perpetual debts	Others									
I. Closing balance of prior year	150,000,000.00				4,011,167,030.16				76,189,370.35	762,364,420.29	4,999,720,820.80	40,834,237.97	5,040,555,058.77
Add: Changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—	—
Corrections of prior period errors	—	—	—	—	—	—	—	—	—	—	—	—	—
Others													
II. Opening balance of current year	150,000,000.00				4,011,167,030.16				76,189,370.35	762,364,420.29	4,999,720,820.80	40,834,237.97	5,040,555,058.77
III. Changes in current year (decrease expressed with "-")					361,593,366.71					-65,169,431.60	296,423,935.11	-465,560.17	295,958,374.94
(i) Total comprehensive income	—	—	—	—	—	—		—	—	134,830,568.40	134,830,568.40	-465,560.17	134,365,008.23
(ii) Contributions by and distributions to owners					361,593,366.71						361,593,366.71		361,593,366.71
1. Issue of ordinary shares		—	—	—		—	—	—	—	—			
2. Capital contributions from other equity instruments holders						—	—	—	—	—			
3. Share-based payments recognized in shareholders' equity		—	—	—		—	—	—	—	—			
4. Others		—	—	—	361,593,366.71						361,593,366.71		361,593,366.71
(iii) Special reserve		—	—	—									
1. Appropriation to special reserve	—	—	—	—	—	—	—		—	—			
2. Use of special reserve	—	—	—	—	—	—	—		—	—			
(iv) Profit distribution										-200,000,000.00	-200,000,000.00		-200,000,000.00
1. Appropriation to surplus reserve	—	—	—	—	—	—	—	—				—	
Including: Statutory surplus reserve	—	—	—	—	—	—	—	—				—	
Discretionary surplus reserve	—	—	—	—	—	—	—	—				—	
2. General risk reserve	—	—	—	—	—	—	—	—	—			—	
3. Distributions to shareholders	—	—	—	—	—	—	—	—	—	-200,000,000.00	-200,000,000.00		-200,000,000.00
4. Others													
(v) Internal transfer of shareholders' equity													
1. Capitalization of capital reserve		—	—	—		—	—	—	—	—		—	
2. Capitalization of surplus reserve		—	—	—	—	—	—	—		—		—	
3. Making up losses from surplus reserve	—	—	—	—	—	—	—	—				—	
4. Transfer of changes in defined benefit plans to retained earnings	—	—	—	—	—	—		—	—			—	
5、Others													
VI. Closing balance of current year	150,000,000.00				4,372,760,396.87				76,189,370.35	697,194,988.69	5,296,144,755.91	40,368,677.80	5,336,513,433.71

Page 16 to 113 in the Notes to Financial Statements are an integral part of these financial statements.

Page 4 to 15 of the Financial Statements are signed by the following persons:

Legal Representative: **Chief Financial Officer:** **Head of Accounting Department:**

Consolidated Statement of Changes in Equity (Con.)

2019

Prepared by: Shouguang City Construction Investment Development Co., Ltd. **Currency: CNY**

Items	Prior Year												
	Shareholders' equity attributable to the parent											Non-controlling interests	Total shareholders' equity
	Paid-in capital (Share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Sub-total		
		Preference shares	Perpetual debts	Others									
I. Closing balance of prior year	150,000,000.00				1,488,728,334.38				76,189,370.35	687,525,248.23	2,402,442,952.96	20,106,501.14	2,422,549,454.10
Add: Changes in accounting policies													
Corrections of prior period errors													
Others													
II. Opening balance of current year	150,000,000.00				1,488,728,334.38				76,189,370.35	687,525,248.23	2,402,442,952.96	20,106,501.14	2,422,549,454.10
III. Changes in current year (decrease expressed with "-")					2,522,438,695.78					74,839,172.06	2,597,277,867.84	20,727,736.83	2,618,005,604.67
(i) Total comprehensive income	—	—	—	—	—	—		—	—	74,839,172.06	74,839,172.06	-4,729,963.17	70,109,208.89
(ii) Contributions by and distributions to owners					2,522,438,695.78						2,522,438,695.78	25,457,700.00	2,547,896,395.78
1. Issue of ordinary shares		—	—	—		—	—	—	—	—		25,457,700.00	25,457,700.00
2. Capital contributions from other equity instruments holders						—	—	—	—	—			
3. Share-based payments recognized in shareholders' equity		—	—	—		—	—	—	—	—			
4. Others		—	—	—	2,522,438,695.78						2,522,438,695.78		2,522,438,695.78
(iii) Special reserve		—	—	—									
1. Appropriation to special reserve	—	—	—	—	—	—	—		—	—			
2. Use of special reserve	—	—	—	—	—	—	—		—	—			
(iv) Profit distribution													
1. Appropriation to surplus reserve	—	—	—	—	—	—	—	—				—	
Including: Statutory surplus reserve	—	—	—	—	—	—	—	—				—	
Discretionary surplus reserve	—	—	—	—	—	—	—	—				—	
2. Distributions to shareholders	—	—	—	—	—	—	—	—	—				
3. Others													
(v) Internal transfer of shareholders' equity													
1. Capitalization of capital reserve		—	—	—		—	—	—	—	—		—	
2. Capitalization of surplus reserve		—	—	—	—	—	—	—		—		—	
3. Making up losses from surplus reserve	—	—	—	—	—	—	—	—				—	
4. Transfer of changes in defined benefit plans to retained earnings	—	—	—	—	—	—		—	—			—	
5. Others													
VI. Closing balance of current year	150,000,000.00				4,011,167,030.16				76,189,370.35	762,364,420.29	4,999,720,820.80	40,834,237.97	5,040,555,058.77

Page 16 to 113 in the Notes to Financial Statements are an integral part of these financial statements.

Page 4 to 15 of the Financial Statements are signed by the following persons:

Legal Representative: **Chief Financial Officer:** **Head of Accounting Department:**

Statement of Financial Position

2019/12/31

Prepared by: Shouguang City Construction Investment Development Co., Ltd. **Currency: CNY**

Items	Notes	Closing Balance	Opening Balance
Current assets:		——	——
Monetary funds		1,493,192,534.27	360,710,280.35
Financial assets measured at fair value through profit or loss			
Derivative financial assets			
Notes receivable		143,600,000.00	64,840,000.00
Trade receivables	XII. 1	1,173,463,371.75	987,729,546.82
Advances to suppliers		310,352,338.03	114,139,156.62
Other receivables	XII. 2	1,714,264,759.87	1,489,305,799.90
Inventories		3,756,673,530.57	3,332,262,628.73
Including: Raw material			
Inventory goods			
Assets held for sale			
Non-current assets due within one year			
Other current assets		72,788,349.66	64,681,079.35
Total current assets		8,664,334,884.15	6,413,668,491.77
Non-current assets：		——	——
Available-for-sale financial assets		62,000,000.00	62,000,000.00
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	XII. 3	3,023,412,679.19	2,874,574,102.58
Investment properties		1,121,023,906.66	871,062,271.98
Fixed assets		502,354,073.47	370,265,648.88
Construction in progress		113,620,035.71	96,208,832.72
Bearer biological assets			
Oil and gas assets			
Intangible assets		111,737,945.30	114,778,572.18
Development expenditures			
Goodwill			
Long-term prepaid expenses		8,821,379.82	20,474,960.65
Deferred tax assets			
Other non-current assets		19,448,908.74	19,426,198.06
Total non-current assets		4,962,418,928.89	4,428,790,587.05
Total assets		13,626,753,813.04	10,842,459,078.82

Statement of Financial Position (Con.)

2019/12/31

Prepared by: Shouguang City Construction Investment Development Co., Ltd. **Currency: CNY**

Items	Notes	Closing Balance	Opening Balance
Current liabilities:		——	——
Short-term borrowings		139,600,000.00	
Financial liabilities measured at fair value through profit or loss			
Derivative financial liabilities			
Notes payable		343,530,786.61	125,000,000.00
Trade payables		394,681,074.34	363,271,492.59
Advances from customers		1,153,053,428.93	544,963,268.05
Employee benefits payable		1,980.87	21,921.43
Including:Employee benefits payable			
Welfare payable			
Tax and surcharge payable		43,760,631.89	42,598,315.01
Including：Tax payable			
Other payables		1,913,959,543.75	1,087,695,748.77
Liabilities held for sale			
Non-current liabilities due within one year		1,532,483,333.32	412,183,333.32
Other liabilities			
Total current liabilities		5,521,070,779.71	2,575,734,079.17
Non-current liabilities:		——	——
Long-term borrowings		545,000,000.00	605,000,000.00
Bonds payable		2,130,000,000.00	2,466,000,000.00
Including: Preference shares			
Perpetual debts			
Long-term payables		155,793,513.36	191,976,846.68
Employee benefits payable			
Provisions			
Deferred income			
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		2,830,793,513.36	3,262,976,846.68
Total liabilities		8,351,864,293.07	5,838,710,925.85
Owners' equity (or Shareholders' equity):		——	——
Paid-in capital (or share capital)		150,000,000.00	150,000,000.00
The state capital			
State-owned corporate capital		150,000,000.00	150,000,000.00
Collective capital			
Private capital			
The foreign capital			
Net paid-in capital (or share capital)		150,000,000.00	150,000,000.00
Other equity instruments			
Including: Preference shares			
Perpetual debts			
Capital reserve		4,372,760,396.87	4,011,167,030.16
Less: Treasury shares			
Other comprehensive income			
Surplus reserve		76,189,370.35	76,189,370.35
Including: Legal accumulation fund		76,189,370.35	76,189,370.35
Arbitrary reserve fund			
Undistributed profits		675,939,752.75	766,391,752.46
Total owners' equity (or shareholders' equity)		5,274,889,519.97	5,003,748,152.97
Total liabilities and owners' equity (or shareholders' equity)		13,626,753,813.04	10,842,459,078.82

Page 16 to 113 in the Notes to Financial Statements are an integral part of these financial statements. Page 4 to 15 of the Financial Statements are signed by the following persons:

Legal Representative: **Chief Financial Officer:** **Head of Accounting Department:**

Statement of Comprehensive Income

2019

Prepared by: Shouguang City Construction Investment Development Co., Ltd. **Currency: CNY**

Items	Notes	Current Year	Prior Year
1. Total operating revenue		816,231,586.77	384,680,484.69
Including: oeprating revenue	XII. 4	**816,231,586.77**	**384,680,484.69**
2. Total Operating costs		847,110,816.38	618,842,833.69
Including: Operating costs	XII. 4	441,616,770.47	320,623,624.70
Taxes and surcharges		46,210,947.77	37,294,188.85
Selling expenses		20,588,583.70	9,302,197.70
Administrative expenses		31,646,586.73	28,663,754.40
Research and development expenses			
Financial expenses		307,047,927.71	222,959,068.04
Including: Interest expense		308,942,613.35	232,022,204.48
Interest income		25,224,589.78	24,519,709.56
Net loss on exchange (net gain with "-")			
Other			
Add: Other income		134,631,645.00	258,516,095.00
Investment income (losses expressed with "-")	XII. 5	23,119,776.61	11,860,988.66
Including: investment income from associates and joint ventures			13,543,647.52
Gains from changes in fair value (losses expressed with "-")			
Impairment loss of assets (loss marked with "-")		-15,950,929.14	36,051,040.31
Gains on disposal of assets (losses expressed with "-")			
3. Total profit (loss expressed with "-")		110,921,262.86	72,265,774.97
Add: Non-operating income		99,677.13	353,455.05
Including: Government Grants			
Less: Non-operating expenses		1,472,939.70	1,353,458.15
4. Total profit (loss expressed with "-")		109,548,000.29	71,265,771.87
Less: Income tax expenses			
5. Net profit (net loss expressed with "-")		109,548,000.29	71,265,771.87
(i) Net profit from continuing operations		109,548,000.29	71,265,771.87
(ii) Net profit from discontinued operations			
6. Other comprehensive income, net of income tax			
(ii) Items that will not be reclassified subsequently to profit or loss			
1. Remeasurement of defined benefit liability /(asset)			
2. Other comprehensive income that cannot be reclassified to profit or loss under equity method			
3. Others			
(ii) Items that may be reclassified subsequently to profit or loss			
1. Other comprehensive income that can be reclassified to profit or loss under equity method			
2. Gains or losses on changes in fair value of available-for-sale financial assets			
3. Gains or losses on reclassification of held-to-maturity investments to available-for-sale financial assets			
4. Cash flow hedge reserve (Effective portion of gains or losses on cash flow hedge)			
5. Translation differences of financial statements presented in foreign currencies			
6. Others			
7. Total comprehensive income		109,548,000.29	71,265,771.87
8. Earnings per share		——	——
Basic earnings per share			
Diluted earnings per share			

Page 16 to 113 in the Notes to Financial Statements are an integral part of these financial statements. Page 4 to 15 of the Financial Statements are signed by the following persons:

Legal Representative: **Chief Financial Officer:** **Head of Accounting Department:**

Statement of Cash Flows

2019

Prepared by: Shouguang City Construction Investment Development Co., Ltd. **Currency: CNY**

Items	Notes	Current Year	Prior Year
1. Cash flows from operating activities:		—	—
Cash received from sales of goods or rendering of services		1,157,894,708.77	537,083,111.36
Refunds of taxes and surcharges			
Cash received relating to other operating activities		1,302,285,809.23	976,275,512.26
Sub-total of cash inflows from operating activities		2,460,180,518.00	1,513,358,623.62
Cash paid for goods and services		1,017,139,370.22	1,058,332,318.12
Cash paid to and on behalf of employees		18,344,094.18	11,754,384.72
Cash paid for taxes and surcharges		58,375,304.77	40,295,633.45
Cash paid relating to other operating activities		643,004,975.20	663,004,658.10
Sub-total of cash outflows from operating activities		1,736,863,744.37	1,773,386,994.39
Net cash flows from operating activities	XII. 6	723,316,773.63	-260,028,370.77
2. Cash flows from investing activities:		—	—
Cash received from disposal of investments			
Cash received from investment income			
Net cash received from disposal of fixed asses, intangible assets and other long-term assets		284.07	
Net cash received from disposal of subsidiaries and other business units			2,423,741.72
Cash received relating to other investing activities			
Sub-total of cash inflows from investing activities		284.07	2,423,741.72
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		19,524,476.67	8,166,798.13
Cash paid for acquisition of investments		125,718,800.00	20,916,000.00
Cash paid for obtaining subsidiaries and other business units			86,151,300.00
Cash paid relating to other investing activities			
Sub-total of cash outflows from investing activities		145,243,276.67	115,234,098.13
Net cash flows from investing activities		-145,242,992.60	-112,810,356.41
3. Cash flows from financing activities:		—	—
Cash received from capital contributions		224,553,800.00	
Cash received from borrowings		339,600,000.00	45,000,000.00
Cash received relating to other financing activities		1,152,800,000.00	1,147,500,000.00
Sub-total of cash inflows from financing activities		1,716,953,800.00	1,192,500,000.00
Cash repayments of borrowings		398,500,000.00	566,000,000.00
Cash payments for distribution of dividends, profits, or for interest expenses		485,017,993.79	185,447,464.76
Cash paid relating to other financing activities		540,596,833.32	245,966,132.04
Sub-total of cash outflows from financing activities		1,424,114,827.11	997,413,596.80
Net cash flows from financing activities		292,838,972.89	195,086,403.20
4. Effect of foreign exchange rate changes on cash and cash equivalents			
5. Net increase/ (decrease) in cash and cash equivalents		870,912,753.92	-177,752,323.98
Add: Opening balance of cash and cash equivalents	XII. 6	180,960,280.35	358,712,604.33
6. Closing balance of cash and cash equivalents	XII. 6	1,051,873,034.27	180,960,280.35

Page 16 to 113 in the Notes to Financial Statements are an integral part of these financial statements.

Page 4 to 15 of the Financial Statements are signed by the following persons:

Legal Representative: **Chief Financial Officer:** **Head of Accounting Department:**

Statement of Changes in Equity

2019

Prepared by: Shouguang City Construction Investment Development Co., Ltd. **Currency:CNY**

Items	Current Year										
	Paid-in capital (Share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total shareholders' equity
		Preference shares	Perpetual debts	Others							
I. Closing balance of prior year	150,000,000.00				4,011,167,030.16				76,189,370.35	766,391,752.46	5,003,748,152.97
Add: Changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—
Corrections of prior period errors	—	—	—	—	—	—	—	—	—	—	—
Others											
II. Opening balance of current year	150,000,000.00				4,011,167,030.16				76,189,370.35	766,391,752.46	5,003,748,152.97
III. Changes in current year (decrease expressed with "-")					361,593,366.71					-90,451,999.71	271,141,367.00
(i) Total comprehensive income	—	—	—	—	—	—		—	—	109,548,000.29	109,548,000.29
(ii) Contributions by and distributions to owners					361,593,366.71						361,593,366.71
1. Issue of ordinary shares		—	—	—		—	—	—	—	—	
2. Capital contributions from other equity instruments holders						—	—	—	—	—	
3. Share-based payments recognized in shareholders' equity		—	—	—		—	—	—	—	—	
4. Others		—	—	—	361,593,366.71						361,593,366.71
(iii) Special reserve		—	—	—							
1. Appropriation to special reserve	—	—	—	—	—	—	—		—	—	
2. Use of special reserve	—	—	—	—	—	—	—		—	—	
(iv) Profit distribution										-200,000,000.00	-200,000,000.00
1. Appropriation to surplus reserve	—	—	—	—	—	—	—	—			
Including: Statutory surplus reserve	—	—	—	—	—	—	—	—			
Discretionary surplus reserve	—	—	—	—	—	—	—	—			
2. Distributions to shareholders	—	—	—	—	—	—	—	—	—	-200,000,000.00	-200,000,000.00
3. Others											
(v) Internal transfer of shareholders' equity											
1. Capitalization of capital reserve		—	—	—		—	—	—	—	—	
2. Capitalization of surplus reserve		—	—	—	—	—	—	—		—	
3. Making up losses from surplus reserve	—	—	—	—	—	—	—	—			
4. Transfer of changes in defined benefit plans to retained earnings	—	—	—	—	—	—		—	—		
5. Others											
VI. Closing balance of current year	150,000,000.00				4,372,760,396.87				76,189,370.35	675,939,752.75	5,274,889,519.97

Page 16to 113 in the Notes to Financial Statements are an integral part of these financial statements.

Page 4 to 15 of the Financial Statements are signed by the following persons:

Legal Representative: **Chief Financial Officer:** **Head of Accounting Department:**

Statement of Changes in Equity (Con.)

2019

Prepared by: Shouguang City Construction Investment Development Co., Ltd. **Currency:CNY**

Items	Prior Year										
	Paid-in capital (Share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total shareholders' equity
		Preference shares	Perpetual debts	Others							
I. Closing balance of prior year	150,000,000.00				1,487,995,106.29				76,189,370.35	695,125,980.59	2,409,310,457.23
Add: Changes in accounting policies											
Corrections of prior period errors											
Others											
II. Opening balance of current year	150,000,000.00				1,487,995,106.29				76,189,370.35	695,125,980.59	2,409,310,457.23
III. Changes in current year (decrease expressed with "-")					2,523,171,923.87					71,265,771.87	2,594,437,695.74
(i) Total comprehensive income	—	—	—	—	—	—		—	—	71,265,771.87	71,265,771.87
(ii) Contributions by and distributions to owners					2,523,171,923.87						2,523,171,923.87
1. Issue of ordinary shares		—	—	—		—	—	—	—	—	
2. Capital contributions from other equity instruments holders						—	—	—	—	—	
3. Share-based payments recognized in shareholders' equity		—	—	—		—	—	—	—	—	
4. Others		—	—	—	2,523,171,923.87						2,523,171,923.87
(iii) Special reserve		—	—	—							
1. Appropriation to special reserve	—	—	—	—	—	—	—		—	—	
2. Use of special reserve	—	—	—	—	—	—	—		—	—	
(iv) Profit distribution											
1. Appropriation to surplus reserve	—	—	—	—	—	—	—	—			
Including: Statutory surplus reserve	—	—	—	—	—	—	—	—			
Discretionary surplus reserve	—	—	—	—	—	—	—	—			
2. Distributions to shareholders	—	—	—	—	—	—	—	—	—		
3. Others											
(v) Internal transfer of shareholders' equity											
1. Capitalization of capital reserve		—	—	—		—	—	—	—	—	
2. Capitalization of surplus reserve		—	—	—	—	—	—	—		—	
3. Making up losses from surplus reserve	—	—	—	—	—	—	—	—			
4. Transfer of changes in defined benefit plans to retained earnings	—	—	—	—	—	—		—	—		
5. Others											
VI. Closing balance of current year	150,000,000.00				4,011,167,030.16				76,189,370.35	766,391,752.46	5,003,748,152.97

Page 16 to 113 in the Notes to Financial Statements are an integral part of these financial statements.

Page 4 to 15 of the Financial Statements are signed by the following persons:

Legal Representative: **Chief Financial Officer:** **Head of Accounting Department:**

[English version is for translation purpose only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail]

Shouguang City Construction Investment Development Co., Ltd. Notes to the Financial Statements

For the Year Ended 31 December 2019

(All amounts are expressed, unless otherwise stated, in Renminbi (CNY).)

I. Company Profile

Shouguang City Construction Investment Development Co., Ltd. (hereinafter referred to as "the Company" or "Company") is a limited liability Company incorporated in Shouguang on February 29, 2008 and funded by Shouguang City Infrastructure Construction Investment and Management Center. The Company obtained the business license of enterprise legal person issued by Shouguang Administration for Industry and Commerce, registration number 370783000000069. On May 29, 2008, the registered capital of the Company was increased from 20 million yuan to 150 million yuan. On December 1, 2015, the "Three Certificates in One" was completed, and the unified social credit code was 91370783672224058E. In July 2018, according to the No. 53 document of Shoucai Guozi (2018), Shouguang City Infrastructure Construction Investment Management Center transferred all the equity held by the Company to Shouguang City Investment Holding Co., Ltd. In August 2018, the group was established and Shouguang City Investment Holding Co., Ltd. was renamed Shouguang City Investment Holding Group Co., Ltd. So far, the Company is 100% controlled by Shouguang City Investment Holding Group Co., Ltd.

Registered address of the Company Room 2208, No. 3 Building of the Enterprise Headquarter, West of Haoyuan Road, South of Shengcheng Road, Luocheng Avenue, Shouguang City, Weifang City, Shandong Province, PRC;

Legal representative Liu Zixing

Business scope Invest in urban infrastructure and public infrastructure with the enterprise's own funds, develop and utilize state-owned land comprehensively, manage and manage state-owned assets in urban construction authorized by the municipal government, build houses for resettlement, develop commercial and residential buildings, and remove, transform and develop old cities; Contracting housing construction works, landscaping works (for projects subject to approval according to law, business activities can be carried out only after approval by relevant departments);

Term of operation From February 29, 2008 to February 28, 2028.

The Company has a total of 16 subsidiaries in the scope of merger in 2019. Please refer to Note VII. Business Combination and Consolidated Financial Statements for details. There is no change in the scope of merger of the company this year. The company and all its subsidiaries are hereinafter collectively referred to as "the Group".

II. Basis of Preparation of Financial Statements

The company financial statements based on the going-concern assumption, according to the actual transactions and events, according to the Ministry of Finance issued "accounting standards for enterprises - basic standards" (finance ministry make the release, the finance ministry make No.33 revision No. 76), on February 15, in 2006 and amended and promulgated after 42 guideline to use the specific accounting standards, accounting standard for business enterprises, the accounting standards for enterprises to explain and other related regulations (hereinafter called the "accounting standard for business enterprises").

III. Statement of Compliance with the Accounting Standards for Business Enterprises

The financial statements comply with the requirements of the accounting standards for business enterprises, and truly and completely reflect the financial position of the company and the group as at December 31, 2019, the operating results and cash flow of the year 2019 and other relevant information.

IV. Significant Accounting Policies and Accounting Estimates

1.Accounting Period

The accounting period of the Company is classified as interim period and financial year. Interim period refers to the reporting period shorter than a complete financial year. The financial year of the Company is calendar year from 1 January to 31 December.

2.Functional Currency

CNY is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries adopt CNY as their functional currency. The Company’s presentation currency is CNY.

3.Basis of Bookkeeping and Principles of Valuation

According to the relevant provisions of the accounting standards for enterprises, the group's accounting is based on the accrual basis. Except for certain financial instruments, the financial statements are based on historical costs. IN case of impairment of assets, the corresponding impairment provision shall be calculated and withdrawn in accordance with relevant provisions.

4.Merger of Enterprises

A business merger is a transaction or event that combines two or more separate businesses into one reporting entity. Enterprise merger is divided into enterprise merger under the same control and enterprise merger under the different contrast

(1) Merger of enterprises under the same control

The enterprises participating in the merger are subject to the final control of the same party or the same multi-party before and after the merger, and the control is not temporary, which is the enterprise merger under the same control. IN the case of an enterprise merger under the same control, the party that gains control of the other enterprises participating in the merger on the merger date shall be the merging party, and the other enterprises participating in the merger shall be the merged party. The date of merger means the date on which the merging party actually acquires control of the merged party.

The assets and liabilities acquired by the merging party are measured at the book value of the merged party on the date of merger. The difference between the book value of the net assets acquired by the merging party and the book value of the merger consideration paid (or the total face value of the issued shares), and the adjustment of the capital reserve (capital premium);Where capital reserves (equity premium) are not sufficient to offset, adjust retained earnings.

The direct expenses incurred by the merging party in the enterprise merger shall be recorded into the profits and losses of the current period when incurred.

(2) Merger of enterprises not under the same control

If the enterprises participating in the merger are not under the final control of the same party or the same parties before or after the merger, they are not under the same control.In case of an enterprise merger not under the same control, the party that acquires control of the other enterprises participating in the merger on the purchase date shall be the purchaser, and the other enterprises participating in the merger shall be the purchaser. The date of purchase means the date on which the purchaser actually acquires control over the purchased entity.

For in a business combination not under the same control, the combination costs include date, the acquirer obtains the control on the acquiree for paying the assets, or bear the liability, and the fair value of the equity securities issued by the auditing, legal services for the business combination, assessment consulting intermediary fee and other fees for occurs into the profits and losses of the current period. The transaction cost of the equity securities or debt securities issued by the buyer as the combined consideration shall be included in the initial recognition amount of the equity securities or debt securities. The contingent consideration involved is included in the merger cost according to its fair value on the purchase date. If the contingent consideration needs to be adjusted due to the new or further evidence of the existing situation on the purchase date within 12 months after the purchase date, the consolidated goodwill shall be adjusted accordingly. The merger costs incurred by the purchaser and the identifiable net assets acquired in the merger are measured at the fair value of the purchase date. The difference between the merger cost and the fair value share of the identifiable net assets acquired by the purchaser at the purchase date is recognized as goodwill. Obtaining from the merger of the combination costs less than the fair value of identifiable net assets, firstly the acquiree obtained the identifiable assets, liabilities and contingent liabilities of the fair value of the measurement as well as the combination costs for review, after review the acquiree combination costs are still less than the fair value of identifiable net assets, the balance into the profits and losses of the current period.

The acquirer obtains the acquiree deductible temporary differences, on the acquisition date by does not meet the requirements for the deferred income tax assets confirmation and did not confirm, within 12 months after purchase, such as new or further information suggests that the related situation already exists on the acquisition, expected to be the acquirer in the deductible temporary differences on the acquisition of the economic benefits can be achieved, the related deferred tax asset is recognized, at the same time reduce the goodwill, lack of goodwill write-downs, difference identified as the current profits and losses; In addition to the above, the deferred income tax assets that are recognized as related to the enterprise merger shall be included in the current profit and loss.

Trade through the multiple step by step implementation of the business combination not under the same control, according to the Treasury about notice issued by the accounting standards for enterprises account for 5 (finance and accounting) [2012] no. 19 and the accounting standards for enterprises no. 33 - consolidated financial statements "about the" package "of article 51 of judgment standards (see note 4, (5)" compiling method of consolidated financial statements "2), whether the deals belongs to" package ".In case of "package deal", accounting treatment shall be carried out by referring to the description in the preceding paragraphs of this part and the "long-term equity investment" in note iv (11).If it is not a "package deal", separate individual financial statements and consolidated financial statements for relevant accounting treatment

In individual financial statements, the initial investment cost of the investment is the sum of the book value of the equity investment held before the purchase date and the new investment cost on the purchase date; Acquisition date before the acquiree stakes involved in other comprehensive income, at the disposal of the investment will be related with other comprehensive income is direct disposal of related assets or liabilities on the basis of the same accounting treatment (i.e., in addition to the measured in accordance with the equity method accounting by the purchaser to set benefit plan net debt or equity lead to the change of the corresponding share outside, the rest into the current investment income).

In the consolidated financial statements, the equity held before the purchase date is remeasured according to the fair value of the equity on the purchase date, and the difference between the fair value and the book value is recorded in the current investment income. Acquisition date before the acquiree stakes involved in other comprehensive income, other comprehensive income related shall adopt the same as the acquiree direct disposal of related assets and liabilities on the basis of accounting (i.e., in addition to the measured in accordance with the equity method accounting by the purchaser to set benefit plan net debt or equity lead to the change of the corresponding share outside, the rest to belong to the current investment income) on the acquisition date.

5.Preparation Method of Consolidated Financial Statements

1) Identification of the scope of the consolidation

The scope of consolidation of the financial statement shall be determined on the basis of control. The Company controls an investee when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiary is the entity controlled by the Company.

If facts and circumstances indicate that there are changes to one or more of the elements in the above definition, the Company shall reassess whether it controls an investee.

2) Preparation of consolidated financial statements

Consolidation of a subsidiary shall begin from the date the Company obtains control of the net assets and operational management of the subsidiary; Consolidation of an investee shall cease when the Company loses control of the investee. For a subsidiary that is disposed, its financial performance and cash flows before the date of disposal are appropriately presented in the consolidated statement of comprehensive income and consolidated statement of cash flows; for a subsidiary that is disposed during the current period, the opening balances in the statement of financial position shall not be adjusted. For a subsidiary acquired through a business combination not under common control, its financial performance and cash flows after the acquisition date are appropriately presented in the consolidated statement of comprehensive income and consolidated statement of cash flows; the opening balances and comparative information in the statement of financial position shall not be adjusted. For a subsidiary acquired through a business combination under common control, its financial performance and cash flows, from the beginning of the period when the combination occurs to date of combination, are appropriately presented in the consolidated statement of comprehensive income and consolidated statement of cash flows; the comparative information in the statement of financial position shall be adjusted at the same time.

If a subsidiary uses accounting policies or reporting period other than those adopted by the Company, appropriate adjustments are made to those subsidiaries' financial statements in preparing the consolidated financial statements to ensure the conformity with the Company's accounting policies and reporting period. In a business combination not under common control, the acquiree's financial statements shall be adjusted based on the acquisition-date fair values of the net identifiable assets.

All significant intragroup balances, transactions and unrealized profits are eliminated upon consolidation.

The Company shall present non-controlling interests in the consolidated statement of financial position within equity, separately from the equity of the owners of the Company; profit or loss attributable to non-controlling interests in a subsidiary shall be separately presented as "profit or loss attributable to non-controlling interests" within net profits in the consolidated statement of comprehensive income. When the loss attributable to non-controlling interests exceeds the opening balance of non-controlling interest in the subsidiary, the loss shall continue to offset the non-controlling interests.

If the Company loses control of a subsidiary due to partial disposal of equity investments or other reasons, the Company recognizes any investment retained in the former subsidiary at its fair value when control is lost. Excess of (a) the sum of fair value of the consideration received from the disposal of equity investments and fair value of any investment retained, over (b) the Company's previous pro rata share in the former subsidiary's net assets calculated since acquisition date, shall be recognized in investment income in the period when control is lost. When it loses control of the subsidiary, the Company shall account for all amounts previously recognized in other comprehensive income in relation to the subsidiary on the same basis as would have been required if the acquiree had directly disposed of the related assets or liabilities (that is, other than the changes resulting from remeasurement of the former subsidiary's defined benefit liabilities/assets, any other gain or loss is reclassified to the investment income for the current period). Then, any investment retained shall be subsequently measured according to Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investments or Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments; see Note IV-11 "Long-term Equity Investments" or Note IV-8 "Financial Instruments" for details.

When the Company loses control of a subsidiary in two or more arrangements (transactions), the Company shall determine whether the multiple arrangements should be accounted for as a single transaction. If terms and conditions of the arrangements and their economic effects meet one or more of the following, it usually indicates that the Company should account for the multiple arrangements as a single transaction①The multiple arrangements are entered into at the same time or in contemplation of each other; ②They form a single transaction designed to achieve an overall commercial effect; ③The occurrence of one arrangement is dependent on the occurrence of at least one other arrangement; ④One arrangement considered on its own is not economically justified, but it is economically justified when considered together with other arrangements. If the multiple arrangements should not be accounted for as a single transaction, the Company shall make accounting treatments, as appropriate, based on "disposal of long-term equity investments without losing control of the subsidiary" (Note IV-11-(2)-④) or "losing control of a subsidiary due to partial disposal of equity investments or other reasons" in the preceding paragraph. If the multiple arrangements should be accounted for as a single transaction, the Company recognizes the arrangements as a single transaction that results in loss of control of the subsidiary; however, before loss of control, the difference of consideration received and the Company's proportionate share of the subsidiary's net assets for the disposed investments in each arrangement shall be recognized in other comprehensive income in consolidated financial statements, and the cumulative amount shall be reclassified to profit or loss when control is lost.

6.Classification of joint venture arrangement and accounting treatment method of joint operation

A joint venture arrangement means an arrangement jointly controlled by two or more parties. According to the rights and obligations the group enjoys in the joint venture arrangement, the joint venture arrangement is divided into joint operation and joint venture. Joint operation refers to the joint venture arrangement in which the group enjoys the assets related to the arrangement and assumes the liabilities related to the arrangement. A joint venture means a joint venture arrangement in which the group has rights only over the net assets of the arrangement.

The group's investment in joint venture shall be accounted for by the equity method and shall be treated in accordance with the accounting policies stated in Note IV,-11 "Long-term equity investment", (2)-② "Long-term equity investment accounted for by the equity method".

The group, as the joint venture party, shall recognize the assets held separately by the group, the liabilities assumed separately by the group, and the assets held jointly and the liabilities assumed jointly according to the share of the group; Recognize the revenue generated from the sale of the share of the group's common operating output; The revenue generated from the sale of the output of the joint operation shall be recognized according to the share of the group; Confirm the expenses incurred by the group alone and the expenses incurred by the joint operation according to the share of the group.

When the group, as a joint venture, invests or sells assets (which do not constitute a business, the same below) to the joint operation or purchases assets from the joint operation, the group recognizes only the portion of the profits and losses resulting from the transaction that is attributable to the other parties involved in the joint operation before such assets are sold to a third party. Where any impairment loss of such assets is incurred in accordance with the provisions of the accounting standards for business enterprises no. 8 -- asset impairment, the group shall fully recognize the loss if the assets are invested or sold by the group to the joint operation; In the case of assets purchased by the group from joint operation, the group shall recognize the loss according to the share assumed by the group.

7.Cash and Cash Equivalents

Cash and cash equivalents comprise the Company’s cash on hand, demand deposits, and short-term (which means it has a short maturity of three months or less from the date of acquisition) highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

8.Financial Instruments

The Company recognizes a financial asset or a financial liability when the Company becomes party to the contractual provisions of the instrument. Financial assets and financial liabilities are measured at fair value at initial recognition. For financial assets and financial liabilities that are measured at fair value and whose changes are included in the current profit or loss, the related transaction costs are directly included in profit or loss, and for other types of financial assets and financial liabilities, the related transaction costs are included in the initial recognition amount.

1) Method for determining the fair value of financial assets and financial liabilities

Fair value refers to the price that market participants can receive or transfer a liability in the orderly transaction that occurs on the measurement date. If there is an active market for financial instruments, the company uses the quotation in the active market to determine its fair value. The quoted price in an active market refers to the price that can be easily obtained regularly from exchanges, brokers, industry associations, pricing service agencies, etc., and represents the price of market transactions that actually occur in fair trading. If there is no active market for financial instruments, the company uses valuation techniques to determine its fair value. Valuation techniques include reference to prices used in recent market transactions by parties who are familiar with the situation and voluntary transactions, reference to the current fair value of other financial instruments that are substantially the same, discounted cash flow method, and option pricing models.

2) Classification, recognition and measurement of financial assets

Financial assets are bought and sold in a conventional manner, and accounting confirmation and derecognition are conducted on the trading day. Financial assets are classified into financial assets measured at fair value and whose changes are included in the current profit and loss, investments held to maturity, loans and receivables, and available-for-sale financial assets at initial recognition.

①Financial assets measured at fair value through profit or loss

Including transactional financial assets and financial assets designated as measured at fair value through profit or loss

Transactional financial assets refer to financial assets that meet one of the following conditions A. The purpose of obtaining the financial asset is mainly for short-term sales; B. It is part of a portfolio of identifiable financial instruments for centralized management and has objective evidence It indicates that the company has recently adopted short-term profit management to manage the portfolio; C. It is a derivative instrument, but the derivative instrument that is designated as an effective hedging instrument, a derivative instrument that is a financial guarantee contract, and no quotation in an active market And the derivative instruments whose fair value cannot be reliably measured are linked to investment in equity instruments and must be settled by delivery of the equity instruments.

Financial assets that meet one of the following conditions can be designated as financial assets measured at fair value through profit and loss at initial recognition A. This designation can eliminate or significantly reduce the financial assets due to different measurement bases. Inconsistencies in the recognition or measurement of related gains or losses resulting from this; B. The company’s official written documents on risk management or investment strategy have stated that the financial assets portfolio or the combination of financial assets and financial liabilities where the financial assets are located are fair Value-based management, evaluation and reporting to key management personnel.

Financial assets measured at fair value through profit or loss are subsequently measured at fair value. Gains or losses resulting from changes in fair value and dividends and interest income related to these financial assets are recognized in the current profit and loss.

②Hold to maturity investment

It refers to non-derivative financial assets with fixed maturity date, fixed or determinable recovery amount, and the company has a clear intention and ability to hold to maturity.

The held-to-maturity investment adopts the effective interest rate method, and is subsequently measured at amortized cost. Gains or losses arising from derecognition, impairment or amortization are included in the current profit and loss.

The effective interest rate method refers to the method of calculating the amortized cost and interest income or expenditure of each period according to the actual interest rate of financial assets or financial liabilities (including a group of financial assets or financial liabilities). The actual interest rate refers to the interest rate used to discount the future cash flow of a financial asset or financial liability during the expected duration or a shorter period applicable to the current book value of the financial asset or financial liability. When calculating the actual interest rate, the company will estimate the future cash flow (not considering future credit losses) on the basis of considering all contract terms of financial assets or financial liabilities, and will also consider payments between parties to financial assets or financial liabilities contracts Or charges, transaction fees, discounts or premiums, etc. that are part of the actual interest rate.

③Loans and receivables

Refers to non-derivative financial assets that have no quoted price in an active market and whose recovery amount is fixed or determinable. The company's financial assets classified as loans and receivables include bills receivable, accounts receivable, interest receivable, dividends receivable, and other receivables.

Loans and receivables are measured at amortized cost using the actual interest rate method, and the gains or losses arising from derecognition, impairment or amortization are included in the current profit and loss.

④Available-for-sale financial assets

Including non-derivative financial assets designated as available for sale at initial recognition, and financial assets other than financial assets measured at fair value and whose changes are included in current profit or loss, loans and receivables, and held-to-maturity investments assets.

The ending cost of available-for-sale debt instrument investment is determined according to its amortized cost method, that is, the initial recognition amount deducts the principal repaid, plus or minus the actual interest rate method between the initial recognition amount and the amount on the maturity date. The difference is the accumulated amortization amount formed by amortization, and the amount after deducting the impairment loss that has occurred. The ending cost of an available-for-sale equity instrument investment is its initial acquisition cost.

The available-for-sale financial assets are subsequently measured at fair value. Gains or losses resulting from changes in fair value are recognized as other comprehensive income except for impairment losses and exchange differences related to foreign currency monetary financial assets and amortized costs. Transferred out when the financial asset is derecognized, and included in the current profit and loss. However, equity instrument investments that have no quoted price in an active market and whose fair value cannot be reliably measured, and derivative financial assets that are linked to the equity instrument and must be settled by delivery of the equity instrument, are subsequently measured at cost.

The interest obtained during the holding of available-for-sale financial assets and the cash dividend declared by the investee are included in the investment income.

Due to changes in holding intention or ability, or the fair value can no longer be measured reliably, or according to Article 16 of Accounting Standards for Business Enterprises-Recognition and Measurement of Financial Instruments, reclassify investment held to maturity as possible When the period of financial assets for sale has exceeded two full fiscal years, and the financial assets are no longer suitable for measurement at fair value, the company changes available financial assets for sale to cost or amortized cost. On the date of reclassification, the cost or amortized cost of the financial asset is the fair value or book value of that day.

If the financial asset has a fixed maturity date, the gains or losses related to the financial asset that were originally included in other comprehensive income are amortized using the actual interest rate method during the remaining period of the financial asset and included in the current profit and loss; The difference between the asset's amortized cost and the amount on the maturity date is amortized using the actual interest rate method during the remaining period of the financial asset, and is included in the current profit and loss. If the financial asset does not have a fixed maturity date, the gains or losses originally included in other comprehensive income are still retained in the owner's equity and it will be transferred out and recoginzed in the current profit or loss when the financial asset is disposed.

3) Impairment of financial assets

In addition to the financial assets measured at fair value through profit and loss, the company checks the book value of other financial assets on each balance sheet date. If there is objective evidence showing that the financial asset is impaired, provisions for impairment is made.

The company separately conducts impairment tests on financial assets with significant single amounts; individually performs impairment tests on financial assets with insignificant amounts or includes impairment tests on financial asset portfolios with similar credit risk characteristics. Separate testing of financial assets that have not been impaired (including financial assets with significant and insignificant amounts in a single item) is included in the combination of financial assets with similar credit risk characteristics before the impairment test. Financial assets that have been individually recognized for impairment losses are not included in financial asset portfolios with similar credit risk characteristics for impairment testing.

①Impairment of held-to-maturity investments, loans and receivables

Financial assets measured at cost or amortized cost reduce their book value to the present value of expected future cash flows, and the amount of the write-down is recognized as an impairment loss and included in the current profit and loss. After confirming the impairment loss of the financial asset, if there is objective evidence indicating that the value of the financial asset has been restored, and it is objectively related to the events that occurred after the confirmation of the loss, the originally recognized impairment loss is reversed, and the financial asset is reversed to impairment The book value after the loss does not exceed the amortized cost of the financial asset on the date of reversal under the assumption that no impairment provision is made.

②Impairment of available-for-sale financial assets

When the relevant factors are combined to determine whether the decline in the fair value of available-for-sale equity instrument investment is severe or non-temporary, it indicates that the available-for-sale equity instrument investment is impaired.

When the available-for-sale financial asset is impaired, the accumulated loss due to the decline in fair value that was originally included in other comprehensive income is transferred out and included in the current profit and loss. The accumulated loss transferred out is the initial acquisition cost of the asset less the recovered The principal and the amortized amount, the current fair value and the balance after the impairment loss that was originally included in profit or loss.

After the impairment loss is confirmed, if there is objective evidence after the period that the value of the financial asset has been restored, and it is objectively related to the events that occurred after the loss is confirmed, the originally recognized impairment loss is transferred back, and the equity instrument investment available for sale The impairment loss is recognized as other comprehensive income, and the impairment loss of available-for-sale debt instruments is included in the current profit and loss.

An equity instrument investment that has no quoted price in an active market and whose fair value cannot be reliably measured, or an impairment loss on a derivative financial asset that is linked to the equity instrument and must be settled by delivery of the equity instrument, is not reversed.

4) Recognition and measurement of transfers of financial assets

A financial asset that meets one of the following conditions shall be derecognized

①The contractual rights to the cash flows from the financial asset expire;

②The Company transfers the financial asset, and it transfers substantially all the risks and rewards of the ownership of the financial asset to the transfers;

③The Company transfers the financial asset, it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, however, it has not retained control of the financial asset.

When the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, and has retained control of the financial asset, the Company shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset, and recognize an associated liability. The extent of the Company's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset.

If the Company transfers a financial asset in a transfer that qualifies for derecognition in its entirety, the difference between (a) the carrying amount of the financial asset transferred, and (b) the sum of consideration received and cumulative changes in fair value that have been previously recognized in other comprehensive income, shall be recognized in profit or loss.

If the transferred asset is part of a larger financial asset, and the part transferred qualifies for the derecognition in its entirety, the previous carrying amount of the larger financial asset shall be allocated between the part that continues to be recognized and the part that is derecognized, on the basis of the relative fair values of those parts on the date of the transfer. The difference between (a) the sum of the consideration received for the part derecognized and cumulative changes in fair value allocated to the part derecognized which have been previously recognized in other comprehensive income, and (b) the carrying amount allocated to the part derecognized, shall be recognized in profit or loss.

For a financial asset sold with recourse, or a financial asset transferred through endorsement, the Company determines whether it transfers substantially all the risks and rewards of the ownership of the financial asset. If the Company transfers substantially all the risks and rewards of ownership of the financial asset, it shall derecognize the financial asset; if the Company retains substantially all the risks and rewards of ownership of the financial asset, it shall continue to recognize the financial asset; if the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it shall determine whether it has retained control of the financial asset, and make corresponding accounting treatment based on preceding principles.

5) Classification, recognition and measurement of financial liabilities

At initial recognition, financial liabilities are classified as financial liabilities at fair value through profit or loss, or other financial liabilities. For financial liabilities at fair value through profit or loss, related transaction costs are directly recorded in profit or loss; for other financial liabilities, related transaction costs are recorded in the amount initially recognized.

①Financial liabilities at fair value through profit or loss

The conditions for classification as transactional financial liabilities and financial liabilities designated at fair value through profit or loss at initial recognition are the same as those for classification as transactional financial assets and financial assets designated at fair value through profit or loss at initial recognition.

Financial liabilities measured at fair value through current profit and loss are subsequently measured at fair value. Gains or losses from changes in fair value and dividends and interest expenses related to such financial liabilities are included in current profit and loss.

②Other financial liabilities

Derivative financial liabilities linked to equity instruments that are not quoted in an active market and whose fair value cannot be reliably measured and which must be settled by delivering the equity instruments shall be subsequently measured at cost. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, and the gains or losses arising from derecognition or amortization are included in the current profits and losses.

③Financial guarantee contract

Financial guarantee contracts that are not designated as financial liabilities measured at fair value and whose changes are included in the current profit or loss are initially recognized at fair value, and the amount determined in accordance with "Accounting Standards for Business Enterprises No. 13-Contingencies" after initial recognition And the initial confirmed amount deducted from the balance of the accumulated amortization amount determined in accordance with the principles of "Accounting Standards for Business Enterprises No. 14-Revenue" for subsequent measurement.

6) Derecognition of financial liabilities

A financial liability (or a part of a financial liability) is derecognized when the present obligation specified in the contract is discharged or cancelled or expires. If, as an existing borrower, the Company signs agreement with an existing lender, to replace original financial liability with a new financial liability, and the exchange of debt instruments has substantially different terms, the Company shall derecognize the original financial liability and recognize the new financial liability. A substantial modification of the terms of an existing financial liability or a part of it shall be accounted for as derecognition of the original financial liability and recognition of a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) derecognized and the consideration paid (including any non-cash assets transferred or liabilities assumed) shall be recognized in profit or loss.

7) Derivatives and embedded derivatives

Derivatives are initially measured at fair value on the date of signing of the relevant contract, and subsequent measurement is conducted at fair value. Except for derivatives that are designated as hedging instruments and are highly effective in hedging, the gains or losses resulting from changes in their fair value will be determined based on the nature of the hedging relationship and the period included in profit or loss according to the requirements of hedge accounting. Value changes are included in the current profit and loss.

For hybrid instruments that include embedded derivatives, if they are not designated as financial assets or financial liabilities measured at fair value through profit or loss, the embedded derivatives do not have a close relationship with the main contract in terms of economic characteristics and risks, and the conditions are the same as for embedded derivatives. If a separate instrument meets the definition of a derivative instrument, the embedded derivative instrument is split from the mixed instrument and treated as a separate derivative financial instrument. If the embedded derivative cannot be measured separately at the time of acquisition or on the subsequent balance sheet date, the hybrid instrument as a whole is designated as a financial asset or financial liability measured at fair value through profit or loss.

8) Offsetting a financial asset and a financial liability

A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, the Company (a) currently has a legally enforceable right to set off the recognized amounts; and (b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. In all other circumstances, financial assets and financial liabilities are presented separately in the statement of financial position.

9) Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The Company recognize changes in equity when it issues (including refinancing), repurchases, sells or cancels equity instruments. Transaction costs of an equity transaction are accounted for as a deduction from equity.

The company's various distributions to equity instrument holders (excluding stock dividends) reduce owner's equity. Changes in fair values of equity instruments are not recognized.

9.Receivables

Receivables include trade receivables, other receivables, etc.

1) Accounting for allowance for doubtful accounts

①Confirmation criteria for bad debt preparation

The group recognizes receivables of RMB 5 million or more as single significant receivables.

The group conducts separate impairment tests for single significant receivables and separate tests for financial assets without impairment, including impairment tests in financial portfolios with similar credit risk characteristics. Receivables for which impairment losses have been recognized by a single test are no longer included in impairment testing in a portfolio of receivables with similar credit risk characteristics.

②Determining basis and measurement for grouping financial assets of shared credit risk characteristics

A. Basis for grouping financial assets of shared credit risk characteristics

For receivables that are not individually significant, the Company groups these financial assets based on similarity and relevance of their credit risk characteristics. Such credit risks usually reflect the debtor’s ability to settle the amount due according to the contractual terms of such assets, and are related to the estimated future cash flows of the assets.

Basis for grouping

Items	Basis for grouping
Aging portfolio of receivables	The age of receivables is the risk characteristic to divide the portfolio
Individually identified combination	To be included in the scope of the merger of receivables related parties, financial bureau, etc

B. Measurement for groups of financial assets with shared credit risk characteristics

When performing impairment test on groups of receivables, based on the group structure and shared credit risk characteristics (the debtor's ability to settle the amount due according to the contractual terms of such assets), the Company considers reasonable and supportable information, including forward-looking information, when assessing the expected credit losses.

Measurement for allowance for doubtful accounts of different groups

Items	Measurement
Aging portfolio of receivables	Age analysis of bad debt provision
Individually identified combination	If there is no objective evidence that the impairment has occurred, no provision for bad debts shall be made

Using aging analysis method for allowance for doubtful accounts

Aging	Percentage of allowance for doubtful accounts to trade receivables (%)	Percentage of allowance for doubtful accounts to other receivables (%)
Within 1 year (including 1 year)	5	5
1-2 years (including 2 years)	10	10
2-3 years (including 3 years)	20	20
Above 3 years	50	50

③Measurement of allowance for doubtful accounts of receivables that are not individually significant but are individually assessed for impairment

For a receivable that is not individually significant, if it has below characteristics, the Company makes individual assessment of the receivable's credit risk. If there is objective evidence that it is impaired, according to the difference between the current value of its future cash flow and its book value Recognition of impairment losses and provision for bad debts. It is a receivable from related parties; it involves disputes with the other party, or litigation or arbitration; there is an obvious indication that the debtor is very likely to default on the receivable; or, at initial recognition, a group of receivables collectively assessed with significant credit risk or low credit risk, etc.

2) Reversal of allowance for doubtful accounts

If there is objective evidence that the value of the receivables has recovered, and objectively related to the events occurred after the loss is recognized, the original recognized impairment loss shall be carried back and recorded into the current profit and loss. However, the carrying value after the roll back shall not exceed the amortized cost of the receivable on the roll back date assuming that no impairment provision is made.

If the group transfers the receivables to financial institutions without recourse, the difference after deducting the book value of the transferred receivables and relevant taxes and fees from the transaction amount shall be recorded into the current profit and loss.

10.Inventories

1) Classification of inventories

Inventories mainly include land inventory, development costs, development products, raw materials, turnover materials, engineering construction, etc.

2) Cost measurement for inventories

Inventories are measured at actual cost when acquired. The land inventory shall be separately priced at the time of delivery, and the receipt and delivery of raw materials and working materials shall be based on the weighted average method.

Development cost, development product and other inventory are initially measured at cost. Inventory mainly consists of inventory materials, development products under construction (development cost), completed development products and development products intended to be sold but temporarily leased. The cost of developing the product includes the land transfer fee, the expenditure of infrastructure facilities, the expenditure of construction and installation, the loan expense incurred before the completion of the development project and other related expenses in the development process.When an inventory is issued, its actual cost is determined by the weighted average method.

3) Measurement of net realizable value and write-down

Net realizable value refers to the amount of the estimated selling price of the inventory less the estimated costs, estimated sales expenses and related taxes when the inventory is completed in the daily activities.In determining the net realizable value of inventories, based on the solid evidence obtained, the purpose for which inventories are held and the impact of events after the balance sheet date are taken into account.

At the reporting date, inventories shall be measured at the lower of cost and net realizable value. If the cost of inventory is in excess of the net realizable value, the inventory shall be written down. The write-down is measured at the excess of inventory cost over net realizable value item by item.

When the circumstances that previously caused inventories to be written down below cost no longer exist and the net realizable value is higher than the carrying amount, the amount of the write-down is reversed, and the amount of reversal is recorded in profit or loss.

4) Inventory counting is performed using the perpetual inventory system.

5) Amortization method of low value consumables and packaging

Low value consumables are amortized by one-time amortization method upon receipt; the packaging shall be amortized by the method of one-time amortization upon receipt.

11.Long-term Equity Investments

Long-term equity investments refer to the long-term equity investment in which the Company has control or joint control of, or significant influence over, the investee. Long-term equity investments in which the Company has no control or joint control of, or significant influence over, the investee shall be recognized as available-for-sale financial assets or financial assets measured at fair value through profit or loss. For detailed accounting policy, see Note IV-5 Financial Instruments.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

1) Cost of investments

For long-term equity investments recognized in a business combination under common control, on the combination date, the initial cost shall be measured at the proportionate share of the carrying amount of the acquiree's shareholders' equity in the acquiree's ultimate controlling party's consolidated financial statements. Difference between the initial cost of long-term equity investments and the carrying amount of consideration paid (including any cash paid, non-cash assets transferred or liabilities assumed) shall adjust capital reserve, and then adjust retained earnings if capital reserve balance is reduced to zero. If the Company issues equity interests in exchange for control of the acquiree, on the combination date, the initial cost of long-term equity investments shall be measured at the proportionate share of the carrying amount of the acquiree's shareholders' equity in the acquiree's ultimate controlling party's consolidated financial statements, the total par value of the shares issued shall be recognized as share capital, difference between the initial cost of long-term equity investments and the total par value of the shares issued shall adjust capital reserve, and then adjust retained earnings if capital reserve balance is reduced to zero. For a business combination under common control that is achieved in stages, the acquirer shall make judgment on whether or not the related multiple arrangements should be accounted for as a single transaction. If yes, the acquirer shall account for the transaction as a single transaction that results in control of the acquiree. If not, the acquirer shall account for the initial cost of long-term equity investments, on the combination date, at the proportionate share of the carrying amount of the acquiree's shareholders' equity in the acquiree's ultimate controlling party's consolidated financial statements, difference between (a) the initial cost of long-term equity investments and (b) the sum of the carrying amount of the long-term equity investments before the acquirer gains control and consideration paid for the newly acquired equity interests on the combination date shall adjust capital reserve, and then adjust retained earnings if capital reserve balance is reduced to zero. The other comprehensive income recognized under equity method for equity investments held before the combination date, or other comprehensive income recognized for available-for-sale financial assets before the combination date, is not subject to accounting treatment for these arrangements.

For long-term equity investments recognized in a business combination not under common control, on the acquisition date, the initial cost shall be measured at the cost of combination, which includes fair values of the assets transferred by the acquirer, the liabilities incurred or assumed by the acquirer, and the equity interests issued by the acquirer in exchange for control of the acquiree. For a business combination not under common control that is achieved in stages, the acquirer shall make judgment on whether or not the related multiple arrangements should be accounted for as a single transaction. If yes, the acquirer shall account for the transaction as a single transaction that results in control of the acquiree. If not, the initial cost of investment is calculated as the sum of the carrying amount of its previously held equity interest in the acquiree and additional cost of investments on the acquisition date, and long-term equity investment shall be measured at cost. The other comprehensive income recognized under equity method for previously held equity interest is not subject to accounting treatment for these arrangements. If the previously held equity interest is available-for-sale financial asset, the difference between the fair value and carrying amount, and the cumulative changes in fair value that are previously recognized in other comprehensive income, shall be recognized in profit or loss.

Professional fees such as audit, legal, valuation fees and general administrative costs incurred for the business combination are accounted for as expenses in the periods in which the costs are incurred and the services are received.

Equity investments, other than those arise in business combinations, are recognized at cost on initial recognition; based on ways of acquisition, the cost is accounted for at the amount of cash paid by the Company, the fair value of equity interests issued by the Company, the agreed value in the investment contract, the fair value or original carrying amount of non-cash assets transferred by the Company, or the fair value of the long-term equity investments, etc. Any direct expense, tax and necessary cost are recognized in the cost of investments. For additional investments that result in significant influence over or joint control of the invest (and do not result in control), the cost of long-term equity investments is the sum of fair value of previously held equity interest in the investee and the additional cost of investments, according to Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments.

2) Subsequent measurement and recognition of profit or loss

Long-term equity investments where the Company has joint control (except for joint operation) of or significant influence over the investee are accounted for by equity method. The Company accounts for long-term equity investments at cost where the Company has control of the investee.

①Long-term equity investments measured at cost

Long-term equity investments are recognized at cost on initial recognition; if the Company increases or recovers the cost of its investments in the investee, the cost of long-term equity investments shall be adjusted accordingly. The Company accounts for investment income for current period at the amount of its share of cash dividends declared and profits to be distributed by the investee, except for (a) cash dividends declared but undistributed or (b) undistributed profits, which are included in the consideration paid for the investments.

②Long-term equity investments using equity method

Under equity method, when the initial cost of long-term equity investments exceeds the Company's proportionate share in the acquisition-date fair values of the investee's identifiable net assets, the initial cost of investments is not subject to adjustment; when the initial cost of investments is lower than the Company's proportionate share in the acquisition-date fair values of the investee's identifiable net assets, the difference shall be recognized in profit or loss, and the cost of investments shall be adjusted at the same time.

The carrying amount of long-term equity investments is adjusted to recognize the Company's share of the profit or loss of the investee and the Company's' proportionate interest in the investee arising from changes in the investee's other comprehensive income, at the same time, the Company's share of the investee's profit or loss is recognized in investment income, and the Company's proportionate interest in the investee arising from changes in the investee's other comprehensive income is recognized in the Company's other comprehensive income. The Company's share of profits to be distributed or cash dividends declared by the investee reduce the carrying amount of long-term equity investments. Other changes in investee's equity, except for profit or loss, other comprehensive income and profit distribution, shall be recognized in capital reserve, and the carrying amount of long-term equity investments shall be adjusted accordingly. Appropriate adjustments to the Company's share of the investee's profit or loss after acquisition are made in order to account for the net identifiable assets based on their fair values at the acquisition date. If the investee's accounting policy and accounting period are not in conformity with those of the Company, appropriate adjustments shall be made based on the Company's accounting policy and accounting period, in order to recognize the amounts of investment income and other comprehensive income. As for transactions between the Company and its associate or joint venture, when the contributed or sold assets do not constitute a business, the Company's share in the associate's or joint venture's unrealized gains or losses resulting from these transactions is eliminated; on that basis, investment income is recognized. However, if the unrealized losses are impairment losses of assets sold or contributed during the transactions, they shall not be eliminated. When the contributed assets from the Company to its joint venture or associate constitute a business, and consequently the Company gains long-term equity investments but not control of the investee, the Company shall account for the additional

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long-term equity investments at fair value of the contributed business; difference between the initial cost of investments and the carrying amount of contributed business, shall be recognized in full in profit or loss. When the sold assets from the Company to its joint venture or associate constitute a business, the difference between consideration received and the carrying amount of the business shall be recognized in full in profit or loss. When the purchased assets from its associate or joint venture constitute a business, the Company shall fully recognize relevant profit or loss, according to Accounting Standards for Business Enterprises No. 20 – Business Combination.

If the Company's share of losses of an investee equals or exceeds the carrying amount of the long-term equity investments in the investee together with any long-term interests that, in substance, form part of the Company's net investment in the investee, the Company discontinues recognizing its share of further losses. If the Company has incurred obligations to assume additional losses for the investee, the Company shall recognize a liability and relevant loss in current period. If the investee subsequently reports profits, the Company resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

③Purchase of non-controlling interests

In preparation of consolidated financial statements, difference between (a) the increase in long-term equity investments due to purchase of non-controlling interests and (b) the Company's newly acquired share in the investee's net assets calculated since acquisition date (or combination date) shall adjust capital reserve, and then adjust retained earnings if capital reserve balance is reduced to zero.

④Disposal of long-term equity investments

In the consolidated financial statements, for the partial disposal of long-term equity investments without losing control of the subsidiary, the difference between consideration received and the proportionate share of the subsidiary's net assets for the disposed investments shall be recognized in equity; for the partial disposal of long-term equity investments that results in loss of control of the subsidiary, see Note IV-3(2) "Preparation of Consolidated Financial Statements" for the accounting treatment.

In other circumstances of disposal of long-term equity investments, the difference between the carrying amount of the disposed investments and the consideration received shall be recognized in profit or loss.

After the disposal of long-term equity investments accounted for using equity method, if the equity method still applies for the investments retained, the Company shall account for the proportionate amounts previously recognized in other comprehensive income on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities. Any equity previously recognized for changes of investee's equity excluding changes in investee's net profit or loss, other comprehensive income and profit distribution, is proportionately reclassified to profit or loss.

After the Company disposes long-term equity investments measured at cost, if the investments retained are still measured at cost, the Company shall account for the amounts previously recognized in other comprehensive income, that are recognized according to equity method or recognition and measurement requirements of financial instruments before the Company obtains control of the investee, on the same basis as would have been required if the investee had directly disposed of related assets or liabilities, and the proportionate amounts shall be reclassified to profit or loss; any equity previously recognized under equity method for changes of investee's equity excluding changes in investee's net profit or loss, other comprehensive income and profit distribution, is proportionately reclassified to profit or loss.

After the Company loses control of an investee due to partial disposal of equity investments, if the Company has joint control of, or significant influence over, the investee, the Company shall account for the investments retained using equity method in its individual financial statements, and apply equity method retrospectively to the date of acquisition; if the Company has neither joint control of, nor significant influence over, the investee, the Company shall account for the investments retained according to the recognition and measurement requirements of financial instruments, the difference between the fair value and carrying amount of the investments retained shall be recognized in profit or loss when the control is lost. When the Company loses control of the investee, the Company shall account for the amounts previously recognized in other comprehensive income, that are recognized according to equity method or recognition and measurement requirements of financial instruments before the Company obtains control of the investee, on the same basis as would have been required if the investee had directly disposed of related assets or liabilities; any equity previously recognized under equity method for changes of investee's equity excluding changes in investee's net profit or loss, other comprehensive income and profit distribution, is reclassified to profit or loss when the control is lost. If the investments retained are accounted for using equity method, the above-mentioned other comprehensive income and equity are proportionately reclassified; if the investments retained are accounted for according to the recognition and measurement requirements of financial instruments, the above-mentioned other comprehensive income and equity are reclassified in full.

After the Company loses joint control of, or significant influence over, the investee due to partial disposal of equity investments, the retained investments are accounted for according to the recognition and measurement requirements of financial instruments, the difference between the fair value and carrying amount of the investments retained shall be recognized in profit or loss when the joint control or significant influence is lost. When the Company discontinues the use of the equity method, the Company shall account for the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the investee had directly disposed of related assets or liabilities; any equity previously recognized under equity method for changes of investee's equity excluding changes in net profit or loss, other comprehensive income and profit distribution, is reclassified in full to profit or loss.

If the Company loses control of a subsidiary in two or more arrangements (transactions), and the multiple arrangements should be accounted for as a single transaction, the Company recognizes the arrangements as a single transaction that results in loss of control of the subsidiary;

before loss of control, the difference of consideration received and the share of the carrying amount of long-term equity investments for the disposed investments in each arrangement shall be recognized in other comprehensive income, and the cumulative amount shall be reclassified to profit or loss when control is lost.

3) Recognition and Measurement of Impairment

For recognition and measurement of impairment of long-term equity investments, see Note IV-18“Impairment of Non-current and Non-financial Assets”.

12.Investment Properties

Investment property is held to earn rentals or for capital appreciation or both, which includes leased land use rights, land use rights readily transferable after capital appreciation, and leased buildings, etc. In addition, if the board of directors (or equivalent body) has a written resolution on a vacant building held to be leased out, and it is clearly stated that the building will be leased out under one or more operating leases and that intention will not change in the short-term, the building shall be presented as an investment property.

The Company choose cost model for subsequent measurement of investment property.

An investment property is measured initially at its cost. When it is probable that the future economic benefits that are associated with the investment property will flow to the Company, and the cost can be measured reliably, costs incurred subsequently in relation to the investment property shall be recognized in the cost of investment property when incurred. All other costs incurred subsequently shall be recognized in profit or loss when incurred.

The Company chooses cost model for subsequent measurement of investment property, and depreciates or amortizes it according to the policy consistent with the housing, building or land use right.

For impairment test and measurement of impairment, see Note IV-18 “Impairment of Non-current and Non-financial Assets”.

A transfer from owner-occupied property or inventories to investment property, or a transfer from investment property to owner-occupied property, does not change the carrying amount of the property transferred.

An investment property shall be derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses arising from sales, transfer, retirement of investment property shall be determined as the difference between (a) the net disposal proceeds and (b) the carrying amount of the asset and related taxes and surcharges shall be recognized in profit or loss.

13.Fixed Assets

1) Recognition

Fixed assets refer to tangible assets which are held for the production of goods, provision of labor services, lease or management, and whose service life is longer than one fiscal year.Fixed assets are recognized only when the economic benefits associated with them are likely to flow into the group and their costs can be reliably measured.Fixed assets are initially measured at cost and taking into account the impact of the expected disposal costs.

2) Classification, measurement, and depreciation

From the subsequent month after a fixed asset gets ready for its intended use, the Company depreciates the fixed asset on a monthly basis over its useful life. Useful life, residual value rate, and annual depreciation rate for each class of fixed assets are as follows

Class of fixed assets	Useful life (years)	Residual value rate (%)	Annual depreciation rate (%)	Depreciation method
Properties and buildings	20-50	5.00	4.75-1.90	Straight-line method
Machinery equipment	5-10	5.00	9.5-19	Straight-line method
Transportation equipment	5	5.00	19	Straight-line method
Office equipment	5	5.00	19	Straight-line method

Residual value is the estimated amount that the Company would currently obtain from disposal of the fixed asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

3) Impairment test and measurement of impairment

For impairment test and measurement of impairment of fixed assets, see Note IV-18 “Impairment of Non-current and Non-financial Assets”.

4) Recognition and measurement of fixed assets leased in under finance lease

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an underlying asset, the ownership of the underlying asset may or may not be eventually transferred. If the Company leases in a fixed asset under a finance lease, the fixed asset shall be depreciated using the same depreciation method as the fixed assets owned by the Company. If the Company is reasonably certain to acquire the ownership of the leased asset when the lease term ends, the asset shall be depreciated over its useful life; otherwise, the leased asset shall be depreciated over the shorter of the lease term and useful life of the asset.

5) Others

Subsequent costs incurred for a fixed asset are recognized in the carrying amount of the fixed asset if (a) it is probable that future economic benefits associated with the asset will flow to the entity and (b) the costs can be measured reliably; and the carrying amount of the replaced parts of the asset is derecognized. Otherwise, subsequent costs are recognized in profit or loss as incurred.

The carrying amount of a fixed asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The difference between (a) the net disposal proceeds arising from sales, transfer, retirement of the asset and (b) the carrying amount of the fixed asset and related taxes and surcharges is recognized in profit or loss when the asset is disposed.

The Company reviews the useful lives, residual values and depreciation methods applied to fixed assets at least at each financial year-end; any change is accounted for as a change in accounting estimate.

14.Construction in Progress

Construction in progress is measured at cost, which includes costs of construction during the construction period, borrowing costs capitalized before the asset gets ready for intended use and other relevant costs. Construction in progress is recognized as fixed asset when it is ready for intended use.

For impairment test and measurement of impairment of construction in progress, see Note IV-18 “Impairment of Non-current and Non-financial Assets”.

15.Borrowing Costs

Borrowing costs include interest expense, amortization of discounts or premiums, ancillary expenses incurred in connection with the borrowing of funds, and exchange differences arising from foreign currency borrowings, etc. The Company begins capitalizing borrowing costs, which are directly attributable to the acquisition, construction or production of a qualifying asset, on the date when the Company first meets all of the following conditions (a) it incurs expenditures for the asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale. The Company ceases capitalizing borrowing costs when the qualifying asset gets ready for its intended use or sale. Other borrowing costs are recognized as an expense in the period in which they are incurred.

If the Company borrows funds specifically for the purpose of obtaining a qualifying asset (specific-purpose borrowings), the amount of borrowing costs eligible for capitalization is the actual interest expense incurred on that borrowing for the period less any interest income from depositing the unused borrowings or any investment income on the temporary investment of those borrowings. If the Company borrows funds generally (general-purpose borrowings) and uses them for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by applying a capitalization rate to the expenditures on that asset. The expenditures on that asset shall be calculated as the weighted average of the excess of accumulated expenditures on the asset over the amounts of specific-purpose borrowings. The capitalization rate is calculated as the weighted average of the interest rates applicable to general-purpose borrowings of the Company.

During the capitalization period, exchange differences in connection with a specific-purpose borrowing denominating in foreign currency are all capitalized. Exchange differences in connection with a general-purpose borrowing are recognized in profit or loss as incurred.

A qualifying asset is a fixed asset, an investment property, or an inventory that necessarily takes a substantial period of time of acquisition, construction or production activities to get ready for its intended use or sale.

The Company suspends capitalization of borrowing costs during periods in which the acquisition, construction or production of a qualifying asset is delayed by activities other than those necessary to prepare the asset for its intended use or sale, and the delay is for a continuous period of more than 3 months; the Company resumes capitalization of borrowing costs after it restarts the acquisition, construction or production activities of the qualifying asset.

16.Intangible Assets

1) Confirmation and valuation method of intangible assets

Intangible assets are identifiable non-monetary assets without physical substance, which are possessed or controlled by the Company.

The intangible assets are initially measured at cost. Expenditure on the intangible assets, if it is probable that the expected economic benefits that are attributable to the assets will flow to the entity, and the cost of the assets can be measured reliably, shall be included in the cost of the intangible assets. Expenditure other than these shall be included in profit or loss as incurred.

The land use right is usually recognized as intangible asset. For buildings such as plants that are developed and constructed by the Company, relevant land use rights and buildings are recognized as intangible assets and fixed assets respectively. For purchased property and buildings, the payments shall be reasonably allocated to land use right and buildings, if it is difficult to allocate reasonably, then all are treated as fixed assets.

2) Amortization of intangible assets

The intangible assets with a limited service life shall be amortized by the straight-line method over the expected service life of the original value minus the predicted net residual value and the accumulated amount of the depreciation reserve accrued from the time when it is available for use. Intangible assets with uncertain service life will not be amortized.

At the end of the period, the service life and amortization method of intangible assets with a limited service life shall be reviewed, and any changes shall be treated as changes in accounting estimates. In addition, the service life of intangible assets with uncertain service life is also reviewed. If there is evidence that the period in which the intangible asset brings economic benefits to the enterprise is foreseeable, the service life is estimated and the intangible assets with limited service life are estimated Amortization policy.

3) Impairment test and measurement of impairment for intangible assets

See Note IV-18 “Impairment of Non-current and Non-financial Assets” for details.

17.Long-term Prepaid Expenses

The long-term prepaid expenses are expenses which have been paid but will be amortized within the period over one year. The Company's long-term prepaid expenses mainly include financing related expenses, venue rental, etc. Long-term prepaid expenses are amortized by the straight-line method during the expected benefit period.

18.Impairment of Non-current and Non-financial Assets

For fixed assets, construction in progress, intangible assets with finite useful lives, investment property measured at cost model, long-term equity investment on subsidiaries, joint-ventures or associates, goodwill and other non-current and non-financial assets, the Company assesses at the reporting date whether there is any indication that the asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset and carries out impairment test. Goodwill, intangible assets with indefinite useful lives or intangible assets not yet available for use will be tested for impairment annually, irrespective of whether there is any indication of impairment.

If impairment test shows that the recoverable amount of the asset is less than its carrying amount, the difference shall be recorded as loss allowance and recognized as impairment loss. The recoverable amount of the asset is the higher of its fair value less costs of disposal and its present value of expected future cash flows. The fair value of the asset is determined by price as agreed in the sales agreement in an arm’s length transaction. Where there is no sales agreement, but there is active market, the fair value is determined by the quoted price by the buyer of the asset. Where there is neither sales agreement nor active market, the fair value is estimated based on the best information available. Costs of disposal include legal costs, related taxes and surcharges, costs of removing the asset, and direct incremental costs to bring the asset into condition for its sale. Present value of the expected future cash flow is calculated by estimating the future cash flows to be derived from continuing use of the asset and from its ultimate disposal, and applying the appropriate discount rate to those future cash flows. Impairment is calculated and recognized for the individual asset, if it is not possible to estimate the recoverable amount of the individual asset, the Company determines the recoverable amount of the cash-generating unit to which the said asset belongs. A cash-generating unit is the smallest group of assets that generates cash inflows that are independent of the cash inflows from other assets or groups of assets.

For the purpose of impairment testing, the carrying amount of the goodwill presented separately in the financial statement is allocated to each of the cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination. The impairment loss is recognized for the cash-generating unit or group of the cash-generating units to which goodwill has been allocated if the recoverable amount of the unit (group of units) is less than the carrying amount of the unit (group of units). The impairment loss is allocated to first reduce the carrying amount of the goodwill allocated to the cash-generating unit (group of units), and then, to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units).

Above impairment loss, once recognized, shall not be reversed in a subsequent period.

19.Employee Benefits

The employee benefits of the Company include short-term employee benefits, post-employment benefits, termination benefits.

Short-term employee benefits include salaries, bonuses allowances and subsidies, welfare, health insurance, maternity insurance, work injury insurance, housing funds, labor union funds, employee education funds, and other non-monetary benefits. The actual short-term employee benefits for the accounting period when the employee has rendered service to the Company are recognized as liability, and recorded in profit or loss or in the cost of related asset. The non-monetary benefits are measured at fair value.

Post-employee benefits include basic pensions, unemployment insurance and annuity. Post-employee benefit plans include defined contribution plan. Under defined contribution plan, the contribution payable is recorded in the cost of related asset or in the profit or loss as incurred. The Company adopts a defined benefit plan that related asset cost or current profit and loss. Under such defined benefit plan, the Company hires an independent actuary, using the projected unit credit method, and unbiased and mutually compatible actuarial assumption to make estimates about demographic variables and financial variables and determine the defined benefit obligations and the reporting periods that the obligations shall be recognized. At the reporting date, the Company shall present the present value of the defined benefit obligations, and recognize the current service cost in profit or loss. However, if the dismiss welfare is not expected to be fully paid within 12 months after the end of the annual report period, it shall be treated as other long-term employee remuneration.

Same principle as above termination benefits shall be applied for early retirement plan of employee. The Company shall recognizes the compensation and social security contributions payable to the employee under the early retirement plan for the period since the date when the employee no longer renders any service till the normal retirement date in profit or loss (termination benefit), only if the criteria for recognition of provisions is met.

Other long-term employee benefits the Company offers, if meeting the requirements for defined contribution plan, shall be accounted for as defined contribution plan accordingly. Otherwise, defined benefit plan shall be applied.

20.Bonds payable

Non-convertible corporate bonds issued by the group shall be treated as liabilities according to the amount actually received (less relevant transaction costs);The difference between the amount actually received from the issuance of bonds and the total face value of the bonds shall be regarded as the premium or discount of the bonds, and shall be amortized at the coupon rate during the duration of the bonds at the time of interest withdrawal, and shall be treated in accordance with the principle of borrowing costs.

The convertible corporate bonds issued by the group shall be divided into liabilities and equity components at the time of initial recognition and treated separately.First, the fair value of the liability component is recognized as its initial recognition amount, and then the initial recognition amount of the equity component is determined in accordance with the overall issuance price of the convertible corporate bond (excluding relevant transaction costs) after deducting the initial recognition amount of the liability component.

21.Provisions

An obligation relating to a contingent event is recognised as an estimated liability when it simultaneously meets the following conditions (1) the obligation is the current obligation of the group;(2) performance of the obligation is likely to lead to outflow of economic benefits;(3) the amount of the obligation can be reliably measured.

The amount recognized as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date, taking into account of risks, uncertainties of the contingent event, time value of the money and other factors.

When some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognized as a separate asset when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision.

22.Revenue

1) Revenue from commodity sales

The ownership of the goods on the main risks and rewards transfer to the buyer, neither keep contact all the ministers usually continue to power, also does not have to carry out effective control of goods sold, the amount of revenues can be measured reliably, the related economic interests are likely to flow into the enterprise, has occurred or will occur associated costs can be measured reliably, the implementation of the sales income is confirmed.

For property buyers can regulation real estate before the construction of the project design of the main structural elements, or be able to major structural changes in the process of building decision, the real estate construction agreement conform to the building contract of the definition, the group provided for building services in accordance with the "accounting standards for enterprises no. 15 - construction contract" confirming the revenues and expenses;For property buyers affects the ability of the design of real estate Co., Ltd. (e.g., only to the basic design do minor changes), the group in accordance with the accounting standards for enterprises no. 14 - revenue, relevant goods sales revenue recognition principle and method, and combined with the group of the specific conditions of the real estate sales business and recognize revenue.

① Product development

It has completed and passed the acceptance inspection, signed the sales contract and fulfilled the obligations stipulated in the contract, that is, the main risks and rewards in the ownership of the developed product are transferred to the buyer; The group no longer retains the continuing management rights normally associated with ownership and no longer exercises effective control over the goods sold; The amount of income can be measured reliably; Related economic benefits are likely to flow; And the costs incurred or to be incurred by the project can be measured reliably to confirm the realization of sales revenue.

② Installment sale

When the development product has been completed and passed the acceptance inspection, the sales contract of installment collection has been signed and the obligations stipulated in the contract have been fulfilled, the relevant economic benefits are likely to flow in, and the cost of the development product can be measured reliably, the income amount shall be determined according to the fair value of the contract or agreement price receivable; The difference between the contract or agreement price receivable and its fair value shall be amortized using the effective interest rate method during the contract or agreement period and shall be recorded into the current profit and loss.

③ Sell own house

Private ownership of the house on the main risks and rewards transfer to the buyer, the group no longer keep contact all the ministers usually continue to power, also no longer implement effective control on goods have been sold, the amount of revenues can be measured reliably, related gross inflow of economic benefits, and the housing cost can be measured reliably, the implementation of the sales income is confirmed.

④ Income recognition method of rental property

The realization of rental property income shall be confirmed when the relevant rent has been received or evidence of payment has been obtained according to the lease date (with rent-free period) and the rent amount agreed in the lease contract and agreement.

⑤ Other business revenue recognition methods

According to the provisions of relevant contracts and agreements, the economic benefits related to the transaction are likely to flow into the enterprise, the revenue amount can be measured reliably, and the incurred or to-be incurred costs related to the revenue can be measured reliably, when the realization of other business income can be confirmed.

2) Income from providing labor services

Provided that the results of the services rendered transactions can be reliably estimated, the income from the services rendered is recognized on the balance sheet date in accordance with the percentage completion method. The completion schedule of the labor transaction is determined according to the proportion of the labor cost incurred to the estimated total cost.

The result of providing service transaction can be estimated reliably is to meet at the same time ① the amount of income can be measured reliably; ② the relevant economic benefits are likely to flow into the enterprise; ③ the degree of completion of the transaction can be reliably determined; ④ the costs incurred and to be incurred in a transaction can be measured reliably.

If the result of the service transaction cannot be reliably estimated, the service income provided shall be recognized according to the amount of labor cost already incurred and expected to be compensated, and the labor cost already incurred shall be regarded as the current expense. If the labor cost incurred is not expected to be compensated, the income is not recognized.

3) Royalty income

Revenue is recognized on an accrual basis in accordance with relevant contracts or agreements.

4) Interest income

According to others use the time of the Company's monetary funds and the actual interest rate calculation.

23.Construction Contract

Where the results of the construction contract can be reliably estimated, contract revenues and contract costs are recognized on the balance sheet date in accordance with the percentage of completion method. The completion schedule of the contract shall be determined according to the proportion of the accumulated actual contract cost to the estimated total contract cost.

The reliable estimation of the construction contract results means that the total contract revenue can be measured reliably.(2) the economic benefits associated with the contract are likely to flow into the enterprise;(3) The actual contract costs can be clearly identified and measured reliably;(4) The progress of the contract and the costs incurred to complete the contract can be reliably determined.

If the result of the construction contract cannot be reliably estimated, but the contract cost can be recovered, the contract revenue shall be recognized on the basis of the actual contract cost that can be recovered, and the contract cost shall be recognized as the contract cost in the period in which it occurs;If the contract cost cannot be recovered, it shall be recognized as the contract cost immediately when it occurs, and the contract revenue shall not be recognized. In the absence of uncertainties which made it impossible to reliably estimate the outcome of a construction contract, the revenues and expenses associated with the construction contract shall be determined according to the percentage of completion method.

Where the estimated total contract cost exceeds the total contract revenue, the estimated loss is recognized as the current expense.

The accumulated costs incurred in the contract under construction and the accumulated recognized gross profits (losses) and the settled prices are shown in the balance sheet on a net basis after being offset. The sum of the accumulated costs incurred and the accumulated gross profit (loss) of the contract under construction which exceeds the settlement price shall be shown as inventory; The part of the price settled for the contract under construction that exceeds the sum of the accumulated costs incurred and the accumulated gross profit (loss) recognized shall be shown as the advance payment.

For the provision of construction operation transfer (BOT) to participate in the public infrastructure construction business, the group shall, during the construction period of the project, recognize the relevant income and expenses for the construction services provided in accordance with the accounting standards for business enterprises no. 15 -- construction contract; After the completion of the infrastructure, the revenue and expenses related to the subsequent operating services shall be recognized in accordance with the accounting standards for enterprises no. 14 - revenue.

24.Government Grants

Government grants refer to monetary grants and non-monetary grants the Company receives from the government for free, excluding the capital invested by the government as an investor and in return the government can enjoy the corresponding owner’s equity. Government grants involve grants related to assets and grants related to income. The Company defines the government grants it receives to construct or otherwise form long-term assets as grants related to assets. Other government grants other than those related to assets are defined as grants related to income. If the government does not specify the subject that qualifies for the grants in its files, the Company applies following criteria to define the grants as government grants related to assets or related to income 1) if the files specify the project for which an entity is qualified for receiving the grants, the Company shall allocate the budget of such project in proportion as the expenditure related to assets and expenditure that shall be recognized as expenses, such proportion shall be reviewed at each reporting date, and revised if necessary; 2) if the files only include general introduction on the use, and do not specify the project, it shall be treated as government grants related to income.] Monetary government grants shall be measured at the amount received or expected to be received. Non-monetary government grants shall be measured at fair value, and otherwise measured at nominal amount if the fair value cannot be reliably obtained. Government grants measured at nominal amount shall be recognized directly in profit or loss.

The Company usually measures and recognizes the government grants at the amount actually received when the Company receives it. However, if there is evidence at the period end indicating that the conditions attaching to the grants can be fulfilled and the Company is expected to receive the subsidies, the Company shall recognizes the government grants at the amount expected to be received, when the following criteria are met 1) the amount of the grants expected to be received is confirmed in the files published by the government authorities, or the amount can be reasonably estimated in accordance with the rules and regulations as stipulated in the Management Measures on Financial Funds officially issued, and there is no significant uncertainty regarding the estimate; 2) the estimate is based on the government-financed projects and management measures on financial funds officially issued by the local finance department and made public in accordance with Regulations on the Disclosure of Government Information, and the measures are generally beneficial (any enterprise that satisfies the requirements could apply), and are not set for specific enterprises; 3) the timing when the grants will be received is promised in related government files, and there is financial budget as a guarantee for the grants, as a result the grants could be reasonably expected to be received in the promised period; and 4) other conditions shall be satisfied regarding government grants of the Company (if any).

Government grants related to assets shall be recognized as deferred income that is recognized in profit or loss on a systematic basis over the useful life of the asset or by deducting the carrying amount of the asset. Government grants related to income, if intended to compensate for related costs or losses in a subsequent period, shall be recognized as deferred income that is recognized in profit or loss over the periods in which the Company recognizes related costs or losses or by deducting related costs. Government grants related to income, if intended to compensate for related costs or losses incurred, shall be directly recognized in profit or loss, or by deducting related costs.

If the government grants comprise both grants related to assets and grants related to income, the Company shall treat them separately, and if they cannot be distinguished from each other, they shall be accounted for as government grants related to income as a whole.

Government grants related to the daily operation of the Company shall be recognized in other income or by deducting related costs based on the nature of such economic business. Government grants unrelated to daily operation shall be recognized in non-operating revenue or expenses.

When the government grants become repayable, repayment of such grants shall be applied first against the remaining amount of deferred income recognized in respect of the grants. To the extent that the repayment exceeds any such deferred income, the repayment shall be recognized in profit or loss. For other conditions, the repayment shall be recognized immediately in profit or loss.

25.Deferred Tax Assets and Deferred Tax Liabilities

For temporary differences between the carrying amount and tax base of certain assets or liabilities, or between the nil carrying amount of those items that are not recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized using the “balance sheet liability method”.

For taxable temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction, affects neither the accounting profit nor taxable profit (or deductible loss), no deferred tax liability is recognized. For taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, no deferred income tax liability is recognized when the Company is able to control the timing of reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. For all other taxable temporary differences except for above-mentioned situations, deferred tax liabilities shall be recognized.

For deductible temporary differences associated with the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction, affects neither the accounting profit nor taxable profit (or deductible losses), no deferred tax asset is recognized. For deductible temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, no deferred income tax asset is recognized when it is not likely that the temporary difference will reverse in the foreseeable future, or when it is not likely that the Company’s taxable profit will be available against which the temporary difference can be utilized. For all other deductible temporary differences except for the above-mentioned situations, deferred tax assets are recognized, to the extent that it is probable that taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets are recognized for the carryforward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled in accordance with tax laws at the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date. The Company reduces the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of that deferred tax assets to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

26.Leases

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Title may or may not eventually be transferred. An operating lease is a lease other than a finance lease.

A lease is classified as a finance lease if one or more of the following criteria are met ① the lease transfer ownership of the underlying asset to the lease by the end of the lease term; ② the lease has the option to purchase the underlying asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception date, that the option will be exercised; ③ the lease term is for the major part of the economic life of the underlying asset even if tile is not transferred; ④ at the inception date, the present value of the minimum lease payments (paid by the lessee or received by the lessor) amounts to at least substantially all of the fair value of the underlying asset; and ⑤ the underlying asset is of such a specialized nature that only the lessee can use it without major modifications.

1) Operating leases of the Company as lessee

The Company, as the lessee, shall recognize lease payments for operating leases in the period when such payments are made in costs of the underlying assets or in profit or loss on a straight-line basis over the lease term. Initial direct costs are recognized in profit or loss. Contingent payments are recognized in profit or loss as incurred.

2) Operating leases of the Company as lessor

The Company, as the lessor, shall recognize lease payments from operating leases in the period when such payments are received in profit or loss on a straight-line basis over the lease term. Initial direct costs, if the amount is significant, shall be capitalized as incurred, and recognized in profit or loss over the lease term on the same basis as the lease income; if the amount is not significant, shall be recognized in profit or loss as incurred. Contingent payments shall be recognized in profit or loss as incurred.

3) Finance leases of Company as lessee

At the commencement date, the Company, as the lessee, shall recognize assets held under finance leases at the amount which is lower of fair value of the underlying assets and present value of the minimum lease payments made, and shall recognize the minimum payments as long-term payables. The difference is accounted for as unrecognized finance costs. Expenses incurred in the process when lease contract is negotiated and signed that can be attributable to the initial direct costs of the leases shall be recognized in the underlying assets. Minimum lease payments less unrecognized finance costs shall be presented in long-term liabilities and non-current liabilities due within one year.

Unrecognized finance costs shall be recognized in the period at the amount calculated using effective interest method over the lease term. Contingent payments are recognized in profit or loss as incurred.

4) Finance leases of the Company as lessor

At the commencement date, the Company, as the lessor, shall recognize assets held under finance leases at receivables at the amount equal to the sum of minimum lease payments made at the commencement date and initial direct costs, and shall also record the unguaranteed residual value. The difference between the sum of minimum lease payments, initial direct costs and unguaranteed residual value, and the present value of the sum is accounted for as unearned finance income. Lease payments receivable less unearned finance income shall be presented in long-term debt investments and long-term debt investment due within one year.

Unearned finance income shall be recognized in the period at the amount calculated using effective interest method over the lease term. Contingent payments are recognized in profit or loss as incurred.

V. Changes in Accounting Policies, Accounting Estimates

1.Financial statement format changes

In April and September 2019, the Ministry of Finance issued the notice on revising and printing the format of financial statements of general enterprises in 2019 (CK [2019] No. 6) and the notice on revising and printing the format of consolidated financial statements (CK [2019] No. 16) respectively, which revised the format of financial statements of general enterprises and consolidated financial statements. The company has revised the format of financial statements of general enterprises in accordance with its requirements General enterprise financial statement format (applicable to enterprises that have not implemented the new financial standards, new income standards and new lease standards) and consolidated financial statement format to prepare financial statements. The main changes are as follows

A. Split "notes receivable and trade receivable" line items into "notes receivable" line items and "trade receivable" line items; Split the "notes payable and trade payable" line items into "notes payable" line items and "accounts payable" line items;

B. Make it clear that the amortization period of "deferred income" line item is only one year or less, or the part that is expected to be amortized within one year (including one year) shall not be classified as current liability, and shall be filled in in the line item, and shall not be transferred into the line item of "non-current liability due within one year";

C. The line item of "asset impairment loss" is moved down from the front of the line item of "other income" to the line item of "income from fair value change".The group restates the comparative statements retroactively in accordance with the presentation requirements.

VI. Taxes

1.Major Taxes and Tax Rates

Tax	Tax rate
Value added tax (VAT)	Except for the projects related to the replacement of the business tax with a VAT that are calculated and paid according to the simple tax calculation method, the output VAT rate is 13% 、10%、6%for taxable sales; VAT is paid after offsetting the deductible input VAT.
City construction tax	7% of turnover tax paid
Corporate income tax (CIT)	25% of taxable income

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Tax	Tax rate
Land VAT	The value-added value of income from transfer less the amount of statutory deductions shall be used as the basis for tax calculation.

Note

(1) the group subsidiary of Shandong Shade Garden Greening Engineering Co., Ltd., Longxiang Culture Media Co., Ltd., Shouguang Longxiang Lighting Engineering Co., Ltd., Shouguang Zhengxin Engineering Quality test Co., Ltd., Shouguang Chengtou Innovation Industrial Park Management Co., Ltd., Shouguang Chengtou Parking Management Service Co., Ltd. etc. execute the Notice on the Implementation of the Inclusive Tax Relief Policy for Small and Micro Enterprises (CS [2019] No. 13) issued by the Ministry of Finance and the State Administration of Taxation, and enjoy the small micro enterprise income tax preferential policies.

(2) The group VAT taxable sales behavior or import goods, 1 ~ 2019 applicable tax rate of 16% / 10% during the month of march, according to the ministry of finance, state administration of taxation and the general administration of customs on deepening the reform of the VAT related policy announcement (Ministry of Finance, State Administration of Taxation and the General Administration of Customs Announcement [2019] No. 39) regulation, since April 1, 2019, changed the applicable tax rate to 13% / 9%.At the same time, Shouguang zhengxin engineering quality inspection Co., Ltd., a subsidiary of the company, as a producer services taxpayer, will deduct the tax payable by 10% in accordance with the current input tax deductible from April 1, 2019, solstice, December 31, 2021.

2.Tax Incentives and Approvals

(1) According to the Ministry of Finance, State Administration of taxation on the continuation of heat-supply enterprise value added tax, property tax, urban land use tax preferential policies of notice (CS [2019] No. 38) and related regulations, from January 1, 2019 to 2020 of the heating period, to the heating enterprise to individual citizens (hereinafter referred to as resident) heating of the heating fee income shall be exempted from VAT; From January 1, 2019 to solstice on December 31, 2020, for heating enterprises that charge heating fees from residential heating, the plants and land used for residential heating are exempted from property tax and urban land use tax. Property tax and urban land use tax shall be levied on other plants and land of heating enterprises in accordance with relevant regulations.

(2) According to the Ministry of Finance, administration of taxation on the implementation of small micro enterprise general tax breaks notice (CS [2019] No. 13), since January 1, 2019 to December 31, 2021, for a small meagre-profit enterprise satisfying the taxable income amount shall not exceed 1 million yuan, reduced to 25% included in taxable income, pay enterprise income tax at a reduced rate of 20%;The portion of annual taxable income exceeding 1 million yuan but not exceeding 3 million yuan shall be included in the taxable income at a reduced rate of 50% and the enterprise income tax shall be paid at a 20% tax rate.

VII. Business Combination and Consolidated Financial Statements

Sub-enterprise status   Unit RMB ten thousand

No.	Enterprise name	Level	Type	Place of registry	Principal place of business	Business Nature	Paid-up capital	Shareholding ratio	Right to vote	Amount invested	Mode of acquisition
1	Shouguang Jinhui Heating Co. Ltd.	I	1	Shouguang, Shandong	Shouguang, Shandong	Heating	2,000.00	100%	100%	2,000.00	Establish
2	Shouguang Hengan Architectural Decoration Co. Ltd.	I	1	Shouguang, Shandong	Shouguang, Shandong	Building decoration	530.00	100%	100%	648.09	Purchase
3	Shouguang Hengan Construction And Installation Engineering Co. Ltd.	I	1	Shouguang, Shandong	Shouguang, Shandong	Installation project	2,000.00	100%	100%	2,000.00	Establish
4	Shandong Shade Garden Greening Engineering Co., Ltd.	II	1	Shouguang, Shandong	Shouguang, Shandong	Landscaping, municipal	9.03	100%	100%	9.03	Establish
5	Shouguang Jinrun Trading Co. Ltd.	I	1	Shouguang, Shandong	Shouguang, Shandong	Building materials sales	2,740.00	100%	100%	2,882.08	Purchase
6	Shouguang Jintong Pipeline Engineering Co. Ltd.	I	1	Shouguang, Shandong	Shouguang, Shandong	Municipal construction;The central heating	8,000.00	62.5%	62.5%	5,000.00	Establish

No.	Enterprise name	Level	Type	Place of registry	Principal place of business	Business Nature	Paid-up capital	Shareholding ratio	Right to vote	Amount invested	Mode of acquisition
7	Shouguang Shengchang New Energy Development Co. Ltd.	I	1	Shouguang, Shandong	Shouguang, Shandong	New energy development		60%	60%		Purchase
8	Shouguang Meijie Property Management Service Co. Ltd.	I	1	Shouguang, Shandong	Shouguang, Shandong	Greening, property	50.00	100%	100%	50.00	Establish
9	Shouguang Warm Housekeeping Service Co. Ltd.	II	1	Shouguang, Shandong	Shouguang, Shandong	Household cleaning service	10.00	100%	100%	10.00	Establish
10	Shouguang Runcheng Building Materials Co. Ltd.	I	1	Shouguang, Shandong	Shouguang, Shandong	Building materials sales	1,000.00	100%	100%	1,000.00	Establish
11	Shouguang Haohan Concrete Co. Ltd.	I	1	Shouguang, Shandong	Shouguang, Shandong	Building materials sales		100%	100%	3,200.00	Purchase
12	Shouguang Longxiang Culture media Co. Ltd.	I	1	Shouguang, Shandong	Shouguang, Shandong	Stylistic media	500.00	100%	100%	500.00	Establish
13	Shouguang Longxiang Lighting Engineering Co. Ltd.	II	1	Shouguang, Shandong	Shouguang, Shandong	Lighting engineering	200.00			200.00	Establish
14	Shouguang Zhengxin Engineering Quality Inspection Co. Ltd.	II	1	Shouguang, Shandong	Shouguang, Shandong	Quality inspection	500.00	100%	100%	500.00	Establish

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No.	Enterprise name	Level	Type	Place of registry	Principal place of business	Business Nature	Paid-up capital	Shareholding ratio	Right to vote	Amount invested	Mode of acquisition
15	Shouguang Sun City Pension Service Co. Ltd.	I	1	Shouguang, Shandong	Shouguang, Shandong	Elderly care service	3,000.00	100%	100%	3,000.00	Establish
16	Shouguang Quality Investment Development Co. Ltd.	I	1	Shouguang, Shandong	Shouguang, Shandong	Investment	2,710.00	100%	100%	2,710.00	Establish
17	Shouguang City Investment Innovation Industrial Park Management Co. Ltd.	I	1	Shouguang, Shandong	Shouguang, Shandong	Sports training, venue services		100%	100%		Establish
18	Shouguang Xicheng Heating Co. Ltd.	I	1	Shouguang, Shandong	Shouguang, Shandong	Heating	10,000.00	100%	100%	10,000.00	Establish
19	Shouguang Ancheng Gas Co. Ltd.	I	1	Shouguang, Shandong	Shouguang, Shandong	Gas equipment sales	4,000.00	100%	100%	4,000.00	Establish
20	Shouguang City Parking Management Service Co. Ltd.	I	1	Shouguang, Shandong	Shouguang, Shandong	Parking lot management	655.00	100%	100%	655.00	Establish
21	Shouguang Chengtou Bridge Engineering Management Co. Ltd.	I	1	Shouguang, Shandong	Shouguang, Shandong	Bridge engineering management	8,485.90	70%	70%	5,940.13	Establish

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VIII. Significant Items in Consolidated Financial Statements

Unless otherwise specified in the following notes, the unit of amount is RMB yuan;"opening balance" means January 1, 2019; "closing balance" means December 31, 2019; "prior year" means 2018; and "current year" means 2019.

1.Monetary Funds

Items	Closing balance	Opening balance
Cash on hand	42,090.34	304,830.15
Bank deposits	1,657,224,157.32	488,765,883.59
Other monetary funds	797,730,786.61	384,750,000.00
Total	2,454,997,034.27	873,820,713.74

The list of restricted monetary funds is as follows

Items	Closing balance	Opening balance
Bank acceptance deposit	184,080,786.61	20,000,000.00
A time deposit or notice deposit guaranteed	613,650,000.00	364,750,000.00
Total	797,730,786.61	384,750,000.00

2.Notes Receivable

1) Others receivable classification

Classification	Closing balance			Opening balance		
	Carrying amount	Allowance for doubtful accounts	Gross carrying amount	Carrying amount	Allowance for doubtful accounts	Gross carrying amount
Bank acceptance draft	150,970,000.00		150,970,000.00	68,270,000.00		68,270,000.00

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Classification	Closing balance			Opening balance		
	Carrying amount	Allowance for doubtful accounts	Gross carrying amount	Carrying amount	Allowance for doubtful accounts	Gross carrying amount
Commercial acceptance draft						
Total	150,970,000.00		150,970,000.00	68,270,000.00		68,270,000.00

2) Notes receivable that have been endorsed or discounted at the end of the year and have not yet matured on the balance sheet date

Classification	Amount derecognized at year end	Amount not derecognized at year end
Bank acceptance draft	616,755,006.61	
Commercial acceptance draft	1,900,000.00	
Total	618,655,006.61	

3.Trade Receivables

Classification	Closing balance			
	Gross carrying amount		Allowance for doubtful accounts	
	Amount	Proportion (%)	Amount	Proportion (%)
Single item of significant amount and single provision for bad debt accounts receivable				
According to the credit risk characteristics of the portfolio of accounts receivable provision for bad debts	1,327,822,472.41	100.00	21,797,378.35	-
Including Combination of aging analysis method	236,828,778.33	17.84	21,797,378.35	9.20
Individually identified combination	1,090,993,694.08	82.16		

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Single amount is not significant, but the single provision for bad debt accounts receivable				
Total	1,327,822,472.41	100.00	21,797,378.35	-

(Continued)

Classification	Opening balance			
	Gross carrying amount		Allowance for doubtful accounts	
	Amount	Proportion (%)	Amount	Proportion (%)
Single item of significant amount and single provision for bad debt accounts receivable				
According to the credit risk characteristics of the portfolio of accounts receivable provision for bad debts	1,127,552,645.78	100.00	12,776,545.69	-
Including Combination of aging analysis method	159,725,411.27	14.17	12,776,545.69	8.00
Individually identified combination	967,827,234.51	85.83		
Single amount is not significant, but the single provision for bad debt accounts receivable				
Total	1,127,552,645.78	100.00	12,776,545.69	-

Note Accounts receivable at the end of the balance of Shouguang city bureau of finance and the subordinate financial bureau money there is no risk of bad debts, no provision for bad debts.

1) Trade receivables that are collectively assessed for impairment as in a group of receivables of shared credit risk characteristics

① Using aging analysis method

Aging	Closing balance			Opening balance		
	Gross carrying amount		Allowance for doubtful accounts	Gross carrying amount		Allowance for doubtful accounts
	Amount	Proportion (%)		Amount	Proportion (%)	

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Aging	Closing balance			Opening balance		
	Gross carrying amount		Allowance for doubtful accounts	Gross carrying amount		Allowance for doubtful accounts
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year	187,196,594.32	79.05	9,359,829.73	128,019,993.07	80.15	6,457,489.17
1-2 years	24,565,049.51	10.37	2,456,504.95	13,978,574.98	8.75	1,397,857.50
2-3 years	8,508,412.00	3.59	1,701,682.40	12,038,825.33	7.54	2,407,765.07
Over 3 years	16,558,722.50	6.99	8,279,361.27	5,688,017.89	3.56	2,513,433.95
Total	236,828,778.33	100.00	21,797,378.35	159,725,411.27	100.00	12,776,545.69

② Changes in bad debt provision for trade receivables

Opening balance	Current year accrued amount	Current decrease		Closing balance
		Number of reversals	Number of sales	
12,776,545.69	9,020,832.66			21,797,378.35

2) Top five trade receivables classified by debtors at year end

The aggregate amount of the top five receivables collected by the company according to the balance of the arrears at the end of the year is 1,215,130,647.31 yuan, accounting for 91.51% of the total balance of the receivables at the end of the year. The aggregate amount of the corresponding bad debt provision at the end of the year is 4,476,748.11 yuan.

4.Advances to Suppliers

1) Aging analysis

Aging	Closing balance			Opening balance		
	Gross carrying amount		Allowance for doubtful accounts	Gross carrying amount		Allowance for doubtful accounts
	Amount	Proportion (%)		Amount	Proportion (%)	

Within 1 year	251,554,608.89	61.28		90,636,575.04	47.84	
1-2 years	63,418,629.85	15.45		3,159,184.17	1.67	
2-3 years	146,866.63	0.04		60,453,053.67	31.91	
Over 3 years	95,369,879.48	23.23		35,216,235.61	18.58	
Total	410,489,984.85	100.00		189,465,048.49	100.00	

2) Significant advances to suppliers aged over one year

Creditor	Creditor	Closing balance	Aging	reason for the non-settlement
Bridge engineering	China Construction Sixth Engineering Bureau Co. Ltd.	20,995,200.00	1-2 years	Outstanding project settlement
The company	Shouguang Wanyou Real Estate Development Co. Ltd.	19,821,720.00	1-2 years	Outstanding project settlement
The company	Shandong Weifang Construction Group Co. Ltd.	15,883,400.00	Over 3 years	Outstanding project settlement
The company	Shandong Shouguang Tianfu Civil Air Defense Engineering Development Service Center	15,004,368.00	1-2 years	Outstanding project settlement
Total		71,704,688.00	—	—

3) Top five advances to suppliers classified by debtors at year end

The total amount of the top five prepayments collected by the company according to the prepayment objects at the end of the year is 294,990,183.70 yuan, accounting for 71.86% of the total prepayments at the end of the year

5.Other Receivables

Items	Closing balance	Opening balance
Interests receivable		
Dividends receivable		
Other receivables	1,298,499,737.41	1,190,167,459.87

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Items	Closing balance	Opening balance
Total	1,298,499,737.41	1,190,167,459.87

1) Other receivables shall be listed by category

Classification	Closing balance			
	Gross carrying amount		Allowance for doubtful accounts	
	Amount	Proportion (%)	Amount	Proportion (%)
Single item of significant amount and single provision for bad debt accounts receivable				
According to the credit risk characteristics of the portfolio of accounts receivable provision for bad debts	1,350,300,792.16	100.00	51,801,054.75	-
Including Combination of aging analysis method	351,156,875.67	26.01	51,801,054.75	14.75
Individually identified combination	999,143,916.49	73.99		
Single amount is not significant, but the single provision for bad debt accounts receivable				
Total	1,350,300,792.16	100.00	51,801,054.75	-

(Continued)

Classification	Closing balance			
	Gross carrying amount		Allowance for doubtful accounts	
	Amount	Proportion (%)	Amount	Proportion (%)
Single item of significant amount and single provision for bad debt accounts receivable				

Classification	Closing balance			
	Gross carrying amount		Allowance for doubtful accounts	
	Amount	Proportion (%)	Amount	Proportion (%)
According to the credit risk characteristics of the portfolio of accounts receivable provision for bad debts	1,230,265,926.09	100.00	40,098,466.22	-
Including Combination of aging analysis method	184,557,160.79	15.00	40,098,466.22	21.73
Individually identified combination	1,045,708,765.30	85.00		
Single amount is not significant, but the single provision for bad debt accounts receivable				
Total	1,230,265,926.09	100.00	40,098,466.22	-

Note In the balance of other receivables at the end of the year, accounts receivable from Shouguang finance bureau, yangkou town government, Los Angeles street, etc., there is no risk of bad debt, and no provision for bad debt.

2) Other receivables that are collectively assessed for impairment as in a group of receivables of shared credit risk characteristics

① Use the aging analysis method

Aging	Closing balance			Opening balance		
	Gross carrying amount		Allowance for doubtful accounts	Gross carrying amount		Allowance for doubtful accounts
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year	244,214,238.74	69.55	12,210,711.94	84,337,004.22	45.70	4,216,850.22
1-2 years	18,709,162.52	5.33	1,870,916.25	28,366,922.01	15.37	2,836,692.21
2-3 years	21,324,368.85	6.07	4,264,873.77	9,605,645.01	5.20	1,921,129.00
Over 3 years	66,909,105.56	19.05	33,454,552.79	62,247,589.55	33.73	31,123,794.79

Aging	Closing balance			Opening balance		
	Gross carrying amount		Allowance for doubtful accounts	Gross carrying amount		Allowance for doubtful accounts
	Amount	Proportion (%)		Amount	Proportion (%)	
Total	351,156,875.67	100.00	51,801,054.75	184,557,160.79	100.00	40,098,466.22

② Bad debt provision changes

Opening balance	Current year accrued amount	Current decrease		Closing balance
		Number of reversals	Number of sales	
40,098,466.22	11,702,588.53			51,801,054.75

3) Top five other receivables classified by debtors at year end

The aggregate amount of the top five other receivables collected by the company according to the arrears is 1,251,409,904.07 yuan, accounting for 92.68% of the total balance of other receivables at the end of the year. The aggregate amount of the corresponding bad debt provision at the end of the year is 31,952,712.34 yuan.

6.Inventories

1) Classification of inventories

Items	Closing balance		
	Gross carrying amount	Write-down	Carrying amount
Land inventory	1,110,970,404.43		1,110,970,404.43
Development costs	2,021,243,725.21		2,021,243,725.21
Develop a product	614,455,854.02		614,455,854.02
Raw materials	14,043,632.26		14,043,632.26
Inventory goods	45,664,396.43		45,664,396.43
Engineering construction	270,763,078.26		270,763,078.26

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Items	Closing balance		
	Gross carrying amount	Write-down	Carrying amount
Turnover materials	1,337,283.61		1,337,283.61
Total	4,078,478,374.22		4,078,478,374.22

(Continued)

Items	Opening balance		
	Gross carrying amount	Write-down	Carrying amount
Land inventory	1,110,970,404.43		1,110,970,404.43
Development costs	2,084,405,513.78		2,084,405,513.78
Develop a product	122,778,998.88		122,778,998.88
Raw materials	21,629,846.54		21,629,846.54
Inventory goods	11,573,649.20		11,573,649.20
Engineering construction	165,058,867.60		165,058,867.60
Turnover materials	1,099,874.79		1,099,874.79
Total	3,517,517,155.22		3,517,517,155.22

2) Details of development cost

Project name	Closing balance	Opening balance
Land increase and decrease link	307,995,777.11	320,714,868.14
Xiliu village project	44,218,322.56	42,058,063.63
Dongjing garden	145,977,531.86	64,603,383.79
Kexun land	43,118,320.00	43,118,320.00
Changhong xinda city	191,319,683.14	182,846,812.74

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Project name	Closing balance	Opening balance
Building 22, enterprise headquarters group	81,256,494.07	70,087,051.06
Jinxiucheng II	13,926,570.63	13,403,182.63
Jingxinyuan II	13,427,151.54	11,287,500.74
Weifang institute of science and technology five departments		271,305,803.84
Yipinshijia	22,023,851.05	182,770,696.72
Luneng Yuedong Eco-city	855,969,883.26	730,336,174.24
Chengtou Xinjushidai	39,425,443.04	10,234,219.77
Taoranting	155,099,925.02	113,011,051.66
Experimental school of economic development zone	54,463,039.69	
University science park project	21,673,267.11	
Shanghai convention and exhibition center	14,872,334.24	
Other project	16,476,130.89	28,628,384.82
Total	2,021,243,725.21	2,084,405,513.78

3) Details of development products

Project name	Closing balance	Opening balance
Jingxinyuan I	1,966,730.89	2,149,691.26
Jinxiucheng	28,837,149.95	29,243,429.07
Lantingxiangyuan	5,929,362.58	7,122,455.42
Wuxing garden	1,967,387.47	2,721,585.65
Xuejing garden	4,438,894.97	4,431,525.09
Tianfurenfang underground garage	16,840,475.20	16,840,475.20
Dongjing garden I	37,592,955.73	60,269,837.19

Project name	Closing balance	Opening balance
Yipinshijia	80,356,781.70	
Land increase and decrease link	436,526,115.53	
Total	614,455,854.02	122,778,998.88

4) Inventory used as collateral for debt obligations

Item	Gross carrying amount	Loan balance	Note
Inventory - land inventory	484,730,932.36	500,000,000.00	Long-term borrowing
Inventory - land inventory	84,515,918.57	195,000,000.00	Investment real estate - used as collateral for long-term loans
Inventory - land inventory	64,163,915.08	96,000,000.00	Intangible asset - used as collateral for long-term loans
Total	633,410,766.01	791,000,000.00	

7.Other Current Assets

Items	Closing balance	Opening balance
Tax to be deducted	60,428,108.16	65,447,302.90
Prepay taxes	32,773,883.50	9,328,771.11
Total	93,201,991.66	74,776,074.01

8.Available-for-sale Financial Assets

1) Details of available-for-sale financial assets

Items	Closing balance			Opening balance		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount

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Items	Closing balance			Opening balance		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Debt instruments available for sale						
Equity instruments available for sale	62,000,000.00		62,000,000.00	62,000,000.00		62,000,000.00
Including Measured at fair value						
Measured at cost	62,000,000.00		62,000,000.00	62,000,000.00		62,000,000.00
Other						
Total	62,000,000.00		62,000,000.00	62,000,000.00		62,000,000.00

2) Available-for-sale financial assets measured at cost at year end

Unit RMB ten thousand yuan

Investee	Gross carrying amount			Provision for impairment			Proportion (%)	Current year cash dividend
	Opening balance	Increase/decrease	Closing balance	Opening balance	Increase/decrease	Closing balance		
Shouguang Jinzheng Financing Guarantee Co., Ltd.	5,000.00		5,000.00				10.00	
Shouguang Chengming Real Estate Co., Ltd.	400.00		400.00				20.00	
Shenzhen Sanqi Technology Co., Ltd.	800.00		800.00				11.50	
Total	6,200.00		6,200.00					

9.Long-term Equity Investments

1) Classification of long-term equity investment

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Items	Opening balance	Increase in current year	Decrease in current year	Closing balance
Invest in subsidiaries				
Invest in joint ventures				
Invest in associates	2,598,171,118.22	79,388,576.61		2,677,559,694.83
Subtotal	2,598,171,118.22	79,388,576.61		2,677,559,694.83
Less Impairment provision for long-term equity investment				
Total	2,598,171,118.22	79,388,576.61		2,677,559,694.83

2) Details of long-term equity investment

Investee	cost of investment	Opening balance	Increase/decrease in current year			
			Increase in investments	Decrease in investments	Adjustment in other comprehensive income	Other equity changes
Total						
Joint ventures						
Associates	199,512,306.04	2,598,171,118.22	56,268,800.00		23,119,776.61	
Shandong Jinyingli New Material Technology Co., Ltd.	11,916,000.00	11,943,596.69	56,268,800.00		-425,233.56	
Shouguang Kunlun Gas Co., Ltd.	8,250,000.00	3,624,828.00			-253,615.71	
Shouguang Chengfa Investment Co., Ltd.	9,000,000.00	8,722,380.51			-733,155.07	
Shouguang Jincai Public Asset Management Co., Ltd.	150,000,000.00	2,554,185,654.03			23,881,643.58	
Shandong Luyang	20,346,306.04	19,694,658.99			650,137.37	

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Investee	cost of investment	Opening balance	Increase/decrease in current year			
			Increase in investments	Decrease in investments	Adjustment in other comprehensive income	Other equity changes
Natural Gas Co., Ltd.						

(Continued)

Investee	Increase/decrease in current year				Closing balance	Closing balance of loss allowance
	Other equity changes	Cash dividends declared and profits to be distributed	Loss allowance	Others		
Total						
Joint ventures						
II. Associates					2,677,559,694.83	
Shandong Jinyingli New Material Technology Co., Ltd.					67,787,163.13	
Shouguang Kunlun Gas Co., Ltd.					3,371,212.29	
Shouguang Chengfa Investment Co., Ltd.					7,989,225.44	
Shouguang Jincai Public Asset Management Co., Ltd.					2,578,067,297.61	
Shandong Luyang Natural Gas Co., Ltd.					20,344,796.36	

10.Investment Properties

1) Investment properties

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Items	Opening balance	Increase in current year	Decrease in current year	Closing balance
I. Total gross carrying amount	1,077,696,778.96	300,914,173.15	18,691,585.98	1,359,919,366.13
Including Properties and buildings	989,749,263.39	241,204,173.15	18,691,585.98	1,212,261,850.56
Land use rights	87,947,515.57	59,710,000.00		147,657,515.57
Accumulated depreciation (amortization)	206,634,506.98	33,025,315.50	764,363.01	238,895,459.47
Including Properties and buildings	185,213,225.21	29,895,596.41	764,363.01	214,344,458.61
Land use rights	21,421,281.77	3,129,719.09		24,551,000.86
III. Cumulative amount of loss allowance	871,062,271.98	—	—	1,121,023,906.66
Including Properties and buildings	804,536,038.18	—	—	997,917,391.95
Land use rights	66,526,233.80	—	—	123,106,514.71
IV. Total carrying amount				
Including Properties and buildings				
Land use rights				
V. Total gross carrying amount	871,062,271.98	—	—	1,121,023,906.66
Including Properties and buildings	804,536,038.18	—	—	997,917,391.95
Land use rights	66,526,233.80	—	—	123,106,514.71

2) Investment property used as collateral for debt

Items	Original value of the book	Carrying amount	Loan balance	Note
Properties and buildings	66,553,355.00	46,603,802.99	45,000,000.00	Used as collateral for long-term loans with inventories
Land use right	19,373,779.20	14,697,349.74		
Properties and buildings	55,265,885.00	38,403,190.21	150,000,000.00	Collateral and notes payable together with other monetary funds
Land use right	14,967,239.93	10,704,221.48		

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Items	Original value of the book	Carrying amount	Loan balance	Note
Properties and buildings	81,205,205.00	56,433,455.08	80,000,000.00	Short-term borrowing
Land use right	16,815,448.07	12,026,016.91		
Total	254,180,912.20	178,868,036.41	275,000,000.00	

11.Fixed Assets

Items	Closing balance	Opening balance
Fixed assets	898,926,634.48	791,648,465.19
Disposal of fixed assets		
Total	898,926,634.48	791,648,465.19

1) Fixed assets

Items	Opening balance	Increase	Decrease	Closing balance
I. Total gross carrying amount	933,372,649.45	147,224,218.00	217,337.70	1,080,379,529.75
Including Properties and buildings	813,012,366.38	137,637,957.48	127,767.70	950,522,556.16
Machinery equipment	64,072,415.32	462,522.13		64,534,937.45
Transportation equipment	43,260,904.51	548,058.59	82,400.00	43,726,563.10
Office equipment	13,026,963.24	8,575,679.80	7,170.00	21,595,473.04
II. Accumulated depreciation	141,724,184.26	39,836,536.91	107,825.90	181,452,895.27
Including Properties and buildings	79,372,353.41	28,375,263.84	22,287.68	107,725,329.57
Machinery equipment	18,588,017.01	6,276,617.53		24,864,634.54
Transportation equipment	36,785,427.51	2,592,228.82		39,377,656.33
Office equipment	6,978,386.33	2,592,426.72	85,538.22	9,485,274.83
III. Total carrying amount before impairment	791,648,465.19	—	—	898,926,634.48

Items	Opening balance	Increase	Decrease	Closing balance
Including Properties and buildings	733,640,012.97	—	—	842,797,226.59
Machinery equipment	45,484,398.31	—	—	39,670,302.91
Transportation equipment	6,475,477.00	—	—	4,348,906.77
Office equipment	6,048,576.91	—	—	12,110,198.21
IV. Total loss allowance				
Including Properties and buildings	—	—	—	—
Machinery equipment				
Transportation equipment				
Office equipment				
V. Total carrying amount	791,648,465.19	—	—	898,926,634.48
Including Properties and buildings	733,640,012.97	—	—	842,797,226.59
Machinery equipment	45,484,398.31	—	—	39,670,302.91
Transportation equipment	6,475,477.00	—	—	4,348,906.77
Office equipment	6,048,576.91	—	—	12,110,198.21

2) The situation of the fixed assets without the property right certificate

Items	Carrying amount	Reason
Properties and buildings	137,039,566.71	Pending completion

12.Construction in Progress

Items	Closing balance			Opening balance		
	Gross carrying amount	Loss allowance	Carrying amount	Gross carrying amount	Loss allowance	Carrying amount

Construction in progress	248,176,645.20		248,176,645.20	193,615,515.35		193,615,515.35
Construction materials						
Total	248,176,645.20		248,176,645.20	193,615,515.35		193,615,515.35

Changes of significant construction in progress in current year

Project name	Opening balance	Increase in current year	Amount transferred to fixed assets in current year	Other decrease in current year	Closing balance
Project Taiyangcheng	94,012,898.79	9,755,621.20			103,768,519.99
Heating network engineering	28,035,602.67	10,702,206.43	23,608.49		38,714,200.61
SCR denitrification engineering	13,202,893.19	14,692.33		1,100,000.00	12,117,585.52
Others	58,364,120.70	35,212,218.38			93,576,339.08
Total	193,615,515.35	55,684,738.34	23,608.49	1,100,000.00	248,176,645.20

13.Intangible Assets

1) Classification of intangible assets

Items	Opening balance	Increase in current year	Decrease in current year	Closing balance
I. Total gross carrying amount	451,665,274.04	333,044.04		451,998,318.08
Including Land use rights	450,110,220.05			450,110,220.05
Software	1,555,053.99	333,044.04		1,888,098.03
II. Accumulated amortization	47,932,204.42	9,842,938.66		57,775,143.08
Including Land use rights	47,744,333.54	9,483,963.12		57,228,296.66
Software	187,870.88	358,975.54		546,846.42
III. Total loss allowance				
Including Land use rights				

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Items	Opening balance	Increase in current year	Decrease in current year	Closing balance
Software				
IV. Total carrying amount	403,733,069.62	—	—	394,223,175.00
Including Land use rights	402,365,886.51	—	—	392,881,923.39
Software	1,367,183.11	—	—	1,341,251.61

2) Intangible assets used as collateralized debt obligations

Items	Gross carrying amount	Carrying amount	Loan balance	Notes
Land use rights	278,898,818.82	244,188,550.69	146,000,000.00	Used as mortgage for long-term loan together with inventory
Total	278,898,818.82	244,188,550.69	146,000,000.00	

14.Long-term Prepaid Expenses

Items	Opening balance	Increase in current year	Amortization in current year	Other decrease	Closing balance	Reason for decrease
Site rental	990,291.25	891,189.30	1,055,039.45		826,441.10	
Financing related expenses	41,214,960.68		16,679,245.21		24,535,715.47	
Others	841,471.79		296,990.16		544,481.63	
Total	43,046,723.72	891,189.30	18,031,274.82		25,906,638.20	

15.Deferred Tax Assets

1) Details for deferred tax assets

Items	Closing balance	Opening balance

[English version is for translation purpose only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail]

	Deductible /taxable temporary difference	Deferred tax assets	Deductible /taxable temporary difference	Deferred tax assets
Loss allowance for assets	192,296.14	48,074.04	178,626.22	44,656.56
Total	192,296.14	48,074.04	178,626.22	44,656.56

2) Unrecognized deferred tax assets

Items	Closing balance	Opening balance
Deductible temporary differences	73,406,136.94	52,696,385.69
Deductible losses	247,846,239.97	227,327,407.31
Total	321,252,376.91	280,023,793.00

3) Deductible losses unrecognized for deferred tax assets that will expire in the following years

Year	Closing balance	Opening balance	Notes
2019		29,349,016.59	
2020	14,557,040.38	15,215,160.99	
2021	25,257,520.81	28,501,300.43	
2022	21,189,168.21	25,453,355.07	
2023	126,535,498.57	128,808,574.23	
2024	60,307,012.00		
Total	247,846,239.97	227,327,407.31	

16.Other Non-current Assets

Items	Closing balance	Opening balance
Shouguang City Sun City Elderly Service Center	5,000,000.00	5,000,000.00
Undone warrant asset funds	14,448,908.74	14,426,198.06

Items	Closing balance	Opening balance
Others	305,825.25	101,941.75
Total	19,754,733.99	19,528,139.81

17.Short-term Borrowings

1) Classification

Items	Closing balance	Opening balance
Pledged loans	80,000,000.00	
Mortgage loans	80,000,000.00	80,000,000.00
Guaranteed loans	140,000,000.00	195,000,000.00
trust loan	139,600,000.00	
Total	439,600,000.00	275,000,000.00

18.Notes Payable

Items	Closing balance	Opening balance
Commercial acceptance draft		
Bank acceptance draft	589,080,786.61	315,000,000.00
Total	589,080,786.61	315,000,000.00

19.Trade payables

Aging	Closing balance	Opening balance
Within 1 year	271,843,677.23	316,056,397.48
1-2 years	119,722,280.19	22,872,112.47
2-3 years	6,013,316.43	65,045,367.26

Aging	Closing balance	Opening balance
Over 3 years	69,682,801.26	14,085,750.17
Total	467,262,075.11	418,059,627.38

Significant trade payables aged over one year

Creditor	Closing balance	Reason for unpaid
Provisional project valuation	57,206,735.30	Project not yet settled
Total	57,206,735.30	—

20. Advances from Customers

1) Aging analysis

Aging	Closing balance	Opening balance
Within 1 year	1,028,819,385.40	509,282,277.34
1-2 years	127,112,209.82	88,704,389.40
2-3 years	86,659,398.60	1,048,077.89
Over 3 years	1,063,344.90	42,977.30
Total	1,243,654,338.72	599,077,721.93

2) Significant advances from customers aged over one year

Creditor	Closing balance	Reason for not carried forward
House payment to Taoranting	13,668,201.00	The contract is unfinished, not meeting the revenue recognition criteria
House payment to Changhong xinda	122,819,049.36	The contract is unfinished, not meeting the revenue recognition criteria
Total	136,487,250.36	—

21.Employee Benefits Payable

1) Employee benefits payable

Items	Opening balance	Increase in current year	Decrease in current year	Closing balance
Short-term employee benefits	77,595.77	46,344,740.49	46,250,634.71	171,701.55
Post-employment benefits – defined contribution plan		2,646,138.77	2,646,138.77	
Total	77,595.77	48,990,879.26	48,896,773.48	171,701.55

2) Short-term employee benefits

Items	Opening balance	Increase in current year	Decrease in current year	Closing balance
1. Salaries, bonuses, allowances and subsidies	55,674.34	41,310,839.33	41,197,392.99	169,120.68
2. Welfare	21,921.43	1,903,561.48	1,924,882.91	600.00
3. Social insurance		1,293,576.56	1,293,576.56	
Including Health insurance		1,087,139.68	1,087,139.68	
Work injury insurance		56,454.48	56,454.48	
Maternity insurance		149,982.40	149,982.40	
4. Housing funds		1,629,150.72	1,629,150.72	
5. Labor union funds and employee education funds		207,612.40	205,631.53	1,980.87
6. Short-term paid leave				
7. Short-term profit sharing plan				
8. Others				
Total	77,595.77	46,344,740.49	46,250,634.71	171,701.55

3) Defined contribution plan

Items	Opening balance	Increase in current year	Decrease in current year	Closing balance

Items	Opening balance	Increase in current year	Decrease in current year	Closing balance
1. Basic pensions		2,542,239.32	2,542,239.32	
2. Unemployment insurance		103,899.45	103,899.45	
Total		2,646,138.77	2,646,138.77	

22.Tax and Surcharge Payable

Items	Opening balance	Closing balance
VAT	20,427,687.08	38,238,586.08
Corporate income taxes	4,605,860.94	4,620,418.62
Individual income tax	98,913.75	98,099.60
City maintenance and construction tax	438,691.01	443,632.48
Education surcharge	186,013.52	187,899.31
Local education surcharge	128,007.71	129,264.96
Withholding taxes	264,069.20	335,793.14
Local water conservancy construction fund	38,932.66	28,213.41
Land use tax	13,031,252.03	2,417,078.29
Land value added tax	2,412,276.34	530,535.92
Property tax	9,463,420.22	6,687,618.62
Water resources tax	57,204.00	8,374.50
Stamp duty	63,616.47	63,368.71
Total	51,215,944.93	53,788,883.64

23.Other Payables

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Items	Closing balance	Opening balance
Interest payable	158,067,614.93	120,759,082.19
Dividend payable		
Others	412,120,644.13	359,167,352.33
Total	570,188,259.06	479,926,434.52

1) Interest payable

Items	Closing balance	Opening balance
Corporate bond interest	143,483,054.79	120,759,082.19
Interest payable on other loans	14,584,560.14	
Total	158,067,614.93	120,759,082.19

2) Other payables

① Other payables presented by aging

Items	Closing balance	Opening balance
Within 1 year	183,692,119.52	150,114,491.82
1-2 years	32,419,170.14	177,836,181.11
2-3 years	165,438,675.90	17,490,235.93
Over 3 years	30,570,678.57	13,726,443.47
Total	412,120,644.13	359,167,352.33

② Significant other payables aged over one year

Creditor	Closing balance	Reason for unpaid
Shouguang Jinhai Investment and Development Co., Ltd.	110,000,000.00	Current account
Shandong Shouguang First Construction Co., Ltd.	32,608,075.78	Current account
Xiliu Villagers Committee of Luocheng Street, Shouguang City	9,118,044.00	Withhold and remit tax

Creditor	Closing balance	Reason for unpaid
Total	151,726,119.78	

24.Non-current Liabilities Due Within One Year

Items	Closing balance	Opening balance
Long-term borrowings due within one year (Note VIII-25)	385,000,000.00	234,000,000.00
Bonds payable due within one year (Note VIII-26)	1,236,300,000.00	216,000,000.00
Long-term payable due within one year (Note VIII-27)	185,446,839.23	180,222,010.68
Total	1,806,746,839.23	630,222,010.68

25.Long-term Borrowings

Items	Closing balance	Opening balance	Year-end interest rate range
Pledged loans	490,815,000.00	590,815,000.00	4.75%~6.00%
Mortgage loans	1,156,000,000.00	740,000,000.00	4.90%~7.50%
Guaranteed loans	892,360,000.00		7.35%
Subtotal	2,539,175,000.00	1,330,815,000.00	
Less Long-term borrowings due within one year (Note VIII-24)	385,000,000.00	234,000,000.00	
Total	2,154,175,000.00	1,096,815,000.00	

26.Bonds Payable

1) Bonds payable

Items	Closing balance	Opening balance
13 Shouguang city investment debt	96,000,000.00	192,000,000.00

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Items	Closing balance	Opening balance
16 Shouguang city investment PPN001	350,000,000.00	350,000,000.00
17 Shouguang city investment PPN002	650,000,000.00	650,000,000.00
17 Shouguang city investment (MTN)	500,000,000.00	500,000,000.00
17 Lu Shouguang city investment ZR001		120,000,000.00
18 Shouguang 01	300,000,000.00	300,000,000.00
18 Shouguang 02	570,000,000.00	570,000,000.00
19Shouguang city investment PPN001	300,000,000.00	
19Shouguang city investment PPN002	600,000,000.00	
Debt financing plan for 2018	300,000.00	
Subtotal	3,366,300,000.00	2,682,000,000.00
Less Bonds payable due within one year (see Note VII-24)	1,236,300,000.00	216,000,000.00
Total	2,130,000,000.00	2,466,000,000.00

2) Increase or decrease in bonds payable

Bond name	Par value	Issue date	Bond term	Amount issued	Opening balance
13 Shouguang city investment debt	480,000,000.00	2013-10-18	7 years	480,000,000.00	192,000,000.00
16 Shouguang city investment PPN001	350,000,000.00	2016-02-26	5 years	350,000,000.00	350,000,000.00
17 Shouguang city investment PPN002	650,000,000.00	2017-01-18	3 years	650,000,000.00	650,000,000.00
17 Shouguang city investment (MTN)	500,000,000.00	2017-08-16	5 years	500,000,000.00	500,000,000.00
17 Lu Shouguang city investment ZR001	120,000,000.00	2017-03-29	2 years	120,000,000.00	120,000,000.00

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Bond name	Par value	Issue date	Bond term	Amount issued	Opening balance
18 Shouguang 01	300,000,000.00	2018-01-12	5 years	300,000,000.00	300,000,000.00
18 Shouguang 02	570,000,000.00	2018-04-17	4 years	570,000,000.00	570,000,000.00
19Shouguang city investment PPN001	300,000,000.00	2019-03-22	3 years	300,000,000.00	
19Shouguang city investment PPN002	600,000,000.00	2019-09-30	2 years	600,000,000.00	
Debt financing plan for 2018	22,800,000.00	2019-01-26	1 years	22,800,000.00	
Total	3,892,800,000.00			3,892,800,000.00	2,682,000,000.00

(Continued)

Bond name	Interest payable at the beginning	Accrue interest at face value	Amortization of excess discount	Interest paid for the current year	Closing balance
13 Shouguang city investment debt				96,000,000.00	96,000,000.00
16 Shouguang city investment PPN001					350,000,000.00
17 Shouguang city investment PPN002					650,000,000.00
17 Shouguang city investment (MTN)					500,000,000.00
17 Lu Shouguang city investment ZR001				120,000,000.00	
18 Shouguang 01					300,000,000.00
18 Shouguang 02					570,000,000.00
19Shouguang city investment PPN001	300,000,000.00				300,000,000.00
19Shouguang city investment PPN002	600,000,000.00				600,000,000.00
Debt financing plan for 2018	22,800,000.00			22,500,000.00	300,000.00
Total	922,800,000.00			238,500,000.00	3,366,300,000.00

3) Corporate bond interest

Bond name	Interest payable at the beginning	Current year interest payable	Interest paid for the current year	Final interest payable
13 Shouguang city investment debt	2,801,095.89	12,231,452.06	13,632,000.00	1,400,547.95
16 Shouguang city investment PPN001	16,207,684.93	19,145,000.00	19,145,000.00	16,207,684.93
17 Shouguang city investment PPN002	33,341,260.27	34,970,000.00	34,970,000.00	33,341,260.27
17 Shouguang city investment (MTN)	11,342,465.75	30,000,000.00	30,000,000.00	11,342,465.75
17 Lu Shouguang city investment ZR001	5,026,849.32	1,573,150.68	6,600,000.00	
18 Shouguang 01	21,821,917.81	22,500,000.00	22,500,000.00	21,821,917.81
18 Shouguang 02	30,217,808.22	42,867,123.29	42,750,000.00	30,334,931.51
2019PPN001		17,568,493.15		17,568,493.15
2019PPN002		11,465,753.42		11,465,753.42
Total	120,759,082.19	192,320,972.60	169,597,000.00	143,483,054.79

Note

① 13 Shouguang city investment debt

According to national development and reform commission document No. 1825 [2013], "National Development and Reform Commission's Reply to Shandong Shouguang Urban Construction Investment and Development Co., Ltd. 's Issuance of 2013 Corporate Bond Approval", the Company issued corporate bond of RMB 480 million, the coupon interest rate of the bond is 7.10%, which is paid annually.The debenture pays 20% of the principal of the current debenture in each of the 3 to 7 years of maturity. All the funds raised from the bonds will be used for the construction of two projects, namely, Shouguang new garden (affordable housing) project and Shouguang urban heating pipe network renovation project. As of December 31, 2019, the repayment of the principal of the bond is RMB 384,000,000.00, and the amount shown in the long term liabilities matured within one year is RMB 96,000,000.00.

② 16 Shouguang city investment PPN001, 17 Shouguang city investment PPN002

According to the notice of acceptance of registration, No. PPN407 [2015] in the document of China Association of inter-bank market traders, the PPN of Shouguang City Construction Investment and Development Co., Ltd. is accepted for registration, with the registered amount of 1 billion yuan, and it can be issued in installments during the registration period.

16 Shouguang City Investment Co., Ltd. PPN001 was issued in February 2016 with an issuance amount of 350 million yuan and a maturity of 5 years. The coupon interest rate of the note is 5.47%. The PPN001 raised 350 million yuan, of which 300 million yuan was used to repay the bank project loans and working capital loans, and 50 million yuan was used for the Shouguang urban heating pipe network renovation project (phase ii).

17 Shouguang City Investment Co., Ltd. PPN002 was issued in January 2017 with an amount of 650 million yuan and a maturity of 5 years. The coupon rate of the note is 5.38%. The PPN002 raised 650 million yuan, of which 510 million yuan was used to repay the trust principal and interest, and 140 million yuan was used to repay the bank loan. As of December 31, 2019, the amount shown in the long term liabilities matured within one year is RMB 650,000,000.00.

③ 17 Shouguang city investment (MTN)

According to the notice of acceptance of registration, No. [2017] MTN370 document of China Association of inter-bank market dealers, Shouguang Urban Construction Investment and Development Co., Ltd. is accepted for registration of medium-term notes with a registered amount of 500 million yuan and a validity period of 2 years. The note's coupon interest rate is 6%.The bill raised 500 million yuan to repay the bank loan.

④ 17 Lu Shouguang city investment ZR001

According to the notice of acceptance of filing, No. 0015 document of debt financing plan 2016 of Beijing financial assets exchange, the planned filing amount of Shouguang city Construction Investment and Development Co., Ltd. is RMB 400 million. The actual listing amount is RMB 120 million on March 29, 2017.The debt financing plan raises money to repay bank loans. As of December 31, 2019, the amount shown in the long-term liabilities carried over to maturity within one year is RMB 120,000,000.00.

⑤ 18 Shouguang 01

With the approval of the document "SZH [2017] 1052" issued by the Shanghai Stock Exchange, Shouguang Urban Construction Investment and Development Co., Ltd. is allowed to publicly issue corporate bonds with a total amount not exceeding 1 billion yuan. The actual listing amount is 300 million yuan (the first phase) on January 12, 2018. The debt financing plan is intended to raise funds for the issuer and its subsidiaries to supplement working capital and repay the Company's debts.

⑥ 18 Shouguang 02

With the approval of the document "SZH [2017] 1052" issued by the Shanghai Stock Exchange, Shouguang Urban Construction Investment and Development Co., Ltd. is allowed to publicly issue corporate bonds with a total amount of no more than 1 billion yuan. The actual listing amount on April 17, 2018 is 570 million yuan (the second phase). The debt financing plan is intended to raise funds for the issuer and its subsidiaries to supplement working capital and repay the Company's debts. As of December 31, 2019, the amount shown in the long term liabilities matured within one year is RMB 490,000,000.00.

⑦ Shouguang city to PPN001, 19 Shouguang city to PPN002

According to notice of acceptance of registration, no. [2018] PPN412 document of the China association of inter-bank market traders [2018] PPN412, the company is registered by Shouguang urban construction investment and development Co., Ltd., with a registered amount of RMB 900 million and a valid period of 2 years.On March 22, 2019, it will actually issue 300 million yuan, with a term of 3+2 years and a coupon interest rate of 7.5%. It will be paid annually and the principal will be repaid once due.The raised funds are used to repay loans from financial institutions.On September 30, 2019, it will actually issue 600 million yuan, with a maturity of 2+1 years and a coupon interest rate of 7.5%. It will be paid annually and the principal will be repaid once due.The raised funds are used to repay loans from financial institutions.

⑧ Debt financing plan for 2018

After filing with Shandong qilu financial supply management Co., Ltd., we accept the filing of Shouguang Urban Construction Investment and Development Co., Ltd. 's debt financing plan in 2018, with the filing scale of 10 million yuan and the product term of 12 months (the end of the sixth month of the duration is provided with an investor's option to sell back).The product will be released in phases, with the first phase ending on January 25, 2019.The agreed interest rate of the product is 7%/ year, and the interest shall be paid once every 6 months during the product's duration, and the principal shall be paid once upon maturity.

27.Long-term Payables

Items	Opening balance	Increase in current year	Decrease in current year	Closing balance
Long-term payables	637,120,179.18		185,446,839.23	451,673,339.95
Special payables				
Total	637,120,179.18		185,446,839.23	451,673,339.95

1) Long-term payables

Items	Closing balance	Opening balance
Finance lease payment	508,809,999.18	686,182,009.86
Xiliu village villagers resettlement project loan	56,450,000.00	59,300,000.00
Others	71,860,180.00	71,860,180.00

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Items	Closing balance	Opening balance
LessLong-term payable due within one year (Note VIII, 24)	185,446,839.23	180,222,010.68
Total	451,673,339.95	637,120,179.18

2) Details of long-term payable finance lease payments

Creditors	Starting date of loan	Termination date	Interest rate	Currency	Closing balance	Opening balance
Ping’An International Financial Leasing Co., Ltd.	2018-11-08	2021-11-08	5.51%	RMB	63,666,666.68	97,000,000.00
Guangzhou Yuexiu Financial Leasing Co., Ltd.	2017-05-19	2022-05-18	7.21%	RMB	49,355,305.37	79,286,117.38
Pudong Bank Financial Leasing Co., Ltd.	2018-04-03	2023-04-21	4.89%	RMB	261,788,027.13	335,895,892.48
Chongqing Xinyu Financial Leasing Co., Ltd.	2018-05-29	2023-05-29	5.70%	RMB	134,000,000.00	174,000,000.00
Subtotal					508,809,999.18	686,182,009.86
LessPart due within one year					182,596,839.23	177,372,010.68
Total					326,213,159.95	508,809,999.18

28.Paid-in Capital

Name of Investors	Opening balance		Increase in current year	Decrease in current year	Closing balance	
	Amount invested	Proportion (%)			Amount invested	Proportion (%)
Total	150,000,000.00	100.00%			150,000,000.00	100.00%
Shouguang City Investment Holding Group Co., Ltd.	150,000,000.00	100.00%			150,000,000.00	100.00%

29.Capital Reserve

Items	Opening balance	Increase in current year	Decrease in current year	Closing balance
Capital (or share) premiums				
Other capital reserve	4,011,167,030.16	361,593,366.71		4,372,760,396.87
Total	4,011,167,030.16	361,593,366.71		4,372,760,396.87

Note The increase of capital reserves in current year refers to the allocation of equity, while the decrease of capital reserves refers to the allocation of equity.

30.Surplus Reserve

Items	Opening balance	Increase in current year	Decrease in current year	Closing balance	Reason for changes
Statutory surplus reserve	76,189,370.35			76,189,370.35	
Total	76,189,370.35			76,189,370.35	

Note According to the provisions of the Company law and articles of association, the Company shall withdraw the statutory surplus reserve at 10% of the net profit. Where the statutory surplus reserve accumulates to more than 50% of the Company's registered capital, it shall not be withdrawn.

After drawing the statutory surplus reserve fund, the Company may draw any surplus reserve fund. Subject to approval, any surplus reserve fund may be used to cover losses of previous years or increase capital stock.

31.Undistributed Profits

Items	Current year	Prior year
Beginning balance of current year	762,364,420.29	687,525,248.23
Current year increment	134,830,568.40	74,839,172.06
Including Net profit of the current year	134,830,568.40	74,839,172.06
Other adjustment factors		

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Items	Current year	Prior year
Current decrease	200,000,000.00	
Including The surplus reserve of the current year		
Extract general risk provisions for the current year		
Cash dividends distributed for the current year	200,000,000.00	
Turn add capital		
Other less		
Year-end balance	697,194,988.69	762,364,420.29

32.Operating Revenue and Operating Costs

Items	Current year		Prior year	
	Revenue	Costs	Revenue	Costs
Principal operating activities	1,099,068,671.81	720,558,936.03	610,615,448.08	522,238,706.72
Other operating activities	93,483,604.00	38,348,502.00	77,799,876.29	45,204,005.65
Total	1,192,552,275.81	758,907,438.03	688,415,324.37	567,442,712.37

33.Selling Expenses, Administrative Expenses, Financial Expenses

1) Selling expenses

Items	Current year	Prior year
Employee benefits	6,181,166.00	5,764,643.58
Depreciation cost		11,986.21
AD cost	2,010,212.27	1,986,022.92
Sales service charge	12,690,433.34	729,194.29
Office cost	307,217.02	267,557.77

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Travel fee	15,162.79	18,523.50
Property management fee	257,958.70	741,717.28
Other	84,219.50	130,992.04
Total	21,546,369.62	9,650,637.59

2) Administrative expenses

Items	Current year	Prior year
Employee benefits	25,618,796.68	22,868,768.47
Depreciation cost	13,020,164.07	11,279,982.03
Amortization of intangible assets	9,852,283.09	9,644,397.96
Agency fees	3,444,119.59	3,083,289.61
Office cost	1,932,819.11	1,135,306.59
Business entertainment	677,747.67	590,156.35
Material consumption	1,811,310.01	1,478,375.50
Other	2,089,535.07	1,850,914.49
Total	58,446,775.29	51,931,191.00

(3) Financial expenses

Items	Current year	Prior year
Interest expense	336,780,687.27	299,739,658.05
Less Interest income	15,811,688.44	38,182,090.96
Exchange gains and losses	-555,218.79	
Bank charges	837,035.02	542,835.23
Other	27,731,075.40	18,613,595.42
Total	348,981,890.46	280,713,997.74

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34.Other Income

Items	Current year	Prior year
Government grants	179,532,837.00	292,306,095.00
Total	179,532,837.00	292,306,095.00

35.Investment Income

Sources for investment income	Current year	Prior year
Income from long-term equity investments using equity method	23,119,776.61	13,543,647.52
Income from disposal of long-term equity investments		351,079.74
Total	23,119,776.61	13,894,727.26

36.Impairment Loss of Assets

Items	Current year	Prior year
Bad debt losses	-20,723,421.19	29,119,995.41
Total	-20,723,421.19	29,119,995.41

37.Non-operating Income

Items	Current year	Prior year	Amount included in the current year's non-recurring profit and loss
Gains on retirement of non-current assets			
Gains on debt restructuring			
Donations received			
Government grants unrelated to daily operation of the Company			

Items	Current year	Prior year	Amount included in the current year's non-recurring profit and loss
Others	427,146.16	726,843.47	427,146.16
Total	427,146.16	726,843.47	427,146.16

38.Non-operating Expenses

Items	Current year	Prior year	Amount included in the current year's non-recurring profit and loss
Losses on retirement of non-current assets	132,602.03	775.00	132,602.03
Donations	300,000.00	1,071,368.86	300,000.00
Losses on debt restructuring	305,337.67	1,290,113.29	305,337.67
Others	1,403,228.30	351,375.00	1,403,228.30
Total	2,141,168.00	2,713,632.15	2,141,168.00

39.Income Tax Expenses

1) Income tax expenses

Items	Current year	Prior year
Income tax expenses in current period	1,135,606.31	433,694.78
Adjustment of deferred income taxes	-3,417.48	-4,011.83
Total	1,132,188.83	429,682.95

2) Reconciliation of accounting profit and income tax expenses

Items	Current year
Profit total	135,497,197.06

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Items	Current year
Income tax expense at the statutory/applicable rate	33,874,299.26
Effects of different tax rates applied to subsidiaries	52,934.76
Adjust the impact of income tax for previous periods	519,227.61
The impact of non-taxable income	-53,080,319.13
The impact of non-deductible costs, expenses and losses	789,651.58
Use the effect of deductible losses on deferred income tax assets not recognized in the earlier period	-163,987.80
The effect of deductible temporary differences or deductible losses on deferred income tax assets has not been recognized for the current year	19,325,803.20
Tax rate adjustments result in changes in deferred tax asset/liability balances at the beginning of the year	
Tax incentives	-185,420.65
Income tax expense	1,132,188.83

40.Consolidated Statement of Cash Flows

1) Using indirect method to reconcile net profit to cash flows from operating activities

Supplementary information	Current year	Prior year
To reconcile net profit to cash flows from operating activities	—	—
Net profit	134,365,008.23	70,109,208.89
Add Loss allowances	20,723,421.19	-29,119,995.41
Depreciations of fixed assets, oil and gas assets, and bearer biological assets	72,861,852.41	62,565,420.33
Amortizations of intangible assets	9,842,938.66	9,644,366.38
Amortizations of long-term prepaid expenses	18,031,274.82	15,155,100.15
Losses on disposal of fixed assets, intangible assets and other Long-term		

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Supplementary information	Current year	Prior year
assets (gain expressed with “-”)		
Losses on retirement of fixed assets (gain expressed with “-”))	132,602.03	775.00
Losses on changes in fair value (gain expressed with “-”)		
Financial expenses (gain expressed with “-”)	347,840,101.64	303,844,658.05
Investment losses (gain expressed with “-”)	-23,119,776.61	-13,894,727.26
Decrease in deferred tax assets (increase expressed with “-”)	-3,417.48	-4,011.83
Increase in deferred tax liabilities (decrease expressed with “-”)		
Decrease in inventories (increase expressed with “-”)	-537,555,399.43	-1,354,487,077.77
Decrease in receivables in operating activities (increase expressed with “-”)	-627,239,883.27	-486,666,689.70
Increase in payables in operating activities (decrease expressed with “-”)	723,609,211.43	677,944,235.97
Others		
Net cash flows from operating activities	139,487,933.62	-744,908,737.20
Significant investing and financing activities that do not involve cash receipts or payments	—	
Debts converted to capital		
Convertible debts due within one year		
Fixed assets leased in under finance leases		
Net changes of cash and cash equivalents	—	
Closing balance of cash	1,657,266,247.66	489,070,713.74
Less Opening balance of cash	489,070,713.74	480,724,225.65
Add Closing balance of cash equivalents		
Less Opening balance of cash equivalents		
Net increase in cash and cash equivalents	1,168,195,533.92	8,346,488.09

2) Composition of cash and cash equivalents

Items	Current year	Prior year
I. Cash	1,657,266,247.66	489,070,713.74
Including Cash on hand	42,090.34	304,830.15
Demand deposits	1,657,224,157.32	488,765,883.59
Other monetary funds available for payment		
Demand deposits in central bank		
Deposits in banks and other financial institutions		
Loans to banks and other financial institutions		
II. Cash equivalents		
Including Bond investments due within three months		
III. Closing balance of cash and cash equivalents	1,657,266,247.66	489,070,713.74
Including Cash and cash equivalents not available for use by the Parent or the subsidiaries in the Group		

41.Assets with Restricted Ownership or Use Rights

Items	Carrying amount at year end	Reason for restriction
Monetary funds	797,730,786.61	The deposit and time deposit are notes payable and long-term loan pledge
Trade receivables	424,295,000.00	Collateral for a long-term loan
Inventories	633,410,766.01	Collateral for a long-term loan
Investment properties	178,868,036.41	For short-term loans, notes payable, long-term loan collateral
Intangible assets	244,188,550.69	Collateral for a long-term loan
Total	2,278,493,139.72	

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IX. Commitments and contingencies

By December 31, 2019, the Company has provided the following guarantees

Unit RMB ten thousand yuan

Borrower	Financial institutions	Loan date - due date	Guarantee balance	Note
Shandong Shouguang First Construction Co., Ltd.	Huaxia Bank Qingdao Branch	2019.06.12-2020.06.12	2,000.00	Short-term borrowing
Shandong Shouguang First Construction Co., Ltd.	Huaxia Bank Qingdao Branch	2019.10.15-2020.04.15	2,000.00	Short-term borrowing
Shandong Shouguang First Construction Co., Ltd.	Shanghai Pudong Development Bank Weifang Branch	2019.04.29-2020.04.26	2,000.00	Bank acceptance
Shandong Shouguang First Construction Co., Ltd.	Shanghai Pudong Development Bank Weifang Branch	2019.03.27-2020.03.27	3,000.00	Bank acceptance
Shandong Shouguang Shengdu Construction Group Co., Ltd.	Weifang Bank Shouguang Branch	2019.04.10-2020.04.09	700.00	Short-term borrowing
Shandong Shouguang Shengdu Construction Group Co., Ltd.	Weifang Bank Shouguang Branch	2019.04.03-2020.04.02	1,000.00	Short-term borrowing
Shandong Shouguang Shengdu Construction Group Co., Ltd.	Weifang Bank Shouguang Branch	2019.03.21-2020.03.21	1,182.00	Short-term borrowing
Shandong Shouguang Shengdu Construction Group Co., Ltd.	Weifang Bank Shouguang Branch	2019.03.22-2020.03.21	1,000.00	Short-term borrowing
Shandong Shouguang Shengdu Construction Group Co., Ltd.	Bank of China Shouguang Sub-branch	2019.04.10-2020.04.10	1,000.00	Short-term borrowing
Shandong Shouguang Shengdu Construction Group Co., Ltd.	Bank of China Shouguang Sub-branch	2019.09.20-2020.03.09	1,000.00	Factoring borrowing
Shandong Shouguang Shengdu Construction Group Co., Ltd.	Hengfeng Bank Shouguang Branch	2019.05.09-2020.05.09	5,000.00	Short-term borrowing

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Borrower	Financial institutions	Loan date - due date	Guarantee balance	Note
Shouguang Vegetable Holding Industry Group	Agricultural bank Shouguang Branch	2019.11.09-2020.11.09	5,000.00	Short-term borrowing
Shouguang Jincai Public Asset Management Co., Ltd.	Weifang Bank Shouguang Branch	2016.06.28-2021.06.25	5,986.00	Long-term borrowing
Shouguang Eco-Wetland Tourism Development Co., Ltd.	Huiyin financial leasing Co. Ltd.	2018.06.27-2023.06.27	14,715.00	Financing lease
Shouguang Eco-Wetland Tourism Development Co., Ltd.	Shanghai guojin leasing Co. Ltd.	2019.03.29-2022.03.28	5,000.00	Financing lease
Shouguang Eco-Wetland Tourism Development Co., Ltd.	Shanghai guojin leasing Co. Ltd.	2019.04.15-2022.04.14	5,000.00	Financing lease
Shouguang Huinong New Rural Construction investment development Co. Ltd.	Tongyong global international financial leasing (tianjin) Co., Ltd.	2019.6.17-2024.06.20	30,000.00	Financing lease
Shandong Shouguang jian yuan chun Co. Ltd.	Agricultural bank Shouguang Branch	2019.04.15-2020.04.14	3,700.00	Short-term borrowing
Shouguang Jinzhi investment development Co. Ltd.	Minmetals international trust Co. Ltd.	2019.09.20-2020.09.20	5,310.00	Short-term borrowing
Shouguang Jinzhi investment development Co. Ltd.	Minmetals international trust Co. Ltd.	2019.09.27-2020.09.27	5,010.00	Short-term borrowing
Shouguang Jinzhi investment development Co. Ltd.	Minmetals international trust Co. Ltd.	2019.10.11-2020.10.11	4,930.00	Short-term borrowing
Shouguang Jinzhi investment development Co. Ltd.	Minmetals international trust Co. Ltd.	2019.10.18-2020.10.18	900.00	Short-term borrowing
Shouguang Jinzhi investment development Co. Ltd.	Minmetals international trust Co. Ltd.	2019.10.25-2020.10.25	5,300.00	Short-term borrowing
Shouguang Jinzhi investment development Co. Ltd.	Minmetals international trust Co. Ltd.	2019.10.31-2020.10.31	680.00	Short-term borrowing
Shouguang Jinzhi investment development Co. Ltd.	Minmetals international trust Co. Ltd.	2019.11.08-2020.11.08	1,770.00	Short-term borrowing

Borrower	Financial institutions	Loan date - due date	Guarantee balance	Note
Shouguang Jinzhi investment development Co. Ltd.	Minmetals international trust Co. Ltd.	2019.11.15-2020.11.15	1,100.00	Short-term borrowing
Shouguang Jinzhi investment development Co. Ltd.	Haitong Hengxin International Leasing Co., Ltd.	2019.09.29-2022.09.29	10,000.00	Financing lease
Total			124,283.00	

X. Events after the balance sheet date

1. 17 the bond amount of Shouguang City Investment Co., Ltd. PPN002 with an amount of RMB 650,000,000.00, which has been repaid by the company on January 18, 2020.

2. 18 Shouguang 02 bonds with an amount of RMB 570,000,000.00, issued on April 17, 2018, with a term of 2 + 2 years. As of December 31, 2019, the amount shown in the long-term liabilities matured within one year is RMB 490,000,000.00.The company will sell back 490,000,000.00 yuan on April 17, 2020.

3. According to the Shanghai Stock Exchange in October 18, 2019 issued "about to Shouguang City Construction Investment Development Co., Ltd., non-public corporate bonds listed transfer no objection letter" (No. 1833 SZH {2019}), Shouguang City Construction Investment Development Co., Ltd. The total will not exceed 1 billion were allowed to qualified investors non-public corporate bonds (hereinafter referred to as "20 Shoucheng 01").The company actually issued 1 billion yuan on March 18, 2020 with a coupon interest rate of 6.5% and a maturity of 3+2.This bond USES simple interest to calculate interest by year, do not calculate compound interest, overdue do not calculate interest additionally.The interest is paid once a year and the principal is repaid once upon maturity. The last period of interest is paid together with the repayment of the principal.After deducting the underwriting fee, the fund raised by the current bond is intended to be used to repay the company's debt, optimize the company's debt structure, and the remaining part is used to supplement the working capital.

XI. Related Party Relations and Transactions

1.Basic Information of the Parent Company

Name of parent company	Registration place	Nature of business	The registered capital (ten thousand yuan)	Proportion (%)	Voting rights of the parent company

Name of parent company	Registration place	Nature of business	The registered capital (ten thousand yuan)	Proportion (%)	Voting rights of the parent company
Shouguang City Investment Holding Group Co. Ltd.	Shouguang,Shandong	Business services	10,000.00	100.00%	100.00%

2.Information of Subsidiaries

See Note VII, Business Combination and Consolidated Financial Statements.

3.Joint Ventures and Associated Enterprises

See Note VIII- 9 Long-term Equity Investment for details.

4.Other Related Parties

Name of related party	Relationship with the company
Shouguang Cultural Development Co. ltd.	Same parent company
Shouguang City Investment Real Estate Development Co. Ltd.	Same parent company

5.Related Party Transactions

1) Pricing principles

Name of related party	Counterparty name	Trade categories	Pricing principles
Shouguang Jinrun Trading Co. Ltd.	Shandong Jinyingli New Material Technology Co. Ltd.	Sales of goods	Market pricing

2) Related party transactions

① Selling goods

Name of related party	Current year		Prior year	
	Amount	Proportio	Amount	Proportion

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		n (%)		(%)
Shandong Jinyingli New Material Technology Co. Ltd.	13,045,823.78	32.50		

② Guarantee

Guarantee	Secured party	Guarantee amount (ten thousand yuan)	Guarantee balance (ten thousand yuan)	Commence ment date of guarantee	Guarantee maturity	Whether the guarantee has been fulfilled
Shouguang City Construction Investment Development Co. Ltd.	Shouguang Jincai Public Asset Management Co., Ltd.	6,000.00	5,986.00	2016.06.28	2021.06.25	No
Shouguang City Construction Investment Development Co. Ltd.	Shouguang Jinhui Heating Co. Ltd.	2,000.00	2,000.00	2019.03.27	2020.03.12	No
Shouguang City Construction Investment Development Co. Ltd.	Shouguang Jinhui Heating Co. Ltd.	8,000.00	8,000.00	2019.01.24	2020.01.23	No
Shouguang City Construction Investment Development Co. Ltd.	Shouguang Jinhui Heating Co. Ltd.	5,000.00	5,000.00	2019.04.19	2019.04.17	No
Shouguang City Construction Investment Development Co. Ltd.	Shouguang Jinhui Heating Co. Ltd.	20,000.00	14,000.00	2018.05.29	2023.05.29	No
Shouguang City Construction Investment Development Co. Ltd.	Shouguang Jinhui Heating Co. Ltd.	15,000.00	6,435.53	2017.05.19	2021.12.19	No
Shouguang City Construction Investment Development Co. Ltd.	Shouguang Jinhui Heating Co. Ltd.	20,000.00	14,498.85	2018.04.06	2023.04.06	No
Shouguang City Construction Investment Development Co. Ltd.	Shouguang Jinhui Heating Co. Ltd.	20,000.00	14,519.96	2018.04.26	2023.04.26	No
Shouguang City Construction Investment Development Co. Ltd.	Shouguang Hengan Architectural Decoration Co. Ltd.	3,000.00	3,000.00	2019.03.27	2020.03.27	No

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Guarantee	Secured party	Guarantee amount (ten thousand yuan)	Guarantee balance (ten thousand yuan)	Commencement date of guarantee	Guarantee maturity	Whether the guarantee has been fulfilled
Shouguang City Construction Investment Development Co. Ltd.	Shouguang Runcheng Building Materials Co. Ltd.	1,000.00	1,000.00	2019.03.27	2020.03.27	No
Shouguang City Construction Investment Development Co. Ltd.	Shouguang Quality Investment Development Co. Ltd.	89,236.00	89,236.00	2019.04.19	2027.04.19	No
Shouguang City Construction Investment Development Co. Ltd.	Shouguang Quality Investment Development Co. Ltd.	30,000.00	30,000.00	2019.07.10	2027.07.09	No
Shouguang City Construction Investment Development Co. Ltd.	Shouguang Xicheng Heating Co. Ltd.	15,000.00	15,000.00	2015.11.24	2024.11.24	No
Shouguang City Construction Investment Development Co. Ltd.	Shouguang Jinhui Heating Co. Ltd.	8,000.00	8,000.00	2019.04.26	2020.04.26	No
Shouguang jinhui heating Co. Ltd.	Shouguang Xicheng Heating Co. Ltd.	9,600.00	9,600.00	2015.11.24	2024.11.24	No
Shouguang hengan construction and installation engineering Co. Ltd.	Shouguang Jinhui Heating Co. Ltd.	5,000.00	5,000.00	2019.04.19	2022.04.17	No

③ Balance of receivables of related parties

Item	Closing balance		Opening balance	
	Carrying amount	Allowance for doubtful accounts	Carrying amount	Allowance for doubtful accounts
Other receivables				
Shouguang City Investment Holding Group Co. Ltd.	6,887,202.11	344,360.10		

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Item	Closing balance		Opening balance	
	Carrying amount	Allowance for doubtful accounts	Carrying amount	Allowance for doubtful accounts
Shouguang City Investment Real Estate Development Co. Ltd.	206,336.00	103,168.00	211,336.00	41,767.20
Shouguang Cultural Development Co. Ltd.	181,821,846.20	9,146,587.48	164,319.43	26,714.36
Shandong Jinyingli New Material Technology Co. Ltd.	9,161,170.30	458,058.52	34,939,672.00	17,469,836.00
Total	198,076,554.61	10,052,174.10	35,315,327.43	17,538,317.56

④ Balance of payments payable by related parties

Item	Closing balance	Opening balance
Advance payment		
Shandong Jinyingli New Material Technology Co. Ltd.	1,813,676.06	
Total	1,813,676.06	
Other payables		
Shouguang Jincai Public Asset Management Co., Ltd.	441,946.67	21,299,120.00
Shouguang Cultural Development Co. Ltd.	4,349,555.62	4,326,977.05
Shouguang City Investment Holding Group Co. Ltd.	73,201.80	
Total	4,864,704.09	25,626,097.05

XII. Notes to Major Items in Financial Statements of the Parent

1.Trade Receivables

Classification	Closing balance	
	Gross carrying amount	Allowance for doubtful accounts

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	Amount	Proportion (%)	Amount	Proportion (%)
Single item of significant amount and single provision for bad debt accounts receivable				
According to the credit risk characteristics of the portfolio of accounts receivable provision for bad debts	1,178,138,175.03	100.00	4,674,803.28	-
Less combination of aging analysis method	86,012,860.62	7.30	4,674,803.28	5.44
Individually identified combination	1,092,125,314.41	92.70		
Single amount is not significant, but the single provision for bad debt accounts receivable				
Total	1,178,138,175.03	100.00	4,674,803.28	-

(Continued)

Classification	Opening balance			
	Gross carrying amount		Allowance for doubtful accounts	
	Amount	Proportion (%)	Amount	Proportion (%)
Single item of significant amount and single provision for bad debt accounts receivable				
According to the credit risk characteristics of the portfolio of accounts receivable provision for bad debts	988,869,893.66	100.00	1,140,346.84	-
Less combination of aging analysis method	20,051,281.82	2.03	1,140,346.84	5.69
Individually identified combination	968,818,611.84	97.97		
Single amount is not significant, but the single provision for bad debt accounts receivable				
Total	988,869,893.66	100.00	1,140,346.84	-

Note accounts receivable at the end of the balance of Shouguang city bureau of finance and the subordinate financial bureau money there is no risk of bad debts, no provision for bad debts.Accounts receivable within the scope of consolidation of related party, no bad debts.

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1) Trade receivables that are collectively assessed for impairment as in a group of receivables of shared credit risk characteristics

① Using aging analysis method

Aging	Closing balance			Opening balance		
	Gross carrying amount		Allowance for doubtful accounts	Gross carrying amount		Allowance for doubtful accounts
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year	83,868,583.70	97.51	4,193,429.19	17,730,026.92	88.42	886,501.35
1-2 years	126,412.92	0.15	12,641.29	2,104,054.90	10.49	210,405.49
2-3 years	1,800,664.00	2.09	360,132.80	217,200.00	1.08	43,440.00
Over 3 years	217,200.00	0.25	108,600.00			
Total	86,012,860.62	100.00	4,674,803.28	20,051,281.82	100.00	1,140,346.84

② Allowance for doubtful accounts provision changes

Opening balance	Current year	Decrease in current year		Closing balance
		Number of return	Number of resale	
1,140,346.84	3,534,456.44			4,674,803.28

2) Top five trade receivables classified by debtors at year end

The aggregate amount of the top five receivables collected by the company according to the year end balance of the debtors is 1,130,497,568.74 yuan, accounting for 98.74% of the total year end balance of the receivables. The aggregate amount of the corresponding year end balance of the bad debt provision is 3,609,332.14 yuan.

2.Other Receivables

Items	Closing balance	Opening balance
Interests receivable		

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Items	Closing balance	Opening balance
Dividends receivable		
Other receivables	1,714,264,759.87	1,489,305,799.90
Total	1,714,264,759.87	1,489,305,799.90

Other receivables

Items	Closing balance			
	Gross carrying amount		Allowance for doubtful accounts	
	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables in which a single amount is material and provision for bad debts is separately calculated and withdrawn				
According to the credit risk characteristics of the portfolio of bad debt provision for other receivables	1,761,248,624.89	100.00	46,983,865.02	-
Including Combination of aging analysis method	337,173,878.91	19.14	46,983,865.02	13.93
Individually identified combination	1,424,074,745.98	80.86		
Although the amount of a single item is not material, other receivables are separately calculated and withdrawn for bad debt provision				
Total	1,761,248,624.89	100.00	46,983,865.02	-

(Continued)

Items	Opening balance			
	Gross carrying amount		Allowance for doubtful accounts	
	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables in which a single amount is				

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Items	Opening balance			
	Gross carrying amount		Allowance for doubtful accounts	
	Amount	Proportion (%)	Amount	Proportion (%)
material and provision for bad debts is separately calculated and withdrawn				
According to the credit risk characteristics of the portfolio of bad debt provision for other receivables	1,523,873,192.22	100.00	34,567,392.32	-
Including Combination of aging analysis method	164,293,195.92	10.78	34,567,392.32	21.04
Individually identified combination	1,359,579,996.30	89.22		
Although the amount of a single item is not material, other receivables are separately calculated and withdrawn for bad debt provision				
Total	1,523,873,192.22	100.00	34,567,392.32	-

Note in the balance of other receivables at the end of the year, accounts receivable from Shouguang Finance Bureau, Yangkou town government, Luocheng street, etc., there is no risk of bad debt, and no provision for bad debt.

1) Other receivables that are collectively assessed for impairment as in a group of receivables of shared credit risk characteristics

① Using aging analysis method

Aging	Closing balance			Opening balance		
	Gross carrying amount		Allowance for doubtful accounts	Gross carrying amount		Allowance for doubtful accounts
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year	241,081,279.16	71.50	12,054,063.96	77,530,565.54	47.19	3,876,528.28
1-2 years	17,780,509.33	5.27	1,778,050.93	25,182,065.91	15.33	2,518,206.60
2-3 years	20,014,316.95	5.94	4,002,863.39	8,725,416.00	5.31	1,745,083.20

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Aging	Closing balance			Opening balance		
	Gross carrying amount		Allowance for doubtful accounts	Gross carrying amount		Allowance for doubtful accounts
	Amount	Proportion (%)		Amount	Proportion (%)	
Over 3 years	58,297,773.47	17.29	29,148,886.74	52,855,148.47	32.17	26,427,574.24
Total	337,173,878.91	100.00	46,983,865.02	164,293,195.92	100.00	34,567,392.32

② Allowance for doubtful accounts provision changes

Opening balance	Current year	Decrease in current year		Closing balance
		Number of return	Number of resale	
34,567,392.32	12,416,472.70			46,983,865.02

2) Top five other receivables classified by debtors at year end

The aggregate amount of the top five other receivables collected by the company in accordance with the year-end balance of the debtors is 1,251,409,904.07 yuan, accounting for 71.05% of the total balance of other receivables at the end of the year. The aggregate amount of the year-end balance of the bad debt provision calculated and withdrawn accordingly is 31,952,712.34 yuan.

3.Long-term Equity Investments

1) Classification of long-term equity investments

Items	Opening balance	Increase in current year	Decrease in current year	Closing balance
Invest in subsidiaries	276,402,984.36	69,450,000.00		345,852,984.36
Invest in joint ventures				
Invest in associates	2,598,171,118.22	79,388,576.61		2,677,559,694.83
Subtotal	2,874,574,102.58	148,838,576.61	-	3,023,412,679.19
Less Impairment provision for long-term equity investment				

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Items	Opening balance	Increase in current year	Decrease in current year	Closing balance
Total	2,874,574,102.58	148,838,576.61	-	3,023,412,679.19

2) Details of long-term equity investment

Investee	Cost of investment	Opening balance	Increase/ decrease in current year			
			Increase in investments	Decrease in investments	Investment gain or loss recognized under equity method	Adjustment in other comprehensive income
Total						
I. Subsidiaries	340,102,984.36	276,402,984.36	69,450,000.00			
Shouguang Jinhui Heating Co. Ltd.	20,000,000.00	20,000,000.00				
Shouguang Haohan Concrete Co. Ltd.	32,000,000.00	32,000,000.00				
Shouguang Runcheng Building Materials Co. Ltd.	10,000,000.00	10,000,000.00				
Shouguang Longxiang Culture Media Co. Ltd.	5,000,000.00	5,000,000.00				
Shouguang Hengan Architectural Decoration Co. Ltd.	6,480,868.43	6,480,868.43				
Shouguang Jinrun Trading Co. Ltd.	28,820,815.93	2,220,815.93	26,600,000.00			
Shouguang Meijie Property Management Service Co. Ltd.	500,000.00	500,000.00				
Shouguang Xicheng Heating Co. Ltd.	60,000,000.00	60,000,000.00				

[English version is for translation purpose only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail]

Investee	Cost of investment	Opening balance	Increase/ decrease in current year			
			Increase in investments	Decrease in investments	Investment gain or loss recognized under equity method	Adjustment in other comprehensive income
Shouguang Sun City Pension Service Co. Ltd.	30,000,000.00	30,000,000.00				
Shouguang City Parking Management Service Co. Ltd.	800,000.00	800,000.00	5,750,000.00			
Shouguang Ancheng Gas Co. Ltd.	40,000,000.00	30,000,000.00	10,000,000.00			
Shouguang Hengan Construction And Installation Engineering Co. Ltd.	20,000,000.00	20,000,000.00				
Shouguang Chengtou Bridge Engineering Management Co. Ltd.	59,401,300.00	59,401,300.00				
Shouguang Quality Investment Development Co. Ltd.	27,100,000.00		27,100,000.00			
II.Joint ventures						
III.Associates	199,512,306.04	2,598,171,118.22	56,268,800.00		23,119,776.61	
Shandong Jinyingli New Material Technology Co. Ltd.	11,916,000.00	11,943,596.69	56,268,800.00		-425,233.56	
Shouguang Petrochina Kunlun gas Co. Ltd.	8,250,000.00	3,624,828.00			-253,615.71	
Shouguang Chengfa Investment Co. Ltd.	9,000,000.00	8,722,380.51			-733,155.07	
Shouguang Jincai Public Asset Management Co.,	150,000,000.00	2,554,185,654.03			23,881,643.58	

Investee	Cost of investment	Opening balance	Increase/ decrease in current year			
			Increase in investments	Decrease in investments	Investment gain or loss recognized under equity method	Adjustment in other comprehensive income
Ltd.						
Shandong Luyang Natural gas Co. Ltd.	20,346,306.04	19,694,658.99			650,137.37	

(Continued)

Investee	Increase/ decrease in current year				Closing balance	Closing balance of loss allowance
	Other changes in equity	Cash dividends declared and profits to be distributed	Loss allowance	Others		
Total						
I. Subsidiaries					345,852,984.36	
Shouguang Jinhui Heating Co. Ltd.					20,000,000.00	
Shouguang Haohan Concrete Co. Ltd.					32,000,000.00	
Shouguang Runcheng Building Materials Co. Ltd.					10,000,000.00	
Shouguang Longxiang Culture Media Co. Ltd.					5,000,000.00	
Shouguang Hengan Architectural Decoration Co. Ltd.					6,480,868.43	
Shouguang Jinrun Trading Co. Ltd.					28,820,815.93	
Shouguang Meijie Property Management Service Co. Ltd.					500,000.00	
Shouguang Xicheng Heating Co. Ltd.					60,000,000.00	

[English version is for translation purpose only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail]

Investee	Increase/ decrease in current year				Closing balance	Closing balance of loss allowance
	Other changes in equity	Cash dividends declared and profits to be distributed	Loss allowance	Others		
Shouguang Sun City Pension Service Co. Ltd.					30,000,000.00	
Shouguang City Parking Management Service Co. Ltd.					6,550,000.00	
Shouguang Ancheng Gas Co. Ltd.					40,000,000.00	
Shouguang Hengan Construction And Installation Engineering Co. Ltd.					20,000,000.00	
Shouguang Chengtou Bridge Engineering Management Co. Ltd.					59,401,300.00	
Shouguang Quality Investment Development Co. Ltd.					27,100,000.00	
II.Joint ventures						
III.Associates					2,677,559,694.83	
Shandong Jinyingli New Material Technology Co. Ltd.					67,787,163.13	
Shouguang Petrochina Kunlun gas Co. Ltd.					3,371,212.29	
Shouguang Chengfa Investment Co. Ltd.					7,989,225.44	
Shouguang Jincai Public Asset Management Co., Ltd.					2,578,067,297.61	
Shandong Luyang Natural gas Co. Ltd.					20,344,796.36	

4.Operating Revenue and Operating Costs

1) Details of operating income

Items	Current year	Prior year

[English version is for translation purpose only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail]

	Revenue	Costs	Revenue	Costs
Principal operating activities	736,129,822.05	407,244,704.05	339,015,321.38	294,044,920.83
Other operating activities	80,101,764.72	34,372,066.42	45,665,163.31	26,578,703.87
Total	816,231,586.77	441,616,770.47	384,680,484.69	320,623,624.70

5.Investment Income

Sources for investment income	Current year	Prior year
Equity method of accounting for long-term equity investment income	23,119,776.61	13,543,647.52
Disposal of investment income from long-term equity investments		-1,682,658.86
Total	23,119,776.61	11,860,988.66

6.Cash Flow Statement

1) Information on adjusting net profit to cash flow from operating activities according to the indirect method

Additional information	Current year	Prior year
1. Adjust net profit to cash flow from operating activities	—	—
Net profit	109,548,000.29	71,265,771.87
Plus Asset impairment provision	15,950,929.14	-36,051,040.31
Depreciation of fixed assets, depletion of oil and gas assets and depreciation of productive biological assets	44,169,003.55	36,015,696.22
Amortization of intangible assets	3,359,670.92	3,176,861.41
Amortization of long-term prepaid expenses	12,544,770.13	11,048,595.45
Loss on disposal of fixed assets, intangible assets and other long-term assets (marked with "-" for earnings)		
Loss of scrapping fixed assets (income marked with "-")	2,187.93	

[English version is for translation purpose only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail]

Additional information	Current year	Prior year
Fair value change loss (earnings marked with "-")		
Financial expenses (income marked with "-")	319,994,443.54	236,127,204.48
Investment loss (marked with "-" for earnings)	-23,119,776.61	-11,860,988.66
Reduction of deferred tax assets (increase marked with "-")		
Deferred income tax liability increase (decrease marked with "-")		
Inventory reduction (increase marked with "-")	-417,621,945.44	-1,260,535,882.83
Reduction of operating receivables (increase marked with "-")	-701,616,895.45	-81,419,126.66
Increase of operational items payable (decrease marked with "-")	1,360,106,385.63	772,204,538.26
Other		
Net cash flow from operating activities	723,316,773.63	-260,028,370.77
2. Major investment and financing activities not involving cash receipts and payments		
Debt to capital		
Convertible corporate bonds maturing within one year		
Financing leasing of fixed assets		
3. Net change of cash and cash equivalents		
The year-end balance of cash	1,051,873,034.27	180,960,280.35
Minus cash at the beginning of the year	180,960,280.35	358,712,604.33
Plus year-end balance of cash equivalents		
Minus the beginning balance of a cash equivalent		
Net increase in cash and cash equivalents	870,912,753.92	-177,752,323.98

2) Composition of cash and cash equivalents

Item	Current year	Prior year

[English version is for translation purpose only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail]

Item	Current year	Prior year
Cash	1,051,873,034.27	180,960,280.35
Including Cash on hand	18,000.00	8,100.00
Demand deposits	1,051,855,034.27	180,952,180.35
Other monetary funds available for payment		
Demand deposits in central bank		
Deposits in banks and other financial institutions		
Loans to banks and other financial institutions		
II. Cash equivalents		
Including Bond investments due within three months		
III. Closing balance of cash and cash equivalents	1,051,873,034.27	180,960,280.35

XIII. Approval of Financial Statements

This financial statement has been approved by the board of directors of the company on April 24, 2020.

瑞华会计师事务所
RUIHUA CERTIFIED PUBLIC ACCOUNTANTS

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Auditor’s Report

RHSZ[2019]95010012

To the Board of Directors of Shouguang City Construction Investment Development Co., Ltd. :

1. Audit Opinion

We have audited the accompanying consolidated financial statements of Shouguang City Construction Investment Development Co.,Ltd. (the "Company"), which comprise the consolidated statement of financial position as of 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidate statement of cash flows for the year then ended, Statement of Changes in Equity as of 2018, as well as notes to the consolidated financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2018, its consolidated financial performance, and its consolidated cash flows for the year then ended, in accordance with China Accounting Standards for Business Enterprises.

2. Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the “Auditor's Responsibilities for the Audit of the Financial Statements” section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants ("CICPA Code"), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Other Information

Management is responsible for the other information. The other information comprises the information in the 2018 report, but does not include the financial statements and our auditor's report hereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

4. Responsibilities of Management and those Charged With Governance for the Financial Statements

Management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with the CASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

5. Auditor's Responsibilities for the Audit of the Financial

Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(4) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in these financial statements, or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

Ruihua Certified Public Accountants	Chinese Certified Public Accountant: Xixian Wang
Beijing, China	Chinese Certified Public Accountant: Keshu Ma

22-04-2019

Consolidated Statement of Financial Position

2018/12/31

Prepared by: Shouguang City Construction Investment Development Co., Ltd. **Currency: CNY**

Items	Notes	Closing Balance	Opening Balance
Current assets:			
Monetary funds	7(1)	873,820,713.74	924,024,225.65
Financial assets measured at fair value through profit or loss			
Derivative financial assets			
Notes receivable and trade receivables	7(2)	1,183,046,100.09	811,155,263.11
Advances to suppliers	7(3)	189,465,048.49	116,281,931.09
Other receivables	7(4)	1,190,167,459.87	1,044,349,038.60
Inventories	7(5)	3,517,517,155.22	2,176,510,632.79
Assets held for sale			
Non-current assets due within one year			
Other current assets	7(6)	74,776,074.01	32,795,850.72
Total current assets		**7,028,792,551.42**	**5,105,116,941.96**
Non-current assets：			
Available-for-sale financial assets	7(7)	62,000,000.00	89,000,000.00
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	7(8)	2,598,171,118.22	24,545,007.10
Investment properties	7(9)	871,062,271.98	842,933,879.04
Fixed assets	7(10)	791,648,465.19	783,531,077.29
Construction in progress	7(11)	193,615,515.35	215,958,527.78
Bearer biological assets			
Oil and gas assets			
Intangible assets	7(12)	403,733,069.62	411,218,071.85
Development expenditures			
Goodwill			
Long-term prepaid expenses	7(13)	43,046,723.72	23,492,389.91
Deferred tax assets	7(14)	44,656.56	40,644.73
Other non-current assets	7(15)	19,528,139.81	29,838,628.00
Total non-current assets		**4,982,849,960.45**	**2,420,558,225.70**
Total assets		**12,011,642,511.87**	**7,525,675,167.66**

Consolidated Statement of Financial Position (Con.)

2018/12/31

Prepared by: Shouguang City Construction Investment Development Co., Ltd. **Currency: CNY**

Items	Notes	Closing Balance	Opening Balance
Current liabilities:			
Short-term borrowings	7(16)	275,000,000.00	275,000,000.00
Financial liabilities measured at fair value through profit or loss			
Derivative financial liabilities			
Notes payable and trade payables	7(17)	733,059,627.38	598,747,892.10
Advances from customers	7(18)	599,077,721.93	264,719,848.99
Employee benefits payable	7(19)	77,595.77	171,669.44
Tax and surcharge payable	7(20)	53,788,883.64	11,592,044.08
Other payables	7(21)	479,926,434.52	225,071,700.28
Liabilities held for sale			
Non-current liabilities due within one year	7(22)	630,222,010.68	715,376,261.29
Other liabilities			
Total current liabilities		**2,771,152,273.92**	**2,090,679,416.18**
Non-current liabilities:			
Long-term borrowings	7(23)	1,096,815,000.00	990,000,000.00
Bonds payable	7(24)	2,466,000,000.00	1,812,000,000.00
Including: Preference shares			
Perpetual debts			
Long-term payables	7(25)	637,120,179.18	210,446,297.38
Employee benefits payable			
Provisions			
Deferred income			
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		**4,199,935,179.18**	**3,012,446,297.38**
Total liabilities		**6,971,087,453.10**	**5,103,125,713.56**
Owners' equity (or Shareholders' equity):			
Paid-in capital (or share capital)	7(26)	150,000,000.00	150,000,000.00
Other equity instruments			
Including: Preference shares			
Perpetual debts			
Capital reserve	7(27)	4,011,167,030.16	1,488,728,334.38
Less: Treasury shares			
Other comprehensive income			
Special reserve			
Surplus reserve	7(28)	76,189,370.35	76,189,370.35
Undistributed profits	7(29)	762,364,420.29	687,525,248.23
Total owners' equity (or shareholders' equity) attributable to the parent		4,999,720,820.80	2,402,442,952.96
*Non-controlling interests		40,834,237.97	20,106,501.14
Total owners' equity (or shareholders' equity)		**5,040,555,058.77**	**2,422,549,454.10**
Total liabilities and owners' equity (or shareholders' equity)		**12,011,642,511.87**	**7,525,675,167.66**

Page 16 to 89 in the Notes to Financial Statements are an integral part of these financial statements.

Page 4 to 15 of the Financial Statements are signed by the following persons:

Legal Representative: **Chief Financial Officer:** **Head of Accounting Department:**

Consolidated Statement of Comprehensive Income

2018

Prepared by: Shouguang City Construction Investment Development Co., Ltd. **Currency: CNY**

Items	Notes	Current Year	Prior Year
1. Total operating revenue	7(30)	**688,415,324.37**	**585,528,209.04**
Including: Operating revenue	7(30)	**688,415,324.37**	**585,528,209.04**
2. Total operating costs		**922,090,466.11**	**799,560,745.36**
Including: Operating costs	3(30)	567,442,712.37	451,108,793.21
Taxes and surcharges	7(31)	41,471,922.82	43,251,182.84
Selling expenses	7(32)	9,650,637.59	5,440,779.77
Administrative expenses	7(33)	51,931,191.00	50,317,319.70
Research and development expenses			
Financial expenses	7(34)	280,713,997.74	209,389,436.08
Including: interest expense	7(34)	299,739,658.05	216,900,316.97
Interest income	7(34)	38,182,090.96	21,167,490.06
Assets impairment losses	7(35)	-29,119,995.41	40,053,233.76
Add: Other income	7(36)	292,306,095.00	307,079,094.00
Investment income (losses expressed with "-")	7(37)	13,894,727.26	-734,586.36
Including: investment income from associates and joint ventures	7(37)	13,543,647.52	-1,646,956.48
Gains from changes in fair value (losses expressed with "-")			
Gains on disposal of assets (losses expressed with "-")	7(38)		-21,250.00
3. Operating profit (loss expressed with "-")		72,525,680.52	92,290,721.32
Add: Non-operating income	7(39)	726,843.47	1,782,811.34
Less: Non-operating expenses	7(40)	2,713,632.15	3,531,713.36
4. Total profit (loss expressed with "-")		70,538,891.84	90,541,819.30
Less: Income tax expenses	7(41)	429,682.95	1,508,294.75
5. Net profit (net loss expressed with "-")		**70,109,208.89**	**89,033,524.55**
A. Classified by continuing and discontinued operations			
Net profit from continuing operations		70,109,208.89	89,033,524.55
Net profit from discontinued operations			
B. Attributable to			
Shareholders of the parent		-4,729,963.17	-4,070,190.45
*Non-controlling interests		74,839,172.06	93,103,715.00
6. Other comprehensive income, net of income tax			
Attributable to shareholders of the parent			
A. Items that will not be reclassified subsequently to profit or loss			
1. Remeasurement of defined benefit liability/(asset)			
2. Other comprehensive income that cannot be reclassified to profit or loss under equity method			
B. Items that may be reclassified subsequently to profit or loss			
1.Other comprehensive income that can be reclassified to profit or loss under equity method			
2. Gains or losses on changes in fair value of available-for-sale financial assets			
3. Gains or losses on reclassification of held-to-maturity investments to available-for-sale financial assets			
4. Cash flow hedge reserve (Effective portion of gains or losses on cash flow hedge)			
5. Translation differences of financial statements presented in foreign currencies			
6. Others			
*Attributable to non-controlling interests			
7. Total comprehensive income		**70,109,208.89**	**89,033,524.55**
Attributable to shareholders of the parent		**74,839,172.06**	**93,103,715.00**
*Attributable to non-controlling interests		**-4,729,963.17**	**-4,070,190.45**
8. Earnings per share			
Basic earnings per share			
Diluted earnings per share			

Page 16 to 89 in the Notes to Financial Statements are an integral part of these financial statements.

Page 4 to 15of the Financial Statements are signed by the following persons:

Legal Representative: **Chief Financial Officer:** **Head of Accounting Department:**

Consolidated Statement of Cash Flows

2018

Prepared by: Shouguang City Construction Investment Development Co., Ltd. **Currency: CNY**

Items	Notes	Current Year	Prior Year
1. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		824,306,329.11	698,671,656.28
Refunds of taxes and surcharges			
Cash received relating to other operating activities		503,484,087.50	486,192,651.86
Sub-total of cash inflows from operating activities		**1,327,790,416.61**	**1,184,864,308.14**
Cash paid for goods and services		1,371,759,173.75	769,587,667.83
Cash paid to and on behalf of employees		38,013,038.49	30,792,762.08
Cash paid for taxes and surcharges		59,198,613.00	51,549,844.28
Cash paid relating to other operating activities		603,728,328.57	185,069,732.05
Sub-total of cash outflows from operating activities		**2,072,699,153.81**	**1,037,000,006.24**
Net cash flows from operating activities		**-744,908,737.20**	**147,864,301.90**
2. Cash flows from investing activities:			
Cash received from disposal of investments			
Cash received from investment income			291,422.52
Net cash received from disposal of fixed asses, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other business units		1,842,337.18	
Cash received relating to other investing activities			17,993,353.20
Sub-total of cash inflows from investing activities		**1,842,337.18**	**18,284,775.72**
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		69,505,392.71	252,084,672.84
Cash paid for acquisition of investments		20,916,000.00	20,600,000.00
Cash paid for obtaining subsidiaries and other business units			
Cash paid relating to other investing activities			40,019,878.54
Sub-total of cash outflows from investing activities		**90,421,392.71**	**312,704,551.38**
Net cash flows from investing activities		**-88,579,055.53**	**-294,419,775.66**
3. Cash flows from financing activities:			
Cash received from capital contributions		25,457,700.00	
Including: Cash received from non-controlling shareholders' capital contributions to subsidiaries		25,457,700.00	
Cash received from borrowings		615,815,000.00	1,131,000,000.00
△Proceeds from issue of debt securities		870,000,000.00	1,270,000,000.00
Cash received relating to other financing activities		1,138,300,000.00	284,600,000.00
Sub-total of cash inflows from financing activities		**2,649,572,700.00**	**2,685,600,000.00**
Cash repayments of borrowings		974,000,000.00	1,321,200,000.00
Cash payments for distribution of dividends, profits, or for interest expenses		248,941,918.33	173,038,658.28
Including: Subsidiaries' cash payments for distribution of dividends or profits to non-controlling shareholders			
Cash paid relating to other financing activities		584,796,500.85	670,075,591.86
Sub-total of cash outflows from financing activities		**1,807,738,419.18**	**2,164,314,250.14**
Net cash flows from financing activities		**841,834,280.82**	**521,285,749.86**
4. Effect of foreign exchange rate changes on cash and cash equivalents			
5. Net increase/ (decrease) in cash and cash equivalents		8,346,488.09	374,730,276.10
Add: Opening balance of cash and cash equivalents		480,724,225.65	105,993,949.55
6. Closing balance of cash and cash equivalents		**489,070,713.74**	**480,724,225.65**

Page 16 to 89 in the Notes to Financial Statements are an integral part of these financial statements.

Page 4 to 15 of the Financial Statements are signed by the following persons:

Legal Representative: **Chief Financial Officer:** **Head of Accounting Department:**

Consolidated Statement of Changes in Equity

2018

Prepared by: Shouguang City Construction Investment Development Co., Ltd. | **Currency: CNY**

Items	Current Year														
	Shareholders' equity attributable to the parent													Non-controlling interests	Total shareholders' equity
	Paid-in capital (Share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	△General risk reserve	Undistributed profits	Others	Sub-total		
		Preference shares	Perpetual debts	Others											
I. Closing balance of prior year	150,000,000.00				1,488,728,334.38				76,189,370.35		687,525,248.23		2,402,442,952.96	20,106,501.14	**2,422,549,454.10**
Add: Changes in accounting policies															
Corrections of prior period errors															
Business combination under the same control															
Others															
II. Opening balance of current year	150,000,000.00				1,488,728,334.38				76,189,370.35		687,525,248.23		2,402,442,952.96	20,106,501.14	**2,422,549,454.10**
III. Changes in current year (decrease expressed with "-")					2,522,438,695.78						74,839,172.06		2,597,277,867.84	20,727,736.83	**2,618,005,604.67**
(i) Total comprehensive income											74,839,172.06		74,839,172.06	-4,729,963.17	**70,109,208.89**
(ii) Contributions by and distributions to owners					2,522,438,695.78								2,522,438,695.78	25,457,700.00	**2,547,896,395.78**
1. Issue of ordinary shares														25,457,700.00	**25,457,700.00**
2. Capital contributions from other equity instruments holders															
3. Share-based payments recognized in shareholders' equity															
4. Others					2,522,438,695.78								2,522,438,695.78		**2,522,438,695.78**
(iii) Special reserve															
1. Appropriation to special reserve															
2. Use of special reserve															
(iii) Profit distribution															
1. Appropriation to surplus reserve															
Including: Statutory surplus reserve															
Discretionary surplus reserve															
2. General risk reserve															
3. Distributions to shareholders															
4. Others															
(iv) Internal transfer of shareholders' equity															
1. Capitalization of capital reserve															
2. Capitalization of surplus reserve															
3. Making up losses from surplus reserve															
4. Transfer of changes in defined benefit plans to retained earnings															
5. Others															
(v) Special reserve															
1. Appropriation to special reserve															
2. Use of special reserve															
(vi) Others															
IV. Closing balance of current year	150,000,000.00				4,011,167,030.16				76,189,370.35		762,364,420.29		4,999,720,820.80	40,834,237.97	**5,040,555,058.77**

Page 16 to 89 in the Notes to Financial Statements are an integral part of these financial statements.

Page 4 to 15 of the Financial Statements are signed by the following persons:

Legal Representative: **Chief Financial Officer:** **Head of Accounting Department:**

Consolidated Statement of Changes in Equity (Con.)

2018

Prepared by: Shouguang City Construction Investment Development Co., Ltd. **Currency: CNY**

Items	Prior Year														
	Shareholders' equity attributable to the parent													Non-controlling interests	Total shareholders' equity
	Paid-in capital (Share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	△General risk reserve	Undistributed profits	Others	Sub-total		
		Preference shares	Perpetual debts	Others											
I. Closing balance of prior year	150,000,000.00				1,487,995,106.29				66,159,520.18		604,451,383.40		2,308,606,009.87	24,176,691.59	**2,332,782,701.46**
Add: Changes in accounting policies															
Corrections of prior period errors															
Business combination under the same control															
Others															
II. Opening balance of current year	150,000,000.00				1,487,995,106.29				66,159,520.18		604,451,383.40		2,308,606,009.87	24,176,691.59	**2,332,782,701.46**
III. Changes in current year (decrease expressed with "-")					733,228.09				10,029,850.17		83,073,864.83		93,836,943.09	-4,070,190.45	**89,766,752.64**
(i) Total comprehensive income											93,103,715.00		93,103,715.00	-4,070,190.45	**89,033,524.55**
(ii) Contributions by and distributions to owners					733,228.09								733,228.09		**733,228.09**
1. Issue of ordinary shares															
2. Capital contributions from other equity instruments holders															
3. Share-based payments recognized in shareholders' equity															
4. Others					733,228.09								733,228.09		**733,228.09**
2. Use of special reserve															
(iii) Profit distribution									10,029,850.17		-10,029,850.17				
1. Appropriation to surplus reserve									10,029,850.17		-10,029,850.17				
2. General risk reserve															
3. Distributions to shareholders															
4. Others															
(iv) Internal transfer of shareholders' equity															
1. Capitalization of capital reserve															
2. Capitalization of surplus reserve															
3. Making up losses from surplus reserve															
4. Transfer of changes in defined benefit plans to retained earnings															
5. Others															
(v) Special reserve															
1. Appropriation to special reserve															
2. Use of special reserve															
(vi) Others															
IV. Closing balance of current year	150,000,000.00				1,488,728,334.38				76,189,370.35		687,525,248.23		2,402,442,952.96	20,106,501.14	**2,422,549,454.10**

Page 16 to 89 in the Notes to Financial Statements are an integral part of these financial statements.

Page 4 to 15 of the Financial Statements are signed by the following persons:

Legal Representative: **Chief Financial Officer:** **Head of Accounting Department:**

Statement of Financial Position

2018/12/31

Prepared by: Shouguang City Construction Investment Development Co., Ltd. **Currency: CNY**

Items	Notes	Closing Balance	Opening Balance
Current assets:			
Monetary funds		360,710,280.35	536,212,604.33
Financial assets measured at fair value through profit or loss			
Derivative financial assets			
Notes receivable and trade receivables	14(1)	1,052,569,546.82	736,346,480.98
Advances to suppliers		114,139,156.62	81,160,449.39
Other receivables	14(2)	1,489,305,799.90	1,720,131,974.64
Inventories		3,332,262,628.73	2,071,726,745.90
Assets held for sale			
Non-current assets due within one year			
Other current assets		64,681,079.35	25,236,080.75
Total current assets		**6,413,668,491.77**	**5,170,814,335.99**
Non-current assets：			
Available-for-sale financial assets		62,000,000.00	62,000,000.00
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	14(3)	2,874,574,102.58	215,206,991.96
Investment properties		871,062,271.98	842,933,879.04
Fixed assets		370,265,648.88	374,936,640.64
Construction in progress		96,208,832.72	121,245,028.92
Bearer biological assets			
Oil and gas assets			
Intangible assets		114,778,572.18	116,946,072.80
Development expenditures			
Goodwill			
Long-term prepaid expenses		20,474,960.65	21,014,122.14
Deferred tax assets			
Other non-current assets		19,426,198.06	19,410,000.00
Total non-current assets		**4,428,790,587.05**	**1,773,692,735.50**
Total assets		**10,842,459,078.82**	**6,944,507,071.49**

Statement of Financial Position (Con.)

2018/12/31

Prepared by: Shouguang City Construction Investment Development Co., Ltd. **Currency: CNY**

Items	Notes	Closing Balance	Opening Balance
Current liabilities:			
Short-term borrowings			
Financial liabilities measured at fair value through profit or loss			
Derivative financial liabilities			
Notes payable and trade payables		488,271,492.59	400,983,239.15
Advances from customers		544,963,268.05	213,751,747.12
Employee benefits payable		21,921.43	115,925.61
Tax and surcharge payable		42,598,315.01	1,766,193.50
Other payables		1,087,695,748.77	686,569,328.88
Liabilities held for sale			
Non-current liabilities due within one year		412,183,333.32	568,850,000.00
Other liabilities			
Total current liabilities		**2,575,734,079.17**	**1,872,036,434.26**
Non-current liabilities:			
Long-term borrowings		605,000,000.00	720,000,000.00
Bonds payable		2,466,000,000.00	1,812,000,000.00
Including: Preference shares			
Perpetual debts			
Long-term payables		191,976,846.68	131,160,180.00
Employee benefits payable			
Provisions			
Deferred income			
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		**3,262,976,846.68**	**2,663,160,180.00**
Total liabilities		**5,838,710,925.85**	**4,535,196,614.26**
Owners' equity (or Shareholders' equity):			
Paid-in capital (or share capital)		150,000,000.00	150,000,000.00
Other equity instruments			
Including: Preference shares			
Perpetual debts			
Capital reserve		4,011,167,030.16	1,487,995,106.29
Less: Treasury shares			
Other comprehensive income			
Special reserve			
Surplus reserve		76,189,370.35	76,189,370.35
Undistributed profits		766,391,752.46	695,125,980.59
Total owners' equity (or shareholders' equity)		**5,003,748,152.97**	**2,409,310,457.23**
Total liabilities and owners' equity (or shareholders' equity)		**10,842,459,078.82**	**6,944,507,071.49**

Page 16 to 89 in the Notes to Financial Statements are an integral part of these financial statements.

Page 4 to 15 of the Financial Statements are signed by the following persons:

Legal Representative: **Chief Financial Officer:** **Head of Accounting Department:**

Statement of Comprehensive Income

2018

Prepared by: Shouguang City Construction Investment Development Co., Ltd. **Currency: CNY**

Items	Notes	Current Year	Prior Year
1. Total operating revenue	14(4)	**384,680,484.69**	**344,898,167.44**
Less: Operating costs	14(4)	320,623,624.70	260,200,722.22
Taxes and surcharges		37,294,188.85	40,919,622.32
Selling expenses		9,302,197.70	4,573,033.73
Administrative expenses		28,663,754.40	26,606,563.44
Research and development expenses			
Financial expenses		222,959,068.04	150,549,942.89
Including: interest expense		232,022,204.48	170,082,071.78
Interest income		24,519,709.56	30,540,258.04
Assets impairment losses		-36,051,040.31	36,263,352.52
Add: Other income		258,516,095.00	278,319,094.00
Investment income (losses expressed with "-")	14(5)	11,860,988.66	-1,531,956.48
Including: investment income from associates and joint ventures		13,543,647.52	-1,646,956.48
Gains from changes in fair value (losses expressed with "-")			
Gains on disposal of assets (losses expressed with "-")			
2. Operating profit (loss expressed with "-")		**72,265,774.97**	**102,572,067.84**
Add: Non-operating income		353,455.05	96,391.10
Less: Non-operating expenses		1,353,458.15	2,369,957.20
3. Total profit (loss expressed with "-")		**71,265,771.87**	**100,298,501.74**
Less: Income tax expenses			
4. Net profit (net loss expressed with "-")		**71,265,771.87**	**100,298,501.74**
A. Attributable to			
Shareholders of the parent			
*Non-controlling interests			
B. Classified by continuing and discontinued operations			
Net profit from continuing operations		**71,265,771.87**	**100,298,501.74**
Net profit from discontinued operations			
5. Other comprehensive income, net of income tax			
Attributable to shareholders of the parent			
A. Items that will not be reclassified subsequently to profit or loss			
1. Remeasurement of defined benefit liability/(asset)			
2. Other comprehensive income that cannot be reclassified to profit or loss under equity method			
B. Items that may be reclassified subsequently to profit or loss			
1.Other comprehensive income that can be reclassified to profit or loss under equity method			
2. Gains or losses on changes in fair value of available-for-sale financial assets			
3. Gains or losses on reclassification of held-to-maturity investments to available-for-sale financial assets			
4. Cash flow hedge reserve (Effective portion of gains or losses on cash flow hedge)			
5. Translation differences of financial statements presented in foreign currencies			
6. Others			
*Attributable to non-controlling interests			
6. Total comprehensive income		**71,265,771.87**	**100,298,501.74**
Attributable to shareholders of the parent			
*Attributable to non-controlling interests		71,265,771.87	100,298,501.74
8. Earnings per share			
Basic earnings per share			
Diluted earnings per share			

Page 16 to 89 in the Notes to Financial Statements are an integral part of these financial statements.

Page 4 to 15 of the Financial Statements are signed by the following persons:

Legal Representative: **Chief Financial Officer:** **Head of Accounting Department:**

Statement of Cash Flows

2018

Prepared by: Shouguang City Construction Investment Development Co., Ltd. **Currency: CNY**

Items	Notes	Current Year	Prior Year
1. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		537,083,111.36	412,986,516.13
Refunds of taxes and surcharges			
Cash received relating to other operating activities		976,275,512.26	449,023,344.95
Sub-total of cash inflows from operating activities		**1,513,358,623.62**	**862,009,861.08**
Cash paid for goods and services		1,058,332,318.12	421,110,261.25
Cash paid to and on behalf of employees		11,754,384.72	9,151,412.99
Cash paid for taxes and surcharges		40,295,633.45	43,710,861.05
Cash paid relating to other operating activities		663,004,658.10	914,140,230.94
Sub-total of cash outflows from operating activities		**1,773,386,994.39**	**1,388,112,766.23**
Net cash flows from operating activities		**-260,028,370.77**	**-526,102,905.15**
2. Cash flows from investing activities:			
Cash received from disposal of investments			
Cash received from investment income			115,000.00
Net cash received from disposal of fixed asses, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other business units		2,423,741.72	
Cash received relating to other investing activities			17,993,352.90
Sub-total of cash inflows from investing activities		**2,423,741.72**	**18,108,352.90**
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		8,166,798.13	49,573,236.78
Cash paid for acquisition of investments		20,916,000.00	20,600,000.00
Cash paid for obtaining subsidiaries and other business units		86,151,300.00	7,550,000.00
Cash paid relating to other investing activities			40,009,939.27
Sub-total of cash outflows from investing activities		**115,234,098.13**	**117,733,176.05**
Net cash flows from investing activities		**-112,810,356.41**	**-99,624,823.15**
3. Cash flows from financing activities:			
Cash received from capital contributions			
Including: Cash received from non-controlling shareholders' capital contributions to subsidiaries			
Cash received from borrowings		45,000,000.00	700,000,000.00
Cash received relating to other financing activities		277,500,000.00	104,600,000.00
Sub-total of cash inflows from financing activities		**1,192,500,000.00**	**2,074,600,000.00**
Cash repayments of borrowings		566,000,000.00	826,000,000.00
Cash payments for distribution of dividends, profits, or for interest expenses		185,447,464.76	119,184,331.49
Including: Subsidiaries' cash payments for distribution of dividends or profits to non-controlling shareholders			
Cash paid relating to other financing activities		245,966,132.04	222,007,722.70
Sub-total of cash outflows from financing activities		**997,413,596.80**	**1,167,192,054.19**
Net cash flows from financing activities		**195,086,403.20**	**907,407,945.81**
4. Effect of foreign exchange rate changes on cash and cash equivalents			
5. Net increase/ (decrease) in cash and cash equivalents		-177,752,323.98	281,680,217.51
Add: Opening balance of cash and cash equivalents		358,712,604.33	77,032,386.82
6. Closing balance of cash and cash equivalents		**180,960,280.35**	**358,712,604.33**

Page 16 to 89 in the Notes to Financial Statements are an integral part of these financial statements.

Page 4 to 15 of the Financial Statements are signed by the following persons:

Legal Representative: **Chief Financial Officer:** **Head of Accounting Department:**

Statement of Changes in Equity

2018

Prepared by: Shouguang City Construction Investment Development Co., Ltd. **Currency: CNY**

Items	Current Year											
	Shareholders' equity attributable to the parent											Total shareholders' equity
	Paid-in capital (Share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	△General risk reserve	Undistributed profits	
		Preference shares	Perpetual debts	Others								
I. Closing balance of prior year	150,000,000.00				1,487,995,106.29				76,189,370.35		695,125,980.59	**2,409,310,457.23**
Add: Changes in accounting policies												
Corrections of prior period errors												
Others												
II. Opening balance of current year	150,000,000.00				1,487,995,106.29				76,189,370.35		695,125,980.59	**2,409,310,457.23**
III. Changes in current year (decrease expressed with "-")					2,523,171,923.87						71,265,771.87	**2,594,437,695.74**
(i) Total comprehensive income											71,265,771.87	**71,265,771.87**
(ii) Contributions by and distributions to owners					2,523,171,923.87							**2,523,171,923.87**
1. Issue of ordinary shares												
2. Capital contributions from other equity instruments holders												
3. Share-based payments recognized in shareholders' equity												
4. Others					2,523,171,923.87							**2,523,171,923.87**
(iii) Profit distribution												
1. Appropriation to surplus reserve												
2. General risk reserve												
3. Distributions to shareholders												
4. Others												
(iv) Internal transfer of shareholders' equity												
1. Capitalization of capital reserve												
2. Capitalization of surplus reserve												
3. Making up losses from surplus reserve												
4. Transfer of changes in defined benefit plans to retained earnings												
5. Others												
(v) Special reserve												
1. Appropriation to special reserve												
2. Use of special reserve												
(vi) Others												
IV. Closing balance of current year	150,000,000.00				4,011,167,030.16				76,189,370.35		766,391,752.46	**5,003,748,152.97**

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Statement of Changes in Equity (Con.)

2018

Prepared by: Shouguang City Construction Investment Development Co., Ltd. **Currency: CNY**

Items	Prior Year											
	Shareholders' equity attributable to the parent											Total shareholders' equity
	Paid-in capital (Share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	△General risk reserve	Undistributed profits	
		Preference shares	Perpetual debts	Others								
I. Closing balance of prior year	150,000,000.00				1,487,995,106.29				66,159,520.18		604,857,329.02	**2,309,011,955.49**
Add: Changes in accounting policies												
Corrections of prior period errors												
Others												
II. Opening balance of current year	150,000,000.00				1,487,995,106.29				66,159,520.18		604,857,329.02	**2,309,011,955.49**
III. Changes in current year (decrease expressed with "-")									10,029,850.17		90,268,651.57	**100,298,501.74**
(i) Total comprehensive income											100,298,501.74	**100,298,501.74**
(ii) Contributions by and distributions to owners												
1. Issue of ordinary shares												
2. Capital contributions from other equity instruments holders												
3. Share-based payments recognized in shareholders' equity												
4. Others												
(iii) Profit distribution									10,029,850.17		-10,029,850.17	
1. Appropriation to surplus reserve									10,029,850.17		-10,029,850.17	
2. General risk reserve												
3. Distributions to shareholders												
4. Others												
(iv) Internal transfer of shareholders' equity												
1. Capitalization of capital reserve												
2. Capitalization of surplus reserve												
3. Making up losses from surplus reserve												
4. Transfer of changes in defined benefit plans to retained earnings												
5. Others												
(v) Special reserve												
1. Appropriation to special reserve												
2. Use of special reserve												
(vi) Others												
IV. Closing balance of current year	150,000,000.00				1,487,995,106.29				76,189,370.35		695,125,980.59	**2,409,310,457.23**

Page 16 to 89 in the Notes to Financial Statements are an integral part of these financial statements.

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Shouguang City Construction Investment Development Co., Ltd.

Notes to the Financial Statements

For the Year Ended 31 December 2018

(All amounts are expressed, unless otherwise stated, in Renminbi (CNY).)

[English version is for translation purpose only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail]

I. Company Profile

Shouguang City Construction Investment Development Co., Ltd. (hereinafter referred to as "the Company" or "Company") is a limited liability Company incorporated in Shouguang on February 29, 2008 and funded by Shouguang City Infrastructure Construction Investment and Management Center. The Company obtained the business license of enterprise legal person issued by Shouguang Administration for Industry and Commerce, registration number: 370783000000069. On May 29, 2008, the registered capital of the Company was increased from 20 million yuan to 150 million yuan. On December 1, 2015, the "Three Certificates in One" was completed, and the unified social credit code was 91370783672224058E. In July 2018, according to the No. 53 document of Shoucai Guozi (2018), Shouguang City Infrastructure Construction Investment Management Center transferred all the equity held by the Company to Shouguang City Investment Holding Co., Ltd. In August 2018, the group was established and Shouguang City Investment Holding Co., Ltd. was renamed Shouguang City Investment Holding Group Co., Ltd. So far, the Company is 100% controlled by Shouguang City Investment Holding Group Co., Ltd.

Registered address of the Company: Room 2208, Building 3, Corporate Headquarters Group, south of Shengcheng Street, west of Haoyuan Road, Luocheng Street, Shouguang City, Weifang City, Shandong Province;

Legal representative: Liu Zixing

Business scope: Invest in urban infrastructure and public infrastructure with the enterprise's own funds, develop and utilize state-owned land comprehensively, manage and manage state-owned assets in urban construction authorized by the municipal government, build houses for resettlement, develop commercial and residential buildings, and remove, transform and develop old cities; Contracting: housing construction works, landscaping works (for projects subject to approval according to law, business activities can be carried out only after approval by relevant departments);

Term of operation: From February 29, 2008 to February 28, 2028.

The Company has a total of 16 subsidiaries in the scope of merger in 2018. Please refer to Note VIII "Relationships and Transactions with Related Parties" for details. The annual merger scope of the Company is 1 more than that of the prior year and 3 less than that of the prior year. Please refer to Note VI "Business Combination and Consolidated Financial Statements" for details.

The financial statements have been approved by the board of directors of the Company on April 22, 2019.

II. Basis of Preparation of Financial Statements

The financial statements of the Company are prepared on a going concern basis. Based on actual transactions and events of the period, the preparation of financial statements is in compliance with the Accounting Standards for Business Enterprises -

Basic Standard issued by the Ministry of Finance of People’s Republic of China (“MOF”), 42 specific accounting standards, implementation guidance, interpretation and other related regulations issued by the MOF (hereinafter referred to as “Accounting Standards for Business Enterprises” collectively).

According to the relevant provisions of the Accounting Standards for Business Enterprises, the Company's accounting is based on the accrual basis. Except for certain financial instruments, the financial statements are based on historical costs. In case of impairment of assets, the corresponding impairment provision shall be calculated and withdrawn in accordance with relevant provisions

III. Statement of Compliance with the Accounting Standards for Business Enterprises

The financial statements prepared by the Company meet the requirements of the Accounting Standards for Business Enterprises, which presented truthfully and completely for the Company’s financial position as of 31 December 2018, and financial performance and cash flows of 2018. In addition, the company's financial statements Comply with the disclosure of the financial statements and their notes in all major aspects of the "Regulations on Information Disclosure and Compilation of Companies Offering Securities to the Public No. 15-General Provisions on Financial Reports" revised by the China Securities Regulatory Commission in 2014 Claim.

IV. Significant Accounting Policies and Accounting Estimates

1. Accounting Period

The accounting period of the Company is classified as interim period and financial year. Interim period refers to the reporting period shorter than a complete financial year. The financial year of the Company is calendar year from 1 January to 31 December.

2. Functional Currency

CNY is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries adopt CNY as their functional currency. The Company’s presentation currency is CNY.

3. Preparation Method of Consolidated Financial Statements

(1) Identification of the scope of the consolidation

The scope of consolidation of the financial statement shall be determined on the basis of control. The Company controls an investee when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiary is the entity controlled by the Company.

If facts and circumstances indicate that there are changes to one or more of the elements in the above definition, the Company shall reassess whether it controls an investee.

(2) Preparation of consolidated financial statements

Consolidation of a subsidiary shall begin from the date the Company obtains control of the net assets and operational management of the subsidiary; Consolidation of an investee shall cease when the Company loses control of the investee. For a subsidiary that is disposed, its financial performance and cash flows before the date of disposal are appropriately presented in the consolidated statement of comprehensive income and consolidated statement of cash flows; for a subsidiary that is disposed during the current period, the opening balances in the statement of financial position shall not be adjusted. For a subsidiary acquired through a business combination not under common control, its financial performance and cash flows after the acquisition date are appropriately presented in the consolidated statement of comprehensive income and consolidated statement of cash flows; the opening balances and comparative information in the statement of financial position shall not be adjusted. For a subsidiary acquired through a business combination under common control, its financial performance and cash flows, from the beginning of the period when the combination occurs to date of combination, are appropriately presented in the consolidated statement of comprehensive income and consolidated statement of cash flows; the comparative information in the statement of financial position shall be adjusted at the same time.

If a subsidiary uses accounting policies or reporting period other than those adopted by the Company, appropriate adjustments are made to those subsidiaries' financial statements in preparing the consolidated financial statements to ensure the conformity with the Company's accounting policies and reporting period. In a business combination not under common control, the acquiree's financial statements shall be adjusted based on the acquisition-date fair values of the net identifiable assets.

All significant intragroup balances, transactions and unrealized profits are eliminated upon consolidation.

The Company shall present non-controlling interests in the consolidated statement of financial position within equity, separately from the equity of the owners of the Company; profit or loss attributable to non-controlling interests in a subsidiary shall be separately presented as "profit or loss attributable to non-controlling interests" within net profits in the consolidated statement of comprehensive income. When the loss attributable to non-controlling interests exceeds the opening balance of non-controlling interest in the subsidiary, the loss shall continue to offset the non-controlling interests.

If the Company loses control of a subsidiary due to partial disposal of equity investments or other reasons, the Company recognizes any investment retained in the former subsidiary at its fair value when control is lost. Excess of (a) the sum of fair value of the consideration received from the disposal of equity investments and fair value of any investment retained, over (b) the Company's previous pro rata share in the former subsidiary's net assets calculated since acquisition date, shall be recognized in investment income in the period when control is lost. When it loses control of the subsidiary, the Company shall account for all amounts previously recognized in other comprehensive income in relation to the subsidiary on the same basis as would have been required if the acquiree had directly disposed of the related assets or liabilities (that is, other than the changes resulting from remeasurement of the former subsidiary's defined benefit liabilities/assets, any other gain or loss is reclassified to the investment income for the current period). Then, any investment retained shall be subsequently measured according to Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investments or Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments; see Note IV-9 "Long-term Equity Investments" or Note IV-5 "Financial Instruments" for details.

When the Company loses control of a subsidiary in two or more arrangements (transactions), the Company shall determine whether the multiple arrangements should be accounted for as a single transaction. If terms and conditions of the arrangements and their economic effects meet one or more of the following, it usually indicates that the Company should account for the multiple arrangements as a single transaction：(1) The multiple arrangements are entered into at the same time or in contemplation of each other; (2) They form a single transaction designed to achieve an overall commercial effect; (3) The occurrence of one arrangement is dependent on the occurrence of at least one other arrangement; (4) One arrangement considered on its own is not economically justified, but it is economically justified when considered together with other arrangements. If the multiple arrangements should not be accounted for as a single transaction, the Company shall make accounting treatments, as appropriate, based on "disposal of long-term equity investments without losing control of the subsidiary" (Note IV-9-(2)-④) or "losing control of a subsidiary due to partial disposal of equity investments or other reasons" in the preceding paragraph. If the multiple arrangements should be accounted for as a single transaction, the Company recognizes the arrangements as a single transaction that results in loss of control of the subsidiary; however, before loss of control, the difference of consideration received and the Company's proportionate share of the subsidiary's net assets for the disposed investments in each arrangement shall be recognized in other comprehensive income in consolidated financial statements, and the cumulative amount shall be reclassified to profit or loss when control is lost.

4. Cash and Cash Equivalents

Cash and cash equivalents comprise the Company's cash on hand, demand deposits, and short-term (which means it has a short maturity of three months or less from the date of acquisition) highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

5. Financial Instruments

The Company recognizes a financial asset or a financial liability when the Company becomes party to the contractual provisions of the instrument. Financial assets and financial liabilities are measured at fair value at initial recognition. For financial assets and financial liabilities that are measured at fair value and whose changes are included in the current profit or loss, the related transaction costs are directly included in profit or loss, and for other types of financial assets and financial liabilities, the related transaction costs are included in the initial recognition amount.

(1) Method for determining the fair value of financial assets and financial liabilities

Fair value refers to the price that market participants can receive or transfer a liability in the orderly transaction that occurs on the measurement date. If there is an active market for financial instruments, the company uses the quotation in the active market to determine its fair value. The quoted price in an active market refers to the price that can be easily obtained regularly from exchanges, brokers, industry associations, pricing service agencies, etc., and represents the price of market transactions that actually occur in fair trading. If there is no active market for financial instruments, the company uses valuation techniques to determine its fair value. Valuation techniques include reference to prices used in recent market transactions by parties who are familiar with the situation and voluntary transactions, reference to the current fair value of other financial instruments that are substantially the same, discounted cash flow method, and option pricing models.

(2) Classification, recognition and measurement of financial assets

Financial assets are bought and sold in a conventional manner, and accounting confirmation and derecognition are conducted on the trading day. Financial assets are classified into financial assets measured at fair value and whose changes are included in the current profit and loss, investments held to maturity, loans and receivables, and available-for-sale financial assets at initial recognition.

①Financial Assets Measured at Fair Value Through Profit or Loss

Including transactional financial assets and financial assets designated as measured at fair value through profit or loss

Transactional financial assets refer to financial assets that meet one of the following conditions: A. The purpose of obtaining the financial asset is mainly for short-term sales; B. It is part of a portfolio of identifiable financial instruments for centralized management and has objective evidence It indicates that the company has recently adopted short-term profit management to manage the portfolio; C. It is a derivative instrument, but the derivative instrument that is designated as an effective hedging instrument, a derivative instrument that is a financial guarantee contract, and no quotation in an active market And the derivative instruments whose fair value cannot be reliably measured are linked to investment in equity instruments and must be settled by delivery of the equity instruments.

Financial assets that meet one of the following conditions can be designated as financial assets measured at fair value through profit and loss at initial recognition: A. This designation can eliminate or significantly reduce the financial assets due to different measurement bases. Inconsistencies in the recognition or measurement of related gains or losses resulting from this; B. The company’s official written documents on risk management or investment strategy have stated that the financial assets portfolio or the combination of financial assets and financial liabilities where the financial assets are located are fair Value-based management, evaluation and reporting to key management personnel.

Financial assets measured at fair value through profit or loss are subsequently measured at fair value. Gains or losses resulting from changes in fair value and dividends and interest income related to these financial assets are recognized in the current profit and loss.

②Hold to maturity investment

It refers to non-derivative financial assets with fixed maturity date, fixed or determinable recovery amount, and the company has a clear intention and ability to hold to maturity.

The held-to-maturity investment adopts the effective interest rate method, and is subsequently measured at amortized cost. Gains or losses arising from derecognition, impairment or amortization are included in the current profit and loss.

The effective interest rate method refers to the method of calculating the amortized cost and interest income or expenditure of each period according to the actual interest rate of financial assets or financial liabilities (including a group of financial assets or financial liabilities). The actual interest rate refers to the interest rate used to discount the future cash flow of a financial asset or financial liability during the expected duration or a shorter period applicable to the current book value of the financial asset or financial liability. When calculating the actual interest rate, the company will estimate the future cash flow (not considering future credit losses) on the basis of considering all contract terms of financial assets or financial liabilities, and will also consider payments between parties to financial assets or financial liabilities contracts Or charges, transaction fees, discounts or premiums, etc. that are part of the actual interest rate.

③Loans and receivables

Refers to non-derivative financial assets that have no quoted price in an active market and whose recovery amount is fixed or determinable. The company's financial assets classified as loans and receivables include bills receivable, accounts receivable, interest receivable, dividends receivable, and other receivables.

Loans and receivables are measured at amortized cost using the actual interest rate method, and the gains or losses arising from derecognition, impairment or amortization are included in the current profit and loss.

④Available-for-sale financial assets

Including non-derivative financial assets designated as available for sale at initial recognition, and financial assets other than financial assets measured at fair value and whose changes are included in current profit or loss, loans and receivables, and held-to-maturity investments assets.

The ending cost of available-for-sale debt instrument investment is determined according to its amortized cost method, that is, the initial recognition amount deducts the principal repaid, plus or minus the actual interest rate method between the initial recognition amount and the amount on the maturity date. The difference is the accumulated amortization amount formed by amortization, and the amount after deducting the impairment loss that has occurred. The ending cost of an available-for-sale equity instrument investment is its initial acquisition cost.

The available-for-sale financial assets are subsequently measured at fair value. Gains or losses resulting from changes in fair value are recognized as other comprehensive income except for impairment losses and exchange differences related to foreign currency monetary financial assets and amortized costs. Transferred out when the financial asset is derecognized, and included in the current profit and loss. However, equity instrument investments that have no quoted price in an active market and whose fair value cannot be reliably measured, and derivative financial assets that are linked to the equity instrument and must be settled by delivery of the equity instrument, are subsequently measured at cost.

The interest obtained during the holding of available-for-sale financial assets and the cash dividend declared by the investee are included in the investment income.

Due to changes in holding intention or ability, or the fair value can no longer be measured reliably, or according to Article 16 of Accounting Standards for Business Enterprises-Recognition and Measurement of Financial Instruments, reclassify investment held to maturity as possible When the period of financial assets for sale has exceeded two full fiscal years, and the financial assets are no longer suitable for measurement at fair value, the company changes available financial assets for sale to cost or amortized cost. On the date of reclassification, the cost or amortized cost of the financial asset is the fair value or book value of that day.

If the financial asset has a fixed maturity date, the gains or losses related to the financial asset that were originally included in other comprehensive income are amortized using the actual interest rate method during the remaining period of the financial asset and included in the current profit and loss; The difference between the asset's amortized cost and the amount on the maturity date is amortized using the actual interest rate method during the remaining period of the financial asset, and is included in the current profit and loss. If the financial asset does not have a fixed maturity date, the gains or losses originally included in other comprehensive income are still retained in the owner's equity and it will be transferred out and recoginzed in the current profit or loss when the financial asset is disposed.

(3) Impairment of financial assets

In addition to the financial assets measured at fair value through profit and loss, the company checks the book value of other financial assets on each balance sheet date. If there is objective evidence showing that the financial asset is impaired, provisions for impairment is made.

The company separately conducts impairment tests on financial assets with significant single amounts; individually performs impairment tests on financial assets with insignificant amounts or includes impairment tests on financial asset portfolios with similar credit risk characteristics. Separate testing of financial assets that have not been impaired (including financial assets with significant and insignificant amounts in a single item) is included in the combination of financial assets with similar credit risk characteristics before the impairment test. Financial assets that have been individually recognized for impairment losses are not included in financial asset portfolios with similar credit risk characteristics for impairment testing.

①Impairment of held-to-maturity investments, loans and receivables

Financial assets measured at cost or amortized cost reduce their book value to the present value of expected future cash flows, and the amount of the write-down is recognized as an impairment loss and included in the current profit and loss. After confirming the impairment loss of the financial asset, if there is objective evidence indicating that the value of the financial asset has been restored, and it is objectively related to the events that occurred after the confirmation of the loss, the originally recognized impairment loss is reversed, and the financial asset is reversed to impairment The book value after the loss does not exceed the amortized cost of the financial asset on the date of reversal under the assumption that no impairment provision is made.

②Impairment of available-for-sale financial assets

When the relevant factors are combined to determine whether the decline in the fair value of available-for-sale equity instrument investment is severe or non-temporary, it indicates that the available-for-sale equity instrument investment is impaired.

When the available-for-sale financial asset is impaired, the accumulated loss due to the decline in fair value that was originally included in other comprehensive income is transferred out and included in the current profit and loss. The accumulated loss transferred out is the initial acquisition cost of the asset less the recovered The principal and the amortized amount, the current fair value and the balance after the impairment loss that was originally included in profit or loss.

After the impairment loss is confirmed, if there is objective evidence after the period that the value of the financial asset has been restored, and it is objectively related to the events that occurred after the loss is confirmed, the originally recognized impairment loss is transferred back, and the equity instrument investment available for sale The impairment loss is recognized as other comprehensive income, and the impairment loss of available-for-sale debt instruments is included in the current profit and loss.

An equity instrument investment that has no quoted price in an active market and whose fair value cannot be reliably measured, or an impairment loss on a derivative financial asset that is linked to the equity instrument and must be settled by delivery of the equity instrument, is not reversed.

(4) Recognition and measurement of transfers of financial assets

A financial asset that meets one of the following conditions shall be derecognized:

①the contractual rights to the cash flows from the financial asset expire;

②the Company transfers the financial asset, and it transfers substantially all the risks and rewards of the ownership of the financial asset to the transferee;

③the Company transfers the financial asset, it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, however, it has not retained control of the financial asset.

When the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, and has retained control of the financial asset, the Company shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset, and recognize an associated liability. The extent of the Company’s continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset.

If the Company transfers a financial asset in a transfer that qualifies for derecognition in its entirety, the difference between: (a) the carrying amount of the financial asset transferred, and (b) the sum of consideration received and cumulative changes in fair value that have been previously recognized in other comprehensive income, shall be recognized in profit or loss.

If the transferred asset is part of a larger financial asset, and the part transferred qualifies for the derecognition in its entirety, the previous carrying amount of the larger financial asset shall be allocated between the part that continues to be recognized and the part that is derecognized, on the basis of the relative fair values of those parts on the date of the transfer. The difference between: (a) the sum of the consideration received for the part derecognized and cumulative changes in fair value allocated to the part derecognized which have been previously recognized in other comprehensive income, and (b) the carrying amount allocated to the part derecognized, shall be recognized in profit or loss.

For a financial asset sold with recourse, or a financial asset transferred through endorsement, the Company determines whether it transfers substantially all the risks and rewards of the ownership of the financial asset. If the Company transfers substantially all the risks and rewards of ownership of the financial asset, it shall derecognize the financial asset; if the Company retains substantially all the risks and rewards of ownership of the financial asset, it shall continue to recognize the financial asset; if the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it shall determine whether it has retained control of the financial asset, and make corresponding accounting treatment based on preceding principles.

(5) Classification, recognition and measurement of financial liabilities

At initial recognition, financial liabilities are classified as financial liabilities at fair value through profit or loss, or other financial liabilities. For financial liabilities at fair value through profit or loss, related transaction costs are directly recorded in profit or loss; for other financial liabilities, related transaction costs are recorded in the amount initially recognized.

①Financial liabilities at fair value through profit or loss

The conditions for classification as transactional financial liabilities and financial liabilities designated at fair value through profit or loss at initial recognition are the same as those for classification as transactional financial assets and financial assets designated at fair value through profit or loss at initial recognition.

Financial liabilities measured at fair value through current profit and loss are subsequently measured at fair value. Gains or losses from changes in fair value and dividends and interest expenses related to such financial liabilities are included in current profit and loss.

②Other financial liabilities

Derivative financial liabilities linked to equity instruments that are not quoted in an active market and whose fair value cannot be reliably measured and which must be settled by delivering the equity instruments shall be subsequently measured at cost. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, and the gains or losses arising from derecognition or amortization are included in the current profits and losses.

③Financial guarantee contract

Financial guarantee contracts that are not designated as financial liabilities measured at fair value and whose changes are included in the current profit or loss are initially recognized at fair value, and the amount determined in accordance with "Accounting Standards for Business Enterprises No. 13-Contingencies" after initial recognition And the initial confirmed amount deducted from the balance of the accumulated amortization amount determined in accordance with the principles of "Accounting Standards for Business Enterprises No. 14-Revenue" for subsequent measurement.

(6) Derecognition of financial liabilities

A financial liability (or a part of a financial liability) is derecognized when the present obligation specified in the contract is discharged or cancelled or expires. If, as an existing borrower, the Company signs agreement with an existing lender, to replace original financial liability with a new financial liability, and the exchange of debt instruments has substantially different terms, the Company shall derecognize the original financial liability and recognize the new financial liability. A substantial modification of the terms of an existing financial liability or a part of it shall be accounted for as derecognition of the original financial liability and recognition of a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) derecognized and the consideration paid (including any non-cash assets transferred or liabilities assumed) shall be recognized in profit or loss.

(7) Derivatives and embedded derivatives

Derivatives are initially measured at fair value on the date of signing of the relevant contract, and subsequent measurement is conducted at fair value. Except for derivatives that are designated as hedging instruments and are highly effective in hedging, the gains or losses resulting from changes in their fair value will be determined based on the nature of the hedging relationship and the period included in profit or loss according to the requirements of hedge accounting. Value changes are included in the current profit and loss.

For hybrid instruments that include embedded derivatives, if they are not designated as financial assets or financial liabilities measured at fair value through profit or loss, the embedded derivatives do not have a close relationship with the main contract in terms of economic characteristics and risks, and the conditions are the same as for embedded derivatives. If a separate instrument meets the definition of a derivative instrument, the embedded derivative instrument is split from the mixed instrument and treated as a separate derivative financial instrument. If the embedded derivative cannot be measured separately at the time of acquisition or on the subsequent balance sheet date, the hybrid instrument as a whole is designated as a financial asset or financial liability measured at fair value through profit or loss.

(8) Offsetting a financial asset and a financial liability

A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, the Company: (a) currently has a legally enforceable right to set off the recognized amounts; and (b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. In all other circumstances, financial assets and financial liabilities are presented separately in the statement of financial position.

(9) Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The Company recognize changes in equity when it issues (including refinancing), repurchases, sells or cancels equity instruments. Transaction costs of an equity transaction are accounted for as a deduction from equity.

The company's various distributions to equity instrument holders (excluding stock dividends) reduce owner's equity. Changes in fair values of equity instruments are not recognized.

6. Receivables

Receivables include trade receivables, other receivables, etc.

(1) Confirmation criteria for bad debt preparation

The company checks the book value of the receivables on the balance sheet date. If there is the following objective evidence that the receivables are impaired, the provision for impairment is made:

The debtor has serious financial difficulties;

②The debtor violates the terms of the contract (For example, the default or overdue payment of interest or principal);

③The debtor is likely to go bankrupt or undergo other financial reorganization; ④

Other objective basis indicating that the receivable is impaired.

(2) Accounting for allowance for doubtful accounts

①Recognition standard and accrual method of bad debt provision of accounts receivable with single amount of significant amount and single provision for bad debt provision

The company recognizes receivables with an amount of more than RMB 5 million as receivables with significant single amounts.

The company separately performs impairment tests on receivables with significant single amounts, and separately tests financial assets that have not been impaired, including performing impairment tests on financial asset portfolios with similar credit risk characteristics. Receivables that have confirmed impairment losses in a single test are no longer included in the receivables portfolio with similar credit risk characteristics for impairment testing.

②Determining basis and measurement for grouping financial assets of shared credit risk characteristics

A.Basis for grouping financial assets of shared credit risk characteristics

For receivables that are not individually significant, the Company groups these financial assets based on similarity and relevance of their credit risk characteristics. Such credit risks usually reflect the debtor’s ability to settle the amount due according to the contractual terms of such assets, and are related to the estimated future cash flows of the assets.

Basis for grouping:

Items	Basis for grouping
Aging portfolio of receivables	The age of receivables is the risk characteristic to divide the portfolio
Individually identified combination	To be included in the scope of the merger of receivables related parties, financial bureau, etc

B.Measurement for groups of financial assets with shared credit risk characteristics

When performing impairment test on groups of receivables, based on the group structure and shared credit risk characteristics (the debtor’s ability to settle the amount due according to the contractual terms of such assets), the Company considers reasonable and supportable information, including forward-looking information, when assessing the expected credit losses.

Measurement for allowance for doubtful accounts of different groups:

Items	Measurement
Aging portfolio of receivables	Age analysis of bad debt provision
Individually identified combination	If there is no objective evidence that the impairment has occurred, no provision for bad debts shall be made

a. Portfolio 1, using aging analysis method for allowance for doubtful accounts

Aging	Percentage of allowance for doubtful accounts to trade receivables (%)	Percentage of allowance for doubtful accounts to other receivables (%)
Within 1 year (including 1 year)	5	5
1-2 years (including 2 years)	10	10
2-3 years (including 3 years)	20	20
Above 3 years	50	50

③Measurement of allowance for doubtful accounts of receivables that are not individually significant but are individually assessed for impairment

For a receivable that is not individually significant, if it has below characteristics, the Company makes individual assessment of the receivable's credit risk. If there is objective evidence that it is impaired, according to the difference between the current value of its future cash flow and its book value Recognition of impairment losses and provision for bad debts. It is a receivable from related parties; it involves disputes with the other party, or litigation or arbitration; there is an obvious indication that the debtor is very likely to default on the receivable; or, at initial recognition, a group of receivables collectively assessed with significant credit risk or low credit risk, etc.

(3) Reversal of allowance for doubtful accounts

If there is objective evidence that the value of the receivables has recovered, and objectively related to the events occurred after the loss is recognized, the original recognized impairment loss shall be carried back and recorded into the current profit and loss. However, the carrying value after the roll back shall not exceed the amortized cost of the receivable on the roll back date assuming that no impairment provision is made.

When the Company sells a non-recourse receivable to a financial institution, the difference between (a) consideration received and (b) carrying amount of the receivable and related taxes and surcharges shall be recognized in profit or loss.

7. Inventories

(1) Classification of inventories

Inventories mainly include land inventory, development costs, development products, raw materials, turnover materials, engineering construction, etc.

(2) Cost measurement for inventories

Inventories are measured at actual cost when acquired. The land inventory shall be separately priced at the time of delivery, and the receipt and delivery of raw materials and working materials shall be based on the weighted average method.

(3) Development cost, development product and other inventory are initially measured at cost. Inventory mainly consists of inventory materials, development products under construction (development cost), completed

development products and development products intended to be sold but temporarily leased. The cost of developing the product includes the land transfer fee, the expenditure of infrastructure facilities, the expenditure of construction and installation, the loan expense incurred before the completion of the development project and other related expenses in the development process.When an inventory is issued, its actual cost is determined by the weighted average method.

(4) Measurement of net realizable value and write-down

Net realizable value refers to the amount of the estimated selling price of the inventory less the estimated costs, estimated sales expenses and related taxes when the inventory is completed in the daily activities.In determining the net realizable value of inventories, based on the solid evidence obtained, the purpose for which inventories are held and the impact of events after the balance sheet date are taken into account.

At the reporting date, inventories shall be measured at the lower of cost and net realizable value. If the cost of inventory is in excess of the net realizable value, the inventory shall be written down. The write-down is measured at the excess of inventory cost over net realizable value item by item.

When the circumstances that previously caused inventories to be written down below cost no longer exist and the net realizable value is higher than the carrying amount, the amount of the write-down is reversed, and the amount of reversal is recorded in profit or loss.

(5) Inventory counting is performed using the perpetual inventory system.

(6) Amortization method of low value consumables and packaging

Low value consumables are amortized by one-time amortization method upon receipt; the packaging shall be amortized by the method of one-time amortization upon receipt.

8. Assets Held for Sale

The Company classifies a non-current asset or disposal group as held for sale if its carrying amount will be recovered principally through a sale transaction (including exchange of non-monetary assets with commercial substance, the same below) rather than through continuing use. Specifically, all the following criteria shall be met: a) the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets or disposal groups; b) the Company has made resolution on a plan to sell the asset or disposal group, and a buyer has committed to complete the plan; c) the sale is expected to be completed within one year from the date of classification. A disposal group is a group of assets to be disposed of, by sales or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. The group shall include goodwill acquired in a business combination if the group is a cash-generating unit to which goodwill has been allocated in accordance with the requirements of Accounting Standard for Business Enterprises No. 8 –

Impairment of Assets.

On initial recognition or subsequent remeasurement at each reporting date, the Company measures a non-current asset or disposal group classified as held for sale at the lower of its carrying amount and fair value less costs to sell. An impairment loss is recognized in profit or loss when the carrying amount is higher than the fair value less costs to sell, and loss allowance is recognized accordingly. For the disposal group, the recognized impairment loss on assets is offset against the carrying amount of the goodwill in the disposal group, and then reduced in proportion of the carrying amount of the non-current assets applicable to requirements set out in Accounting Standards for Business Enterprises No. 42 – Non-Current Assets Held for Sale, Disposal Group and Discontinued Operations. The Company shall recognize a gain during the period for any subsequent increase in fair value less costs to sell of an asset, but not in excess of the cumulative impairment loss that has been recognized after the reclassification to non-current assets held for sale. The carrying amount of assets in the disposal group is increased proportionately according to the proportion of the carrying amount of each non-current asset except for goodwill. Impairment loss recognized before the reclassification to non-current assets held for sale shall not be reversed.

A non-current asset while it is classified as held for sale or while it is part of a disposal group classified as held for sale is not depreciated or amortized, interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognized.

A non-current asset or disposal group that no longer meets the criteria to be classified as held for sale shall be removed from that category and measured at the lower of: a) its carrying amount before the asset or disposal group was classified as held for sale, adjusted for any depreciation, amortization or impairment that would have been recognized had the asset or disposal group not been classified as held for sale; and b) its recoverable amount.

9. Long-term Equity Investments

Long-term equity investments refer to the long-term equity investment in which the Company has control or joint control of, or significant influence over, the investee. Long-term equity investments in which the Company has no control or joint control of, or significant influence over, the investee shall be recognized as available-for-sale financial assets or financial assets measured at fair value through profit or loss. For detailed accounting policy, see Note IV-5 Financial Instruments.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

(1) Cost of investments

For long-term equity investments recognized in a business combination under common control, on the combination date, the initial cost shall be measured at the proportionate share of the carrying amount of the acquiree's shareholders' equity in the acquiree's ultimate controlling party's consolidated financial statements. Difference between the initial cost of long-term equity investments and the carrying amount of consideration paid (including any cash paid, non-cash assets transferred or liabilities assumed) shall adjust capital reserve, and then adjust retained earnings if capital reserve balance is reduced to zero. If the Company issues equity interests in exchange for control of the acquiree, on the combination date, the initial cost of long-term equity investments shall be measured at the proportionate share of the carrying amount of the acquiree's shareholders' equity in the acquiree's ultimate controlling party's consolidated financial statements, the total par value of the shares issued shall be recognized as share capital, difference between the initial cost of long-term equity investments and the total par value of the shares issued shall adjust capital reserve, and then adjust retained earnings if capital reserve balance is reduced to zero. For a business combination under common control that is achieved in stages, the acquirer shall make judgment on whether or not the related multiple arrangements should be accounted for as a single transaction. If yes, the acquirer shall account for the transaction as a single transaction that results in control of the acquiree. If not, the acquirer shall account for the initial cost of long-term equity investments, on the combination date, at the proportionate share of the carrying amount of the acquiree's shareholders' equity in the acquiree's ultimate controlling party's consolidated financial statements, difference between (a) the initial cost of long-term equity investments and (b) the sum of the carrying amount of the long-term equity investments before the acquirer gains control and consideration paid for the newly acquired equity interests on the combination date shall adjust capital reserve, and then adjust retained earnings if capital reserve balance is reduced to zero. The other comprehensive income recognized under equity method for equity investments held before the combination date, or other comprehensive income recognized for available-for-sale financial assets before the combination date, is not subject to accounting treatment for these arrangements.

For long-term equity investments recognized in a business combination not under common control, on the acquisition date, the initial cost shall be measured at the cost of combination, which includes fair values of the assets transferred by the acquirer, the liabilities incurred or assumed by the acquirer, and the equity interests issued by the acquirer in exchange for control of the acquiree. For a business combination not under common control that is achieved in stages, the acquirer shall make judgment on whether or not the related multiple arrangements should be accounted for as a single transaction. If yes, the acquirer shall account for the transaction as a single transaction that results in control of the acquiree. If not, the initial cost of investment is calculated as the sum of the carrying amount of its previously held equity interest in the acquiree and additional cost of investments on the acquisition date, and long-term equity investment shall be measured at cost. The other comprehensive income recognized under equity method for previously held equity interest is not subject to accounting treatment for these arrangements. If the previously held equity interest is available-for-sale financial asset, the difference between the fair value and carrying amount, and the cumulative changes in fair value that are previously recognized in other comprehensive income, shall be recognized in profit or loss.

Professional fees such as audit, legal, valuation fees and general administrative costs incurred for the business combination are accounted for as expenses in the periods in which the costs are incurred and the services are received.

Equity investments, other than those arise in business combinations, are recognized at cost on initial recognition; based on ways of acquisition, the cost is accounted for at the amount of cash paid by the Company, the fair value of equity interests issued by the Company, the agreed value in the investment contract, the fair value or original carrying amount of non-cash assets transferred by the Company, or the fair value of the long-term equity investments, etc. Any direct expense, tax and necessary cost are recognized in the cost of investments. For additional investments that result in significant influence over or joint control of the invest (and do not result in control), the cost of long-term equity investments is the sum of fair value of previously held equity interest in the investee and the additional cost of investments, according to Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments.

(2) Subsequent measurement and recognition of profit or loss

Long-term equity investments where the Company has joint control (except for joint operation) of or significant influence over the investee are accounted for by equity method. The Company accounts for long-term equity investments at cost where the Company has control of the investee.

①Long-term equity investments measured at cost

Long-term equity investments are recognized at cost on initial recognition; if the Company increases or recovers the cost of its investments in the investee, the cost of long-term equity investments shall be adjusted accordingly. The Company accounts for investment income for current period at the amount of its share of cash dividends declared and profits to be distributed by the investee, except for: (a) cash dividends declared but undistributed or (b) undistributed profits, which are included in the consideration paid for the investments.

②Long-term equity investments using equity method

Under equity method, when the initial cost of long-term equity investments exceeds the Company’s proportionate share in the acquisition-date fair values of the investee’s identifiable net assets, the initial cost of investments is not subject to adjustment; when the initial cost of investments is lower than the Company’s proportionate share in the acquisition-date fair values of the investee’s identifiable net assets, the difference shall be recognized in profit or loss, and the cost of investments shall be adjusted at the same time.

The carrying amount of long-term equity investments is adjusted to recognize the Company’s share of the profit or loss of the investee and the Company’s’ proportionate interest in the investee arising from changes in the investee’s other comprehensive income, at the same time, the Company's share of the investee's profit or loss is recognized in investment income, and the Company's proportionate interest in the investee arising from changes in the investee's other comprehensive income is recognized in the Company's other comprehensive income. The Company's share of profits to be distributed or cash dividends declared by the investee reduce the carrying amount of long-term equity investments. Other changes in investee's equity, except for profit or loss, other comprehensive income and profit distribution, shall be recognized in capital reserve, and the carrying amount of long-term equity investments shall be adjusted accordingly. Appropriate adjustments to the Company's share of the investee's profit or loss after acquisition are made in order to account for the net identifiable assets based on their fair values at the acquisition date. If the investee's accounting policy and accounting period are not in conformity with those of the Company, appropriate adjustments shall be made based on the Company's accounting policy and accounting period, in order to recognize the amounts of investment income and other comprehensive income. As for transactions between the Company and its associate or joint venture, when the contributed or sold assets do not constitute a business, the Company's share in the associate's or joint venture's unrealized gains or losses resulting from these transactions is eliminated; on that basis, investment income is recognized. However, if the unrealized losses are impairment losses of assets sold or contributed during the transactions, they shall not be eliminated. When the contributed assets from the Company to its joint venture or associate constitute a business, and consequently the Company gains long-term equity investments but not control of the investee, the Company shall account for the additional long-term equity investments at fair value of the contributed business; difference between the initial cost of investments and the carrying amount of contributed business, shall be recognized in full in profit or loss. When the sold assets from the Company to its joint venture or associate constitute a business, the difference between consideration received and the carrying amount of the business shall be recognized in full in profit or loss. When the purchased assets from its associate or joint venture constitute a business, the Company shall fully recognize relevant profit or loss, according to Accounting Standards for Business Enterprises No. 20 – Business Combination.

If the Company's share of losses of an investee equals or exceeds the carrying amount of the long-term equity investments in the investee together with any long-term interests that, in substance, form part of the Company's net investment in the investee, the Company discontinues recognizing its share of further losses. If the Company has incurred obligations to assume additional losses for the investee, the Company shall recognize a liability and relevant loss in current period. If the investee subsequently reports profits, the Company resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

③Purchase of non-controlling interests

In preparation of consolidated financial statements, difference between (a) the increase in long-term equity investments due to purchase of non-controlling interests and (b) the Company's newly acquired share in the investee's net assets calculated since acquisition date (or combination date) shall adjust capital reserve, and then adjust retained earnings if capital reserve balance is reduced to zero.

④Disposal of long-term equity investments

In the consolidated financial statements, for the partial disposal of long-term equity investments without losing control of the subsidiary, the difference between consideration received and the proportionate share of the subsidiary’s net assets for the disposed investments shall be recognized in equity; for the partial disposal of long-term equity investments that results in loss of control of the subsidiary, see Note IV-3(2) “Preparation of Consolidated Financial Statements” for the accounting treatment.

In other circumstances of disposal of long-term equity investments, the difference between the carrying amount of the disposed investments and the consideration received shall be recognized in profit or loss.

After the disposal of long-term equity investments accounted for using equity method, if the equity method still applies for the investments retained, the Company shall account for the proportionate amounts previously recognized in other comprehensive income on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities. Any equity previously recognized for changes of investee’s equity excluding changes in investee’s net profit or loss, other comprehensive income and profit distribution, is proportionately reclassified to profit or loss.

After the Company disposes long-term equity investments measured at cost, if the investments retained are still measured at cost, the Company shall account for the amounts previously recognized in other comprehensive income, that are recognized according to equity method or recognition and measurement requirements of financial instruments before the Company obtains control of the investee, on the same basis as would have been required if the investee had directly disposed of related assets or liabilities, and the proportionate amounts shall be reclassified to profit or loss; any equity previously recognized under equity method for changes of investee’s equity excluding changes in investee’s net profit or loss, other comprehensive income and profit distribution, is proportionately reclassified to profit or loss.

After the Company loses control of an investee due to partial disposal of equity investments, if the Company has joint control of, or significant influence over, the investee, the Company shall account for the investments retained using equity method in its individual financial statements, and apply equity method retrospectively to the date of acquisition; if the Company has neither joint control of, nor significant influence over, the investee, the Company shall account for the investments retained according to the recognition and measurement requirements of financial instruments, the difference between the fair value and carrying amount of the investments retained shall be recognized in profit or loss when the control is lost. When the Company loses control of the investee, the Company shall account for the amounts previously recognized in other comprehensive income, that are recognized according to equity method or recognition and measurement requirements of financial instruments before the Company obtains control of the investee, on the same basis as would have been required if the investee had directly disposed of related assets or liabilities; any equity previously recognized under equity method for changes of investee's equity excluding changes in investee's net profit or loss, other comprehensive income and profit distribution, is reclassified to profit or loss when the control is lost. If the investments retained are accounted for using equity method, the above-mentioned other comprehensive income and equity are proportionately reclassified; if the investments retained are accounted for according to the recognition and measurement requirements of financial instruments, the above-mentioned other comprehensive income and equity are reclassified in full.

After the Company loses joint control of, or significant influence over, the investee due to partial disposal of equity investments, the retained investments are accounted for according to the recognition and measurement requirements of financial instruments, the difference between the fair value and carrying amount of the investments retained shall be recognized in profit or loss when the joint control or significant influence is lost. When the Company discontinues the use of the equity method, the Company shall account for the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the investee had directly disposed of related assets or liabilities; any equity previously recognized under equity method for changes of investee's equity excluding changes in net profit or loss, other comprehensive income and profit distribution, is reclassified in full to profit or loss.

If the Company loses control of a subsidiary in two or more arrangements (transactions), and the multiple arrangements should be accounted for as a single transaction, the Company recognizes the arrangements as a single transaction that results in loss of control of the subsidiary; before loss of control, the difference of consideration received and the share of the carrying amount of long-term equity investments for the disposed investments in each arrangement shall be recognized in other comprehensive income, and the cumulative amount shall be reclassified to profit or loss when control is lost.

10. Investment Properties

Investment property is held to earn rentals or for capital appreciation or both, which includes leased land use rights, land use rights readily transferable after capital appreciation, and leased buildings, etc. In addition, if the board of directors (or equivalent body) has a written resolution on a vacant building held to be leased out, and it is clearly stated that the building will be leased out under one or more operating leases and that intention will not change in the short-term, the building shall be presented as an investment property.

An investment property is measured initially at its cost. When (a) it is probable that the future economic benefits that are associated with the investment property will flow to the Company, and (b) the cost can be measured reliably, costs incurred subsequently in relation to the investment property shall be recognized in the cost of investment property when incurred. All other costs incurred subsequently shall be recognized in profit or loss when incurred.

The Company chooses cost model for subsequent measurement of investment property, and depreciates or amortizes it according to the policy consistent with the housing, building or land use right.

For impairment test and measurement of impairment, see Note IV-16 “Impairment of Non-current and Non-financial Assets”.

A transfer from owner-occupied property or inventories to investment property, or a transfer from investment property to owner-occupied property, does not change the carrying amount of the property transferred.

An investment property shall be derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses arising from sales, transfer, retirement of investment property shall be determined as the difference between (a) the net disposal proceeds and (b) the carrying amount of the asset and related taxes and surcharges shall be recognized in profit or loss.

11. Fixed Assets

(1) Recognition

Fixed assets are tangible items that: a) are held for use in the production or supply or goods or services, for rental to others, or for administrative purposes; and b) are expected to be used during more than one financial year. A fixed asset shall be recognized only when (a) it is probable that future economic benefits associated with the item will flow to the Company, and (b) the cost of the item can be measured reliably. A fixed asset is recognized at cost on initial recognition, also taking into consideration of its estimated dismantlement, removal and restoration costs.

(2) Classification, measurement, and depreciation

From the subsequent month after a fixed asset gets ready for its intended use, the Company depreciates the fixed asset on a monthly basis over its useful life. Useful life, residual value rate, and annual depreciation rate for each class of fixed assets are as follows:

Class of fixed assets	Depreciation method	Useful life (years)	Residual value rate (%)	Annual depreciation rate (%)
Properties and buildings	Straight-line method	20-50	5.00	4.75-1.90
Machinery equipment	Straight-line method	5-10	5.00	9.5-19
Transportation equipment	Straight-line method	5	5.00	19
Office equipment	Straight-line method	5	5.00	19

Residual value is the estimated amount that the Company would currently obtain from disposal of the fixed asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

(3) Impairment test and measurement of impairment

For impairment test and measurement of impairment of fixed assets, see Note

IV-16 “Impairment of Non-current and Non-financial Assets”.

(4) Recognition and measurement of fixed assets leased in under finance lease

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an underlying asset, the ownership of the underlying asset may or may not be eventually transferred. If the Company leases in a fixed asset under a finance lease, the fixed asset shall be depreciated using the same depreciation method as the fixed assets owned by the Company. If the Company is reasonably certain to acquire the ownership of the leased asset when the lease term ends, the asset shall be depreciated over its useful life; otherwise, the leased asset shall be depreciated over the shorter of the lease term and useful life of the asset.

(5) Others

Subsequent costs incurred for a fixed asset are recognized in the carrying amount of the fixed asset if (a) it is probable that future economic benefits associated with the asset will flow to the entity and (b) the costs can be measured reliably; and the carrying amount of the replaced parts of the asset is derecognized. Otherwise, subsequent costs are recognized in profit or loss as incurred.

The carrying amount of a fixed asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The difference between (a) the net disposal proceeds arising from sales, transfer, retirement of the asset and (b) the carrying amount of the fixed asset and related taxes and surcharges is recognized in profit or loss when the asset is disposed.

The Company reviews the useful lives, residual values and depreciation methods applied to fixed assets at least at each financial year-end; any change is accounted for as a change in accounting estimate.

12. Construction in Progress

Construction in progress is measured at cost, which includes costs of construction during the construction period, borrowing costs capitalized before the asset gets ready for intended use and other relevant costs. Construction in progress is recognized as fixed asset when it is ready for intended use.

For impairment test and measurement of impairment of construction in progress, see Note IV-16 “Impairment of Non-current and Non-financial Assets”.

13. Borrowing Costs

Borrowing costs include interest expense, amortization of discounts or premiums, ancillary expenses incurred in connection with the borrowing of funds, and exchange differences arising from foreign currency borrowings, etc. The Company begins capitalizing borrowing costs, which are directly attributable to the acquisition, construction or production of a qualifying asset, on the date when the Company first meets all of the following conditions: (a) it incurs expenditures for the asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale. The Company ceases capitalizing borrowing costs when the qualifying asset gets ready for its intended use or sale. Other borrowing costs are recognized as an expense in the period in which they are incurred.

If the Company borrows funds specifically for the purpose of obtaining a qualifying asset (specific-purpose borrowings), the amount of borrowing costs eligible for capitalization is the actual interest expense incurred on that borrowing for the period less any interest income from depositing the unused borrowings or any investment income on the temporary investment of those borrowings. If the Company borrows funds generally (general-purpose borrowings) and uses them for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by applying a capitalization rate to the expenditures on that asset. The expenditures on that asset shall be calculated as the weighted average of the excess of accumulated expenditures on the asset over the amounts of specific-purpose borrowings. The capitalization rate is calculated as the weighted average of the interest rates applicable to general-purpose borrowings of the Company.

During the capitalization period, exchange differences in connection with a specific-purpose borrowing denominating in foreign currency are all capitalized. Exchange differences in connection with a general-purpose borrowing are recognized in profit or loss as incurred.

A qualifying asset is a fixed asset, an investment property, or an inventory that necessarily takes a substantial period of time of acquisition, construction or production activities to get ready for its intended use or sale.

The Company suspends capitalization of borrowing costs during periods in which the acquisition, construction or production of a qualifying asset is delayed by activities other than those necessary to prepare the asset for its intended use or sale, and the delay is for a continuous period of more than 3 months; the Company resumes capitalization of borrowing costs after it restarts the acquisition, construction or production activities of the qualifying asset.

14. Intangible Assets

(1) Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance, which are possessed or controlled by the Company.

The intangible assets are initially measured at cost. Expenditure on the intangible assets, if it is probable that the expected economic benefits that are attributable to the assets will flow to the entity, and the cost of the assets can be measured reliably, shall be included in the cost of the intangible assets. Expenditure other than these shall be included in profit or loss as incurred.

The land use right is usually recognized as intangible asset. For buildings such as plants that are developed and constructed by the Company, relevant land use rights and buildings are recognized as intangible assets and fixed assets respectively. For purchased property and buildings, the payments shall be reasonably allocated to land use right and buildings, if it is difficult to allocate reasonably, then all are treated as fixed assets.

The intangible assets with a limited service life shall be amortized by the straight-line method over the expected service life of the original value minus the predicted net residual value and the accumulated amount of the depreciation reserve accrued from the time when it is available for use. Intangible assets with uncertain service life will not be amortized.

At the end of the period, the service life and amortization method of intangible assets with a limited service life shall be reviewed, and any changes shall be treated as changes in accounting estimates. In addition, the service life of intangible assets with uncertain service life is also reviewed. If there is evidence that the period in which the intangible asset brings economic benefits to the enterprise is foreseeable, the service life is estimated and the intangible assets with limited service life are estimated Amortization policy.

(2) Impairment test and measurement of impairment for intangible assets

See Note IV-16 “Impairment of Non-current and Non-financial Assets” for details.

15. Long-term Prepaid Expenses

The long-term prepaid expenses are expenses which have been paid but will be amortized within the period over one year. The Company's long-term prepaid expenses mainly include financing related expenses, venue rental, etc. Long-term prepaid expenses are amortized by the straight-line method during the expected benefit period.

16. Impairment of Non-current and Non-financial Assets

For fixed assets, construction in progress, intangible assets with finite useful lives, investment property measured at cost model, long-term equity investment on subsidiaries, joint-ventures or associates, goodwill and other non-current and non-financial assets, the Company assesses at the reporting date whether there is any indication that the asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset and carries out impairment test. Goodwill, intangible assets with indefinite useful lives or intangible assets not yet available for use will be tested for impairment annually, irrespective of whether there is any indication of impairment.

If impairment test shows that the recoverable amount of the asset is less than its carrying amount, the difference shall be recorded as loss allowance and recognized as impairment loss. The recoverable amount of the asset is the higher of its fair value less costs of disposal and its present value of expected future cash flows. The fair value of the asset is determined by price as agreed in the sales agreement in an arm’s length transaction. Where there is no sales agreement, but there is active market, the fair value is determined by the quoted price by the buyer of the asset. Where there is neither sales agreement nor active market, the fair value is estimated based on the best information available. Costs of disposal include legal costs, related taxes and surcharges, costs of removing the asset, and direct incremental costs to bring the asset into condition for its sale. Present value of the expected future cash flow is calculated by estimating the future cash flows to be derived from continuing use of the asset and from its ultimate disposal, and applying the appropriate discount rate to those future cash flows. Impairment is calculated and recognized for the individual asset, if it is not possible to estimate the recoverable amount of the individual asset, the Company determines the recoverable amount of the cash-generating unit to which the said asset belongs. A cash-generating unit is the smallest group of assets that generates cash inflows that are independent of the cash inflows from other assets or groups of assets.

For the purpose of impairment testing, the carrying amount of the goodwill presented separately in the financial statement is allocated to each of the cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination. The impairment loss is recognized for the cash-generating unit or group of the cash-generating units to which goodwill has been allocated if the recoverable amount of the unit (group of units) is less than the carrying amount of the unit (group of units). The impairment loss is allocated to first reduce the carrying amount of the goodwill allocated to the cash-generating unit (group of units), and then, to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units).

Above impairment loss, once recognized, shall not be reversed in a subsequent period.

17. Employee Benefits

The employee benefits of the Company include short-term employee benefits, post-employment benefits, termination benefits.

Short-term employee benefits include salaries, bonuses allowances and subsidies, welfare, health insurance, maternity insurance, work injury insurance, housing funds, labor union funds, employee education funds, and other non-monetary benefits. The actual short-term employee benefits for the accounting period when the employee has rendered service to the Company are recognized as liability, and recorded in profit or loss or in the cost of related asset. The non-monetary benefits are measured at fair value.

Post-employee benefits include basic pensions, unemployment insurance and annuity. Post-employee benefit plans include defined contribution plan. Under defined contribution plan, the contribution payable is recorded in the cost of related asset or in the profit or loss as incurred. The Company adopts a defined benefit plan that related asset cost or current profit and loss. Under such defined benefit plan, the Company hires an independent actuary, using the projected unit credit method, and unbiased and mutually compatible actuarial assumption to make estimates about demographic variables and financial variables and determine the defined benefit obligations and the reporting periods that the obligations shall be recognized. At the reporting date, the Company shall present the present value of the defined benefit obligations, and recognize the current service cost in profit or loss. However, if the dismiss welfare is not expected to be fully paid within 12 months after the end of the annual report period, it shall be treated as other long-term employee remuneration.

Same principle as above termination benefits shall be applied for early retirement plan of employee. The Company shall recognizes the compensation and social security contributions payable to the employee under the early retirement plan for the period since the date when the employee no longer renders any service till the normal retirement date in profit or loss (termination benefit), only if the criteria for recognition of provisions is met.

Other long-term employee benefits the Company offers, if meeting the requirements for defined contribution plan, shall be accounted for as defined contribution plan accordingly. Otherwise, defined benefit plan shall be applied.

18. Provisions

A provision shall be recognized when the obligation related to the contingent event meets all of the following conditions: a) it is the present obligation of the Company; b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and c) a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date, taking into account of risks, uncertainties of the contingent event, time value of the money and other factors.

When some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognized as a separate asset when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision.

19. Revenue

(1) Revenue from commodity sales

The ownership of the goods on the main risks and rewards transfer to the buyer, neither keep contact all the ministers usually continue to power, also does not have to carry out effective control of goods sold, the amount of revenues can be measured reliably, the related economic interests are likely to flow into the enterprise, has occurred or will occur associated costs can be measured reliably, the implementation of the sales income is confirmed.

(2) Income from providing labor services

Provided that the results of the services rendered transactions can be reliably estimated, the income from the services rendered is recognized on the balance sheet date in accordance with the percentage completion method. The completion schedule of the labor transaction is determined according to the proportion of the labor cost incurred to the estimated total cost.

The result of providing service transaction can be estimated reliably is to meet at the same time:

①the amount of income can be measured reliably;

②the relevant economic benefits are likely to flow into the enterprise;

③the degree of completion of the transaction can be reliably determined;

④the costs incurred and to be incurred in a transaction can be measured reliably.

If the result of the service transaction cannot be reliably estimated, the service income provided shall be recognized according to the amount of labor cost already incurred and expected to be compensated, and the labor cost already incurred shall be regarded as the current expense.If the labor cost incurred is not expected to be compensated, the income is not recognized.

The contract or agreement signed by the Company with other enterprises includes the sale of goods and the provision of labor services. If the part of selling goods and the part of providing labor services can be distinguished and measured separately, the part of selling goods and the part of providing labor services shall be handled separately.If the part of goods sold and the part of services provided cannot be distinguished, or if the part of goods sold and the part of services provided cannot be separately measured, the whole contract shall be treated as goods sold.

(3) Construction contract income

Where the results of the construction contract can be reliably estimated, contract revenues and contract costs are recognised on the balance sheet date in accordance with the percentage of completion method.The completion schedule of the contract shall be determined according to the proportion of the accumulated actual contract cost to the estimated total contract cost.

The reliable estimation of the construction contract results means that ①the total contract revenue can be measured reliably; ②the economic benefits associated with the contract are likely to flow into the enterprise ; ③the actual contract costs can be clearly identified and measured reliably; ④the progress of the contract and the costs incurred to complete the contract can be reliably determined.

If the result of the construction contract cannot be reliably estimated, but the contract cost can be recovered, the contract revenue shall be recognized on the basis of the actual contract cost that can be recovered, and the contract cost shall be recognized as the contract cost in the period in which it occurs;If the contract cost cannot be recovered, it shall be recognized as the contract cost immediately when it occurs, and the contract revenue shall not be recognized.In the absence of uncertainties which made it impossible to reliably estimate the outcome of a construction contract, the revenues and expenses associated with the construction contract shall be determined according to the percentage of completion method.

Where the estimated total contract cost exceeds the total contract revenue, the estimated loss is recognized as the current expense.

The accumulated costs incurred in the contract under construction and the accumulated recognized gross profits (losses) and the settled prices are shown in the balance sheet on a net basis after being offset.The sum of the accumulated costs incurred and the accumulated gross profit (loss) of the contract under construction which exceeds the settlement price shall be shown as inventory;The part of the price settled for the contract under construction that exceeds the sum of the accumulated costs incurred and the accumulated gross profit (loss) recognized shall be shown as the advance payment.

For providing construction operation transfer mode (BOT) to participate in the public infrastructure construction business, the Company shall, during the construction period of the project, recognize the relevant income and expenses for the construction services provided in accordance with the Accounting Standards For Business Enterprises No. 15 - Construction Contract; After the completion of the infrastructure, the revenue and expenses related to the subsequent operating services shall be recognized in accordance with the Accounting Standards for Enterprises No. 14 - Revenue.

(4) Royalty income

Revenue is recognized on an accrual basis in accordance with relevant contracts or agreements.

(5) Interest income

According to others use the time of the Company's monetary funds and the actual interest rate calculation.

(6) Accounting policies for real estate development and sales revenue

For property buyers can regulation real estate before the construction of the project design of the main structural elements, or be able to major structural changes in the process of building decision, the real estate construction protocol satisfies the definition and construction contract provided by the Company for building services in accordance with the Accounting Standards for Enterprises No. 15 - Construction Contract confirming the revenues and expenses; For property buyers with limited ability to influence real estate design. (e.g., only to the basic design do minor changes), the Company shall recognize the relevant operating income in accordance with the Accounting Standards for Enterprises No. 14 - Revenue, and combined with the the specific conditions of the real estate sales confirmation related revenues.

①Product development

It has completed and passed the acceptance inspection, signed the sales contract and fulfilled the obligations stipulated in the contract, that is, the main risks and rewards in the ownership of the developed product are transferred to the buyer; The Company no longer retains the right to continue management normally associated with ownership and no longer exercises effective control over the goods sold; The amount of income can be measured reliably; Related economic benefits are likely to flow; And the costs incurred or to be incurred by the project can be measured reliably to confirm the realization of sales revenue.

②Installment sales

When the development product has been completed and passed the acceptance inspection, the sales contract of installment collection has been signed and the obligations stipulated in the contract have been fulfilled, the relevant economic benefits are likely to flow in, and the cost of the development product can be measured reliably, the income amount shall be determined according to the fair value of the contract or agreement price receivable;The difference between the contract or agreement price receivable and its fair value shall be amortized using the effective interest rate method during the contract or agreement period and shall be recorded into the current profit and loss.

③Sell of self-used houses: private ownership of the house on the main risks and rewards transfer to the buyer, the Company will no longer keep contact all the ministers usually continue to power, also no longer implement effective control on goods have been sold, the amount of revenues can be measured reliably, related gross inflow of economic benefits, and the housing cost can be measured reliably, the implementation of the sales income is confirmed.

④Acting for the construction of housing and engineering business

Construction building and engineering signed a construction contract are irrevocable, generation to build houses and engineering related economic interests can flow into the enterprise, the construction of building and engineering schedule can be reliably determined, build houses and generation, and engineering related cost can be measured reliably, the completion percentage method is adopted to recognize revenue.

⑤Rental property income recognition method

The realization of rental property income shall be confirmed when the relevant rent has been received or evidence of payment has been obtained according to the lease date (with rent-free period) and the rent amount agreed in the lease contract and agreement.

⑥Other business income recognition methods

According to the provisions of relevant contracts and agreements, the economic benefits related to the transaction are likely to flow into the enterprise, the revenue amount can be measured reliably, and the incurred or to-be incurred costs related to the revenue can be measured reliably, when the realization of other business income can be confirmed.

20. Government Grants

Government grants refer to monetary grants and non-monetary grants the Company receives from the government for free, excluding the capital invested by the government as an investor and in return the government can enjoy the corresponding owner’s equity. Government grants involve grants related to assets and grants related to income. The Company defines the government grants it receives to construct or otherwise form long-term assets as grants related to assets. Other government grants other than those related to assets are defined as grants related to income. If the government does not specify the subject that qualifies for the grants in its files, the Company applies following criteria to define the grants as government grants related to assets or related to income: 1) if the files specify the project for which an entity is qualified for receiving the grants, the Company shall allocate the budget of such project in proportion as the expenditure related to assets and expenditure that shall be recognized as expenses, such proportion shall be reviewed at each reporting date, and revised if necessary; 2) if the files only include general introduction on the use, and do not specify the project, it shall be treated as government grants related to income.] Monetary government grants shall be measured at the amount received or expected to be received. Non-monetary government grants shall be measured at fair value, and otherwise measured at nominal amount if the fair value cannot be reliably obtained. Government grants measured at nominal amount shall be recognized directly in profit or loss.

The Company usually measures and recognizes the government grants at the amount actually received when the Company receives it. However, if there is evidence at the period end indicating that the conditions attaching to the grants can be fulfilled and the Company is expected to receive the subsidies, the Company shall recognizes the government grants at the amount expected to be received, when the following criteria are met:

1) the amount of the grants expected to be received is confirmed in the files published by the government authorities, or the amount can be reasonably estimated in accordance with the rules and regulations as stipulated in the Management Measures on Financial Funds officially issued, and there is no significant uncertainty regarding the estimate;

2) the estimate is based on the government-financed projects and management measures on financial funds officially issued by the local finance department and made public in accordance with Regulations on the Disclosure of Government Information, and the measures are generally beneficial (any enterprise that satisfies the requirements could apply), and are not set for specific enterprises;

3) the timing when the grants will be received is promised in related government files, and there is financial budget as a guarantee for the grants, as a result the grants could be reasonably expected to be received in the promised period; and 4) other conditions shall be satisfied regarding government grants of the Company (if any).

Government grants related to assets shall be recognized as deferred income that is recognized in profit or loss on a systematic basis over the useful life of the asset or by deducting the carrying amount of the asset. Government grants related to income, if intended to compensate for related costs or losses in a subsequent period, shall be recognized as deferred income that is recognized in profit or loss over the periods in which the Company recognizes related costs or losses or by deducting related costs. Government grants related to income, if intended to compensate for related costs or losses incurred, shall be directly recognized in profit or loss, or by deducting related costs.

If the government grants comprise both grants related to assets and grants related to income, the Company shall treat them separately, and if they cannot be distinguished from each other, they shall be accounted for as government grants related to income as a whole.

Government grants related to the daily operation of the Company shall be recognized in other income or by deducting related costs based on the nature of such economic business. Government grants unrelated to daily operation shall be recognized in non-operating revenue or expenses.

When the government grants become repayable, repayment of such grants shall be applied first against the remaining amount of deferred income recognized in respect of the grants. To the extent that the repayment exceeds any such deferred income, the repayment shall be recognized in profit or loss. For other conditions, the repayment shall be recognized immediately in profit or loss.

21. Deferred Tax Assets and Deferred Tax Liabilities

(1) Current income tax

On the balance sheet date, the current income tax liabilities (or assets) formed in the current period and the previous period are measured by the expected income tax amount (or return) calculated in accordance with the tax law. The amount of taxable income on which the current income tax expenses are calculated is calculated after adjusting the pre-tax accounting profits for the reporting period in accordance with the relevant tax laws.

(2) Deferred tax assets and deferred tax liabilities

For temporary differences between the carrying amount and tax base of certain assets or liabilities, or between the nil carrying amount of those items that are not recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized using the “balance sheet liability method”.

For taxable temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction, affects neither the accounting profit nor taxable profit (or deductible loss), no deferred tax liability is recognized. For taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, no deferred income tax liability is recognized when the Company is able to control the timing of reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. For all other taxable temporary differences except for above-mentioned situations, deferred tax liabilities shall be recognized.

For deductible temporary differences associated with the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction, affects neither the accounting profit nor taxable profit (or deductible losses), no deferred tax asset is recognized. For deductible temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, no deferred income tax asset is recognized when it is not likely that the temporary difference will reverse in the foreseeable future, or when it is not likely that the Company’s taxable profit will be available against which the temporary difference can be utilized. For all other deductible temporary differences except for the above-mentioned situations, deferred tax assets are recognized, to the extent that it is probable that taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets are recognized for the carryforward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled in accordance with tax laws at the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date. The Company reduces the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of that deferred tax assets to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

(3) Income tax expense

Income tax expenses include current income tax and deferred income tax.

Except for the current income tax and deferred income tax related to transactions and events recognized as other comprehensive income or directly included in owner's equity, included in other comprehensive income or owner's equity, and deferred income tax arising from business combination adjustments to the book value of goodwill , The remaining current income tax and deferred income tax expenses or gains are included in the current profit and loss.

(4) Offset of income tax

When the Company has the legal right to settle on a net basis and intends to settle on a net basis or acquire assets and settle liabilities simultaneously, the Company's current income tax assets and current income tax liabilities are presented in net amounts after offset.

When the Company have the legal right to settle current income tax assets and current income tax liabilities on a net basis, and the deferred income tax assets and deferred income tax liabilities are related to the income tax levied by the same tax administration department on the same taxpayer or different taxpayers, However, in the future period of reversal of important deferred income tax assets and liabilities, the taxpayer involved intends to settle the current income tax assets and liabilities with net amount, or obtain assets and settle liabilities at the same time. Assets and deferred income tax liabilities are presented in net amount after offset.

22. Leases

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Title may or may not eventually be transferred. An operating lease is a lease other than a finance lease.

(1) Operating leases of the Company as lessee

The Company, as the lessee, shall recognize lease payments for operating leases in the period when such payments are made in costs of the underlying assets or in profit or loss on a straight-line basis over the lease term. Initial direct costs are recognized in profit or loss. Contingent payments are recognized in profit or loss as incurred.

(2) Operating leases of the Company as lessor

The Company, as the lessor, shall recognize lease payments from operating leases in the period when such payments are received in profit or loss on a straight-line basis over the lease term. Initial direct costs, if the amount is significant, shall be capitalized as incurred, and recognized in profit or loss over the lease term on the same basis as the lease income; if the amount is not significant, shall be recognized in profit or loss as incurred. Contingent payments shall be recognized in profit or loss as incurred.

(3) Finance leases of Company as lessee

At the commencement date, the Company, as the lessee, shall recognize assets held under finance leases at the amount which is lower of fair value of the underlying assets and present value of the minimum lease payments made, and shall recognize the minimum payments as long-term payables. The difference is accounted for as unrecognized finance costs. Expenses incurred in the process when lease contract is negotiated and signed that can be attributable to the initial direct costs of the leases shall be recognized in the underlying assets. Minimum lease payments less unrecognized finance costs shall be presented in long-term liabilities and non-current liabilities due within one year.

Unrecognized finance costs shall be recognized in the period at the amount calculated using effective interest method over the lease term. Contingent payments are recognized in profit or loss as incurred.

(4) Finance leases of the Company as lessor

At the commencement date, the Company, as the lessor, shall recognize assets held under finance leases at receivables at the amount equal to the sum of minimum lease payments made at the commencement date and initial direct costs, and shall also record the unguaranteed residual value. The difference between the sum of minimum lease payments, initial direct costs and unguaranteed residual value, and the present value of the sum is accounted for as unearned finance income. Lease payments receivable less unearned finance income shall be presented in long-term debt investments and long-term debt investment due within one year.

Unearned finance income shall be recognized in the period at the amount calculated using effective interest method over the lease term. Contingent payments are recognized in profit or loss as incurred.

23. Changes in Accounting Policies, Accounting Estimates

(1) Changes in Accounting Policies

In 2018, the Company has no change in accounting policy.

(2) Changes of Accounting Estimates

In 2018, the Company has no change in accounting estimate.

24. Significant Accounting Judgments and Estimates

In the process of applying accounting policies, due to the inherent uncertainty of business activities, the Company needs to judge, estimate and assume the book value of the report items that cannot be accurately measured.These judgments, estimates and assumptions are based on the historical experience of our management and are based on other relevant factors.These judgments, estimates and assumptions affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the balance sheet date.However, the actual results resulting from the uncertainty of these estimates may differ from the current estimates of the Company's management, resulting in significant adjustments to the carrying amounts of future affected assets or liabilities.

The Company regularly reviews the foregoing judgments, estimates and assumptions on the basis of going concern. If the change of accounting estimates only affects the current period of change, the impact amount shall be confirmed in the current period of change;If the change affects both the current period and the future period, the impact amount shall be confirmed in the current period and the future period.

On the date of the balance sheet, the Company shall judge, estimate and assume the amount of items in the financial statements in the following important areas:

(1) Classification of leasing

The Company classifies leases as operating leases and finance leases in accordance with the provisions of Accounting Standards for Business Enterprises No. 21-Leases. During the classification, management needs to determine whether all risks related to the ownership of leased assets And remuneration is transferred to the lessee in substance, or whether the company has substantially assumed all risks and rewards related to the ownership of the leased assets, make an analysis and judgment.

(2) Provision for bad debts

According to the accounting policy of receivables, the Company adopts allowance method to calculate the bad debt loss. Receivables impairment is based on assessing the collectibility of receivables. Identifying receivables impairment requires the judgment and estimation of management. The difference between the actual result and the original estimate will affect the book value of the receivables and the provision for bad debts of the receivables during the period of the change in the estimate.

(3) Impairment of avaliable-for-sale financial assets

The Company's determination of whether the financial assets available for sale are impaired depends to a large extent on the judgment and assumptions of management to determine whether it is necessary to recognize the impairment loss in the income statement. In making judgments and assumptions, the Company is required to assess the extent to which the fair value of the investment is below cost and for the duration of the investment, as well as the financial position and short-term business outlook of the investee, including industry conditions, technological changes, credit ratings, default rates and counterparty risks.

(4) Provision for impairment of long-term assets

On the balance sheet date, the Company judges whether there is any indication of possible impairment of non-current assets other than financial assets. For intangible assets with uncertain service life, in addition to the annual impairment test, when there are signs of impairment, the impairment test is also conducted. Other non-current assets other than financial assets are subject to impairment tests when there are signs that the carrying amount is unrecoverable.

Impairment occurs when the book value of an asset or group of assets is higher than the recoverable amount, that is, the higher of the net value of the fair value minus the disposal charge and the present value of the estimated future cash flow.

The net value after fair value minus disposal costs is determined by referring to the agreed sale price or observable market price of a similar asset in fair trade minus the incremental cost directly attributable to the disposal of that asset.

When predicting the present value of future cash flows, important judgments need to be made on the output, selling price, related operating costs of the asset (or asset group) and the discount rate used in calculating the present value. In estimating recoverable amounts, the Company uses all relevant information available, including forecasts of volumes, selling prices and associated operating costs based on reasonable and supportable assumptions.

At least annually, the Company tests whether there is any impairment of goodwill. This requires an estimate of the present value of the future cash flows of the asset group or portfolio to which goodwill is allocated. To predict the present value of future cash flow, the Company needs to predict the cash flow generated by the future asset group or the asset group combination, and at the same time choose the appropriate discount rate to determine the present value of future cash flow.

(5) Depreciation and amortization

The Company's investment real estate, fixed assets and intangible assets in consideration of their residual value, in the service life of the straight-line method of depreciation and amortization. The Company periodically reviews the service life to determine the amount of depreciation and amortization that will be included in each reporting period. The service life of the Company is based on the Company's previous experience with similar assets and in combination with expected technical updates. In the event of a material change in previous estimates, depreciation and amortization expenses are adjusted for future periods.

(6) Deferred income tax assets

To the extent that there is likely to be sufficient taxable profit to offset the loss, the Company recognizes the deferred income tax assets for all unutilized tax losses. This requires the Company's management to use a lot of judgment to estimate the time and amount of future taxable profits, combined with tax planning strategy, to determine the amount of deferred income tax assets to be recognized.

(7) Income tax

In the normal business activities of the Company, there are some uncertainties in the final tax treatment and calculation of some transactions. Whether some projects can be paid before tax requires the approval of the competent tax authorities. If there is a difference between the final determination of these tax matters and the amount originally estimated, the difference will affect the current income tax and deferred income tax during the final determination period.

V. Taxes

1. Major Taxes and Tax Rates

Tax	Tax rate
Value added tax (VAT)	Except for the projects related to the replacement of the business tax with a VAT that are calculated and paid according to the simple tax calculation method, the output VAT rate is 16% 、10%、6%for taxable sales; VAT is paid after offsetting the deductible input VAT.
City construction tax	7% of turnover tax paid
Corporate income tax (CIT)	25% of taxable income
Housing property tax	In case of AD valorem-based levy, the remaining value shall be calculated by 1.2% of the original value of the real estate after 30% deduction.In case of rent, 12% of the rental income shall be paid.
Land use tax	The taxable land area is 10 yuan/square meter and 6 yuan/square meter respectively.
Land VAT	The value-added value of income from transfer less the amount of statutory deductions shall be used as the basis for tax calculation.

For the Company’s taxable act or imported goods, the former VAT rates were 17%/11%. According to Circular of the Ministry of Finance and the State Administration of Taxation on Adjustment of VAT Rates (CS [2018] No.32), from May 1, 2018, the applicable VAT rates shall be 16%/10%.

2. Tax Incentives and Approvals

(1) According to “Notice on the preferential policies of the value-added tax real estate tax of heating enterprises on the urban land use tax“ (CS [2016] No. 94) and relevant provisions, since the heating period ends on January 1, 2016 (solstice, 2018), the heating fee income obtained from heating enterprises to residents (hereinafter

referred to as residents) is exempted from VAT. Since January 1, 2016, solstice, 2018, on December 31, 2018, for heating enterprises that charge heating fees to residents for heating, the plants and land used for heating residents are exempted from property tax and urban land use tax.Property tax and urban land use tax shall be levied on other plants and land of heating enterprises.

(2) According to the Ministry of Finance, administration of taxation issued by CS [2017] No. 43 on the Notice to Enlarge the Range of Small Profit-Making Enterprise Income Tax Preferential Policies, since January 1, 2017 to December 31, 2019, will be a small meagre-profit enterprise satisfying the maximum annual taxable income from RMB 300,000 to 500,000, the annual taxable income of less than RMB 500,000 (contain RMB 500,000) a small meagre-profit enterprise satisfying, reduced to 50% of its income included in taxable income, pay enterprise income tax at a reduced rate of 20%.

(3) According to the notice of the Ministry of Finance and the State Administration of Taxation on temporary exemption of value added tax and business tax of some small and micro enterprises (CS [2013] No. 52) issued by the Ministry of Finance and the State Administration of Taxation, enterprises or non enterprise units with monthly sales of no more than RMB 20,000 for small-scale VAT taxpayers are temporarily exempted from value added tax. CS [2014] No. 71 document notice of the Ministry of Finance and the State Administration of Taxation on further supporting the VAT and business tax policies of small and micro enterprises stipulates that small-scale VAT taxpayers with monthly sales of RMB 20,000 (including the number of copies, the same below) to RMB 30,000 are exempt from VAT.

(4) According to the notice on the preferential policies of value added tax, real estate tax and urban land use tax for heating enterprises (CS [2016] No. 94) issued by the Ministry of Finance and the State Administration of Taxation and relevant regulations, from January 1, 2016 to the end of the heating period in 2018, the heating revenue obtained by heating enterprises from heating to individual residents (hereinafter referred to as residents) is exempt from value-added tax. From January 1, 2016 to December 31, 2018, for the heating enterprises that charge heating fees for heating to residents, the factory buildings and land used for heating to residents are exempt from property tax and urban land use tax; for other factory buildings and land of the heating enterprises, property tax and urban land use tax shall be levied as required.

VI. Business Combination and Consolidated Financial Statements

In current year, the Company established a new subsidiary Shouguang Shengchang New Energy Development Co., Ltd.

In current year, the Company transferred three subsidiaries: Shouguang City Investment Company Headquarters Management Co., Ltd., Shouguang Kexun Real Estate Co., Ltd., Shouguang City Cultural Development Co., Ltd.

VII. Significant Items in Consolidated Financial Statements

Unless otherwise specified in the following notes (including the main items of the

Company's financial statements), "opening balance" refers to January1, 2018, "closing balance" refers to December 31, 2018, "current year" refers to 2018, "prior year" refers to 2017.

1. Monetary Funds

Items	Closing balance	Opening balance
Cash on hand	304,830.15	39,526.59
Bank deposits	488,765,883.59	480,684,699.06
Other monetary funds	384,750,000.00	443,300,000.00
Total	873,820,713.74	924,024,225.65

Note: Other monetary funds include note margin of RMB 20,000,000.00 and time deposit of RMB 364,750,000.00, which are restricted at the end of the year

2. Notes Receivable and Trade Receivables

Classification	Closing balance	Opening balance
Notes receivable	68,270,000.00	5,979,580.00
Trade receivables	1,114,776,100.09	805,175,683.11
Total	1,183,046,100.09	811,155,263.11

(1) Notes receivable

①Classification of notes receivable

Classification	Closing balance	Opening balance
Bank acceptance draft	68,270,000.00	5,944,500.00
Commercial acceptance draft	-	35,080.00
Total	68,270,000.00	5,979,580.00

②Notes receivable pledged at year end

Classification	Pledged amount at year end
Bank acceptance draft	45,000,000.00
Commercial acceptance draft	-
Total	45,000,000.00

(2) Trade receivables

①Aging analysis

[English version is for translation purpose only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail]

Aging	Closing balance			Opening balance		
	Gross carrying amount		Allowance for doubtful accounts	Gross carrying amount		Allowance for doubtful accounts
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year	447,757,066.68	39.72	6,457,489.17	300,187,462.26	35.24	3,104,822.46
1-2 years	233,311,087.25	20.69	1,397,857.50	342,901,643.68	40.25	1,458,632.75
2-3 years	245,066,273.96	21.73	2,407,765.07	207,511,621.19	24.36	41,502,324.23
Over 3 years	201,418,217.89	17.86	2,513,433.95	1,281,470.84	0.15	640,735.42
Total	1,127,552,645.78	100.00	12,776,545.69	851,882,197.97	100.00	46,706,514.86

②Bad debt provision changes

Opening balance	Current year accrued amount	Current decrease	Closing balance	
		Number of reversals	Number of sales	
46,706,514.86	-33,929,969.17	-	-	12,776,545.69

Note: There is no risk of bad debts in the accounts receivable from the Shouguang City Finance Bureau and the subordinate financial institutions in the balance of accounts receivable at the end of the year, and there is no provision for bad debts.

3. Advances to Suppliers

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year (including 1 year)	90,636,575.04	47.84	16,571,309.10	14.25
1-2 years (including 2 years)	3,159,184.17	1.67	64,031,147.84	55.07
2-3 years (including 3 years)	60,453,053.67	31.91	26,831,799.85	23.07
Over 3 years	35,216,235.61	18.58	8,847,674.30	7.61
Total	189,465,048.49	100.00	116,281,931.09	100.00

Note: the Company prepays Shandong Xinlong Group Co., Ltd. RMB 27.2852 million for the project, which has not been settled yet, and the prepayment is presented as prepayment. Shandong Weifang Construction Group Co., Ltd., RMB 18.0 million, has not handled payment settlement, prepayment of the project as prepayment reported; Shouguang City Construction Engineering Co., Ltd. 13.3754 million has not handled the settlement of funds, prepayment of the project as prepayment reported.

4. Other Receivables

Items	Closing balance	Opening balance
Interests receivable	-	-

Items	Closing balance	Opening balance
Dividends receivable	-	-
Other receivables	1,190,167,459.87	1,044,349,038.60
Total	1,190,167,459.87	1,044,349,038.60

①Aging analysis

Aging	Closing balance			Opening balance		
	Gross carrying amount		Allowance for doubtful accounts	Gross carrying amount		Allowance for doubtful accounts
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year	1,066,194,867.52	86.67	4,216,850.22	817,378,741.66	75.71	6,814,395.59
1-2 years	71,788,044.01	5.84	2,836,692.21	111,123,055.56	10.29	1,003,387.12
2-3 years	13,433,475.01	1.09	1,921,129.00	138,252,714.23	12.80	21,081,724.94
Over 3 years	78,849,539.55	6.40	31,123,794.79	12,988,069.61	1.20	6,494,034.81
Total	1,230,265,926.09	100.00	40,098,466.22	1,079,742,581.06	100.00	35,393,542.46

②Bad debt provision changes

Opening balance	Current year accrued amount	Current decrease		Closing balance
		Number of reversals	Number of sales	
35,393,542.46	4,809,973.76	-	105,050.00	40,098,466.22

Note:

①Other receivables at the end of the balance of Shouguang City Bureau Of Finance, Yangkou town government funds, there is no risk of bad debt and provision.

②The current year's turnover is the year's disposal of the subsidiary, the subsidiary contains other receivables bad debt provisions.

5. Inventories

(1)Classification of inventories

Items	Closing balance		
	Gross carrying amount	Write-down	Carrying amount
Land inventory	1,110,970,404.43	-	1,110,970,404.43
Development costs	2,084,405,513.78	-	2,084,405,513.78
Develop a product	122,778,998.88	-	122,778,998.88

Items	Closing balance		
	Gross carrying amount	Write-down	Carrying amount
Raw materials	21,629,846.54	-	21,629,846.54
Inventory goods	11,573,649.20	-	11,573,649.20
Engineering construction	165,058,867.60	-	165,058,867.60
Turnover materials	1,099,874.79	-	1,099,874.79
Total	3,517,517,155.22	-	3,517,517,155.22

(Continued)

Items	Opening balance		
	Gross carrying amount	Write-down	Carrying amount
Land inventory	1,110,970,404.43	-	1,110,970,404.43
Development costs	883,688,353.59	-	883,688,353.59
Develop a product	87,079,760.24	-	87,079,760.24
Raw materials	16,808,124.86	-	16,808,124.86
Inventory goods	12,653,028.36	-	12,653,028.36
Engineering construction	64,187,769.43	-	64,187,769.43
Turnover materials	1,123,191.88	-	1,123,191.88
Total	2,176,510,632.79	-	2,176,510,632.79

(2) Details of development cost

Project name	Closing balance	Opening balance
Land increase and decrease link	320,714,868.14	291,285,231.13
Xiliu village project	42,058,063.63	71,753,083.72
Dongjing garden	64,603,383.79	120,999,462.69
Kexun land	43,118,320.00	43,118,320.00
Changhong xinda city	182,846,812.74	132,846,933.73
Building 22, enterprise headquarters group	70,087,051.06	31,809,735.73
Jinxiucheng II	13,403,182.63	13,314,880.74
Jingxinyuan II	11,287,500.74	11,287,500.74
Weifang institute of science and technology five departments	271,305,803.84	130,649,035.93

Project name	Closing balance	Opening balance
Yipinshijia	182,770,696.72	22,097,687.74
Luneng Yuedong Eco-city	730,336,174.24	-
Chengtou Xinjushidai	10,234,219.77	-
Taoranting	113,011,051.66	-
Other project	28,628,384.82	14,526,481.44
Total	2,084,405,513.78	883,688,353.59

(3) Details of development products

Project name	Closing balance	Opening balance
Jingxinyuan I	2,149,691.26	19,797,339.99
Jinxiucheng	29,243,429.07	29,828,937.88
Lantingxiangyuan	7,122,455.42	9,096,031.95
Wuxing garden	2,721,585.65	5,410,126.49
Xuejing garden	4,431,525.09	6,106,848.73
Tianfurenfang underground garage	16,840,475.20	16,840,475.20
Dongjing garden I	60,269,837.19	-
Total	122,778,998.88	87,079,760.24

(4) Inventory used as collateral for debt obligations

Item	Gross carrying amount	Loan balance	Note
Inventory - land inventory	231,545,503.32	50,000,000.00	Long-term borrowing
Inventory - land inventory	84,515,918.57	570,000,000.00	Investment real estate - used as collateral for long-term loans
Inventory - land inventory	64,163,915.08	120,000,000.00	Intangible asset - used as collateral for long-term loans
Total	380,225,336.97	740,000,000.00	

6. Other Current Assets

Items	Closing balance	Opening balance
Tax to be deducted	65,447,302.90	29,464,957.41
Prepay taxes	9,328,771.11	3,330,893.31
Total	74,776,074.01	32,795,850.72

7. Available-for-sale Financial Assets

(1)Details of available-for-sale financial assets

Items	Closing balance			Opening balance		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Debt instruments available for sale	-	-	-	-	-	-
Equity instruments available for sale	62,000,000.00	-	62,000,000.00	89,000,000.00	-	89,000,000.00
Including: Measured at fair value	-	-	-	-	-	-
Measured at cost	62,000,000.00	-	62,000,000.00	89,000,000.00	-	89,000,000.00
Other	-	-	-	-	-	-
Total	62,000,000.00	-	62,000,000.00	89,000,000.00	-	89,000,000.00

(2)Available-for-sale financial assets measured at cost at year end

Unit: RMB ten thousand yuan

Items	Gross carrying amount			Provision for impairment			Proportion (%)	Current year cash dividend
	Opening balance	Increase/ decrease	Closing balance	Opening balance	Increase/decrease	Closing balance		
Shouguang Jinzheng Financing Guarantee Co., Ltd.	5,000.00	-	5,000.00	-	-	-	10.00	-
Shouguang Chengming Real Estate Co., Ltd.	400.00	-	400.00	-	-	-	20.00	-
Shenzhen Sanqi Technology Co., Ltd.	800.00	-	800.00	-	-	-	11.50	-
Weifang Re-Guarantee Group Co., Ltd.	2,700.00	-2,700.00	-	-	-	-	-	-
Total	8,900.00	-2,700.00	6,200.00	-	-	-	-	-

Note: The equity instruments available for sale held by the Company are for holding the equity of the above mentioned company. If there is no quotation in the active market and its fair value cannot be measured reliably, subsequent measurement shall be made according to the cost.

8. Long-term Equity Investments

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Investee	Opening balance	Increase/decrease in current year				
		Increase in investments	Decrease in investments	Investment gain or loss recognized under equity method	Adjustment in other comprehensive income	Other equity changes
I. Joint ventures	-	-	-	-	-	-
II. Associates	-	-	-	-	-	-
Shouguang Kunlun Gas Co., Ltd.	3,965,062.07	-	-	-340,234.07	-	-
Shouguang Zhihui Logistics Industry Development Co., Ltd.	1,017,548.13	-	-	-	-	-1,017,548.13
Shandong Luyang Natural Gas Co., Ltd.	19,562,396.90	-	-	132,262.09	-	-
Shouguang Chengfa Investment Co., Ltd.	-	9,000,000.00	-	-277,619.49	-	-
Shouguang Jincai Public Asset Management Co., Ltd	-	-	-	14,001,642.30	-	2,540,184,011.73
Shandong Jinyingli New Material Technology Co., Ltd.	-	11,916,000.00	-	27,596.69	-	-
Subtotal	24,545,007.10	20,916,000.00	-	13,543,647.52	-	2,539,166,463.60
Total	24,545,007.10	20,916,000.00	-	13,543,647.52	-	2,539,166,463.60

(Continued)

Investee	Increase/decrease in current year			Closing balance	Closing balance of loss allowance
	Cash dividends declared and profits to be distributed	Loss allowance	Others		
I. Joint ventures	-	-	-	-	-
II. Associates	-	-	-	-	-
Shouguang Kunlun Gas Co., Ltd.	-	-	-	3,624,828.00	-
Shouguang Zhihui Logistics Industry Development Co., Ltd.	-	-	-	-	-
Shandong Luyang Natural Gas Co., Ltd.	-	-	-	19,694,658.99	-
Shouguang Chengfa Investment Co., Ltd.	-	-	-	8,722,380.51	-
Shouguang Jincai Public Asset Management Co., Ltd	-	-	-	2,554,185,654.03	-
Shandong Jinyingli New Material Technology Co., Ltd.	-	-	-	11,943,596.69	-
Subtotal	-	-	-	2,598,171,118.22	-

Investee	Increase/decrease in current year			Closing balance	Closing balance of loss allowance
	Cash dividends declared and profits to be distributed	Loss allowance	Others		
Total	-	-	-	2,598,171,118.22	-

9. Investment Properties

(1) Investment real estate using cost measurement model

Items	Opening balance	Increase in current year	Decrease in current year	Closing balance
I. Total gross carrying amount	1,023,156,467.40	69,106,588.81	14,566,277.25	1,077,696,778.96
Including: Properties and buildings	935,208,951.83	69,106,588.81	14,566,277.25	989,749,263.39
Land use rights	87,947,515.57	-	-	87,947,515.57
II. Accumulated depreciation (amortization)	180,222,588.36	26,578,703.87	166,785.25	206,634,506.98
Including: Properties and buildings	160,836,342.30	24,543,668.16	166,785.25	185,213,225.21
Land use rights	19,386,246.06	2,035,035.71	-	21,421,281.77
III. Cumulative amount of loss allowance	-	-	-	-
Including: Properties and buildings	-	-	-	-
Land use rights	-	-	-	-
IV. Total carrying amount	842,933,879.04	-	-	871,062,271.98
Including: Properties and buildings	774,372,609.53	-	-	804,536,038.18
Land use rights	68,561,269.51	-	-	66,526,233.80

(2) Investment property used as collateral for debt

Items	original value of the book	Carrying amount	Loan balance	Note
Properties and buildings	121,819,240.00	87,429,434.96	570,000,000.00	Used as collateral for long-term loans with inventories
Land use right	34,341,019.13	26,175,811.11		
Properties and buildings	63,641,505.00	46,360,833.44	180,000,000.00	Collateral and notes payable together with other monetary funds
Land use right	17,834,358.42	13,874,578.32		
Properties and buildings	81,205,205.00	58,228,492.25	80,000,000.00	Short-term borrowing
Land use right	16,815,448.07	12,445,529.13		
Total	335,656,775.62	244,514,679.21	830,000,000.00	

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10. Fixed Assets

Items	Closing balance	Opening balance
Fixed assets	791,648,465.19	783,531,077.29
Disposal of fixed assets	-	-
Total	791,648,465.19	783,531,077.29

①Fixed assets

Items	Opening balance	Increase in current year	Decrease in current year	Closing balance
I. Total gross carrying amount	889,370,129.57	44,182,168.88	179,649.00	933,372,649.45
Including: Properties and buildings	791,251,534.14	21,760,832.24	-	813,012,366.38
Machinery equipment	43,701,360.72	20,371,054.60	-	64,072,415.32
Transportation equipment	42,871,222.12	389,682.39	-	43,260,904.51
Office equipment	11,546,012.59	1,660,599.65	179,649.00	13,026,963.24
II. Accumulated depreciation	105,839,052.28	35,986,716.46	101,584.48	141,724,184.26
Including: Properties and buildings	51,873,182.01	27,499,171.40	-	79,372,353.41
Machinery equipment	14,598,308.36	3,989,708.65	-	18,588,017.01
Transportation equipment	34,693,004.03	2,092,423.48	-	36,785,427.51
Office equipment	4,674,557.88	2,405,412.93	101,584.48	6,978,386.33
III. Total carrying amount before impairment	783,531,077.29	-	-	791,648,465.19
Including: Properties and buildings	739,378,352.13	-	-	733,640,012.97
Machinery equipment	29,103,052.36	-	-	45,484,398.31
Transportation equipment	8,178,218.09	-	-	6,475,477.00
Office equipment	6,871,454.71	-	-	6,048,576.91
IV. Total loss allowance	-	-	-	-
Including: Properties and buildings	-	-	-	-
Machinery equipment	-	-	-	-
Transportation equipment	-	-	-	-
Office equipment	-	-	-	-
V. Total carrying amount	783,531,077.29	-	-	791,648,465.19

Items	Opening balance	Increase in current year	Decrease in current year	Closing balance
Including: Properties and buildings	739,378,352.13	-	-	733,640,012.97
Machinery equipment	29,103,052.36	-	-	45,484,398.31
Transportation equipment	8,178,218.09	-	-	6,475,477.00
Office equipment	6,871,454.71	-	-	6,048,576.91

Note:

Of the increase in fixed assets in current year, the amount transferred from construction in progress was RMB 36,988,932.40.

Of the decrease in fixed assets in current year, the original book value of RMB 173,649.00 and the accumulated depreciation of RMB 101,584.48 represent the decrease caused by the disposal of subsidiaries in the current year.

②The depreciation amount of current year is RMB 35,986,716.46.

11. Construction in Progress

Items	Closing balance	Opening balance
Construction in progress	193,615,515.35	215,958,527.78
Construction materials	-	-
Total	193,615,515.35	215,958,527.78

①Construction in progress

Items	Closing balance			Opening balance		
	Gross carrying amount	Loss allowance	Carrying amount	Gross carrying amount	Loss allowance	Carrying amount
Project Taiyangcheng	94,012,898.79	-	94,012,898.79	80,834,039.14	-	80,834,039.14
Heating network engineering	28,035,602.67	-	28,035,602.67	35,757,794.15	-	35,757,794.15
Rehabilitation center	-	-	-	47,214,539.06	-	47,214,539.06
SCR denitrification engineering	13,202,893.19	-	13,202,893.19	9,902,702.70	-	9,902,702.70
Others	58,364,120.70	-	58,364,120.70	42,249,452.73	-	42,249,452.73
Total	193,615,515.35	-	193,615,515.35	215,958,527.78	-	215,958,527.78

②Changes of significant construction in progress in current year

Project name	Opening balance	Increase in current year	Amount transferred to fixed assets in current year	Other decrease in current year	Closing balance

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Project name	Opening balance	Increase in current year	Amount transferred to fixed assets in current year	Other decrease in current year	Closing balance
Project Taiyangcheng	80,834,039.14	13,178,859.65	-	-	94,012,898.79
Heating network engineering	35,757,794.15	473,025.99	-	8,195,217.47	28,035,602.67
Rehabilitation center	47,214,539.06	-	-	47,214,539.06	-
SCR denitrification engineering	9,902,702.70	3,300,190.49	-	-	13,202,893.19
Others	42,249,452.73	53,103,600.37	36,988,932.40	-	58,364,120.70
Total	215,958,527.78	70,055,676.50	36,988,932.40	55,409,756.53	193,615,515.35

12. Intangible Assets

(1) Intangible asstes

Items	Opening balance	Increase in current year	Decrease in current year	Closing balance
I. Total gross carrying amount	449,509,043.25	2,203,230.79	47,000.00	451,665,274.04
Land use rights	449,011,350.05	1,098,870.00	-	450,110,220.05
Software	497,693.20	1,104,360.79	47,000.00	1,555,053.99
II. Accumulated amortization	38,290,971.40	9,644,366.38	3,133.36	47,932,204.42
Land use rights	38,271,526.49	9,472,807.05	-	47,744,333.54
Software	19,444.91	171,559.33	3,133.36	187,870.88
III. Total loss allowance	-	-	-	-
Land use rights	-	-	-	-
Software	-	-	-	-
IV. Total carrying amount	411,218,071.85	-	-	403,733,069.62
Land use rights	410,739,823.56	-	-	402,365,886.51
Software	478,248.29	-	-	1,367,183.11

Note:

①The amortization amount of current year is RMB 9,644,366.38.

②The reduction of intangible assets this year is the reduction caused by the disposal of subsidiaries this year.

(2) Intangible assets used as collateralized debt obligations

Items	Gross carrying amount	Carrying amount	Loan balance	Notes

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Items	Gross carrying amount	Carrying amount	Loan balance	Notes
Land use rights	221,348,763.82	193,957,779.67	120,000,000.00	Used as collateral for long-term loans with inventories.
Total	221,348,763.82	193,957,779.67	120,000,000.00	

13. Long-term Prepaid Expenses

Items	Opening balance	Increase in current year	Amortization in current year	Other decrease	Closing balance
Site rental	1,339,805.82	-	349,514.57	-	990,291.25
Financing related expenses	21,014,122.14	34,709,433.96	14,508,595.42	-	41,214,960.68
Others	1,138,461.95	-	296,990.16	-	841,471.79
Total	23,492,389.91	34,709,433.96	15,155,100.15	-	43,046,723.72

14. Deferred Tax Assets

(1) Recognized deferred tax assets

Items	Closing balance		Opening balance	
	Deductible /taxable temporary difference	Deferred tax assets	Deductible /taxable temporary difference	Deferred tax assets
Loss allowance for assets	178,626.22	44,656.56	162,578.90	40,644.73
Total	178,626.22	44,656.56	162,578.90	40,644.73

(2) Unrecognized deferred tax assets

Items	Closing balance	Opening balance
Deductible temporary differences	52,696,385.69	81,937,538.42
Deductible losses	75,199,471.13	66,759,472.80
Total	127,895,856.82	148,697,011.22

(3) Deductible losses unrecognized for deferred tax assets that will expire in the following years

Year	Closing balance	Opening balance	Notes
2018	-	586,160.44	
2019	29,349,016.59	29,349,016.59	
2020	15,229,677.75	17,154,155.02	
2021	4,750,007.17	8,093,744.59	

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Year	Closing balance	Opening balance	Notes
2022	11,576,396.16	11,576,396.16	
2023	14,294,373.46	-	
Total	75,199,471.13	66,759,472.80	

15. Other Non-current Assets

Items	Closing balance	Opening balance
Shouguang city sun city elderly service center	5,000,000.00	5,000,000.00
Undone warrant asset funds	14,426,198.06	15,508,320.00
Others	101,941.75	9,330,308.00
Total	19,528,139.81	29,838,628.00

16. Short-term Borrowings

(1) Classification

Items	Closing balance	Opening balance
Pledged loans	-	100,000,000.00
Mortgage loans	80,000,000.00	170,000,000.00
Guaranteed loans	195,000,000.00	5,000,000.00
Total	275,000,000.00	275,000,000.00

Note: ①Guarantee loan details are as follows：

Borrower	Borrowing amount	Guarantee party
Shouguang Runcheng Building Materials Co., Ltd.	25,000,000.00	Shouguang City Construction Investment Development Co., Ltd.
Shouguang Jinhui Heating Co., Ltd.	170,000,000.00	Shouguang City Construction Investment Development Co., Ltd.
Total	195,000,000.00	

②The mortgage details are as follows：

Borrower	Borrowing amount	Mortgaged property	Gross carrying amount	Carrying amount
Shouguang Jinhui Heating Co., Ltd	80,000,000.00	Investment real estate - real estate	81,205,205.00	58,228,492.25
		Investment real estate - land	16,815,448.07	12,445,529.13
Total	80,000,000.00		98,020,653.07	70,674,021.38

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17. Notes Payable and Trade Payables

Items	Closing balance	Opening balance
Notes payable	315,000,000.00	230,000,000.00
Trade payables	418,059,627.38	368,747,892.10
Total	733,059,627.38	598,747,892.10

(1) Notes payable

Items	Closing balance	Opening balance
Commercial acceptance draft	315,000,000.00	230,000,000.00
Bank acceptance draft	-	-
Total	315,000,000.00	230,000,000.00

(2) Trade payables

①Aging analysis

Aging	Closing balance	Opening balance
Within 1 year	316,056,397.48	186,240,193.85
1-2 years	22,872,112.47	157,827,408.38
2-3 years	65,045,367.26	24,228,887.98
Over 3 years	14,085,750.17	451,401.89
Total	418,059,627.38	368,747,892.10

②Significant trade payables aged over one year

Creditor	Closing balance	Reason for unpaid
Provisional project valuation	46,614,417.61	Project not yet settled
Total	46,614,417.61	—

18. Advances from Customers

(1) Aging analysis

Aging	Closing balance	Opening balance
Within 1 year	509,282,277.34	262,781,890.30
1-2 years	88,704,389.40	1,758,734.39
2-3 years	1,048,077.89	179,224.30

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Over 3 years	42,977.30	-
Total	599,077,721.93	264,719,848.99

(2) Significant advances from customers aged over one year

Creditor	Closing balance	Reason for not carried forward
House payment to Changhong xinda	85,465,414.67	The contract is unfinished, not meeting the revenue recognition criteria
Total	85,465,414.67	—

19. Employee Benefits Payable

(1) Employee benefits payable

Items	Opening balance	Increase in current year	Decrease in current year	Closing balance
I. Short-term employee benefits	171,669.44	35,595,864.12	35,689,937.79	77,595.77
II. Post-employment benefits – defined contribution plan	-	2,323,100.70	2,323,100.70	-
Total	171,669.44	37,918,964.82	38,013,038.49	77,595.77

(2) Short-term employee benefits

Items	Opening balance	Increase in current year	Decrease in current year	Closing balance
1. Salaries, bonuses, allowances and subsidies	171,669.44	32,116,849.33	32,210,923.00	77,595.77
2. Welfare	-	928,403.47	928,403.47	-
3. Social insurance	-	1,026,214.16	1,026,214.16	-
Including: Health insurance	-	858,395.98	858,395.98	-
Work injury insurance	-	53,540.30	53,540.30	-
Maternity insurance	-	114,277.88	114,277.88	-
4. Housing funds	-	1,501,013.16	1,501,013.16	-
5. Labor union funds and employee education funds	-	23,384.00	23,384.00	-
6. Short-term paid leave	-	-	-	-
7. Short-term profit sharing plan	-	-	-	-
Total	171,669.44	35,595,864.12	35,689,937.79	77,595.77

(3) Defined contribution plan

Items	Opening balance	Increase in current year	Decrease in current year	Closing balance

Items	Opening balance	Increase in current year	Decrease in current year	Closing balance
1. Basic pensions	-	2,220,766.75	2,220,766.75	-
2. Unemployment insurance	-	102,333.95	102,333.95	-
3. Enterprise annuity contribution	-	-	-	-
Total	-	2,323,100.70	2,323,100.70	-

The Company shall participate in the pension insurance and unemployment insurance schemes established by government agencies in accordance with the regulations. According to these schemes, the Company shall pay 18% and 1% of the basic salary of the employees to these schemes each month. In addition to the above monthly payment fees, the Company will not assume any further payment obligations. The corresponding expenses are recorded into the current profit and loss or the cost of related assets when incurred.

20. Tax and Surcharge Payable

Items	Opening balance	Closing balance
VAT	38,238,586.08	2,825,404.45
Corporate income taxes	4,620,418.62	6,667,691.42
Individual income tax	98,099.60	89,974.91
City maintenance and construction tax	443,632.48	213,216.74
Education surcharge	187,899.31	84,507.89
Local education surcharge	129,264.96	60,337.30
Withholding taxes	335,793.14	66,202.48
Local water conservancy construction fund	28,213.41	22,754.00
Land use tax	2,417,078.29	549,161.44
Land value added tax	530,535.92	571,621.06
Property tax	6,687,618.62	416,815.07
Water resources tax	8,374.50	-
Stamp duty	63,368.71	24,357.32
Total	53,788,883.64	11,592,044.08

21. Other Payables

Items	Closing balance	Opening balance
Interest payable	120,759,082.19	74,184,342.47

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Items	Closing balance	Opening balance
Dividend payable	-	-
Others	359,167,352.33	150,887,357.81
Total	479,926,434.52	225,071,700.28

(1) Interest payable

Items	Closing balance	Opening balance
Bond interests	120,759,082.19	74,184,342.47
Total	120,759,082.19	74,184,342.47

(2) Others

①Other payables presented by aging

Items	Closing balance	Opening balance
Within 1 year	150,114,491.82	116,987,570.01
1-2 years	177,836,181.11	18,019,812.28
2-3 years	17,490,235.93	9,539,098.30
Over 3 years	13,726,443.47	6,340,877.22
Total	359,167,352.33	150,887,357.81

②Significant other payables aged over one year

Creditor	Closing balance	Reason for unpaid
Shandong Weifang Construction Group Co., Ltd	2,116,600.00	Current account
Shouguang Jinhai Investment and Development Co., Ltd	110,000,000.00	Current account
Shandong Shouguang First Construction Co., Ltd	32,608,075.78	Current account
Xiliu Villagers Committee of Luocheng Street, Shouguang City	9,118,044.00	Withhold and remit tax
Total	153,842,719.78	—

22. Non-current Liabilities Due Within One Year

Items	Closing balance	Opening balance
Long-term borrowings due within one year (Note VII-23)	234,000,000.00	268,000,000.00
Bonds payable due within one year (Note VII-24)	216,000,000.00	416,000,000.00
Long-term payable due within one year (Note VII-25)	180,222,010.68	31,376,261.29

Items	Closing balance	Opening balance
Total	630,222,010.68	715,376,261.29

23. Long-term Borrowings

Items	Closing balance	Opening balance
Pledged loans	590,815,000.00	350,000,000.00
Mortgage loans	740,000,000.00	908,000,000.00
Guaranteed loans	-	-
Credit loans	-	-
Less: Long-term borrowings due within one year (Note VII-22)	234,000,000.00	268,000,000.00
Total	1,096,815,000.00	990,000,000.00

Note:①The mortgage details are as follows：

Creditors	Loan balance	Collateral	Gross carrying amount	Carrying amount
The Company*	570,000,000.00	Investment real estate - Property	121,819,240.00	87,429,434.96
		Investment real estate - real estate	34,341,019.13	26,549,214.19
		Inventory - land	84,515,918.57	84,515,918.57
Shouguang Jintong Pipeline Engineering Co., Ltd.	50,000,000.00	Inventory - land	231,545,503.32	231,545,503.32
Shouguang Xicheng Heating Co., Ltd.	120,000,000.00	Intangible assets - land	221,348,763.82	193,957,779.67
		Inventory - land	64,163,915.08	64,163,915.08
Total	740,000,000.00		757,734,359.92	688,161,765.79

Note: The above RMB 57,000.00 mortgage loan of the Company is guaranteed by Shouguang Jinhai Investment and Development Co., Ltd., with the guaranteed amount of RMB 42,000.00.

②Pledge loan details are as follows.：

Creditors	Loan balance	Pledge
Shouguang City Construction Investment Development Co., Ltd.	50,000,000.00	Certificates of deposit
Shouguang City Construction Investment Development Co., Ltd.	45,000,000.00	Certificates of deposit
Shouguang Runcheng Building Materials Co., Ltd.	100,000,000.00	Certificates of deposit
Shouguang Bridge Construction Engineering Management Co., Ltd.	295,815,000.00	Accounts receivable
Shouguang City Construction Investment Development Co., Ltd.	100,000,000.00	Accounts receivable

Total	590,815,000.00	

24. Bonds Payable

(1) Changes of bonds payable

Items	Opening balance	Increase in current year	Decrease in current year	Closing balance
13 Shouguang city investment debt	288,000,000.00	-	96,000,000.00	192,000,000.00
15 Shouguang city investment (MTN)	320,000,000.00	-	320,000,000.00	-
16 Shouguang city investment PPN001	350,000,000.00	-	-	350,000,000.00
17 Shouguang city investment PPN002	650,000,000.00	-	-	650,000,000.00
17 Shouguang city investment (MTN)	500,000,000.00	-	-	500,000,000.00
17 Lu Shouguang city investment ZR001	120,000,000.00	-	-	120,000,000.00
18 Shouguang 01	-	300,000,000.00	-	300,000,000.00
18 Shouguang 02	-	570,000,000.00	-	570,000,000.00
Subtotal	2,228,000,000.00	870,000,000.00	416,000,000.00	2,682,000,000.00
Less: Bonds payable due within one year	416,000,000.00	-	-	216,000,000.00
13 Shouguang city investment debt	96,000,000.00	-	-	96,000,000.00
15 Shouguang city investment (MTN)	320,000,000.00	-	-	-
17 Lu Shouguang city investment ZR001	-	-	-	120,000,000.00
Total	1,812,000,000.00	-	-	2,466,000,000.00

(2) Bonds payable

Bond name	Par value	Issue date	Bond term	Amount issued
13 Shouguang city investment debt	480,000,000.00	2013-10-18	7 years	480,000,000.00
15 Shouguang city investment (MTN)	320,000,000.00	2015-09-25	3 years	320,000,000.00
16 Shouguang city investment PPN001	350,000,000.00	2016-02-26	5 years	350,000,000.00
17 Shouguang city investment PPN002	650,000,000.00	2017-01-18	3 years	650,000,000.00
17 Shouguang city investment (MTN)	500,000,000.00	2017-08-16	5 years	500,000,000.00
17 Lu Shouguang city investment ZR001	120,000,000.00	2017-03-29	2 years	120,000,000.00
18 Shouguang 01	300,000,000.00	2018-1-12	5 years	300,000,000.00
18 Shouguang 02	570,000,000.00	2018-4-17	4 years	570,000,000.00

Bond name	Par value	Issue date	Bond term	Amount issued
Total	3,290,000,000.00			3,290,000,000.00

(Continued)

Bond name	Interest payable at the beginning	Current year interest payable	Interest paid for the current year	Final interest payable
13 Shouguang city investment debt	4,201,643.84	19,047,452.05	20,448,000.00	2,801,095.89
15 Shouguang city investment (MTN)	4,064,438.36	11,551,561.64	15,616,000.00	-
16 Shouguang city investment PPN001	16,207,684.93	19,145,000.00	19,145,000.00	16,207,684.93
17 Shouguang city investment PPN002	33,341,260.27	34,970,000.00	34,970,000.00	33,341,260.27
17 Shouguang city investment (MTN)	11,342,465.75	30,000,000.00	30,000,000.00	11,342,465.75
17 Lu Shouguang city investment ZR001	5,026,849.32	6,600,000.00	6,600,000.00	5,026,849.32
18 Shouguang 01	-	21,821,917.81	-	21,821,917.81
18 Shouguang 02	-	30,217,808.22	-	30,217,808.22
Total	74,184,342.47	173,353,739.72	126,779,000.00	120,759,082.19

Note:

① 13 Shouguang city investment debt

According to national development and reform commission document No. 1825 [2013], "National Development and Reform Commission's Reply to Shandong Shouguang Urban Construction Investment and Development Co., Ltd. 's Issuance of 2013 Corporate Bond Approval", the Company issued corporate bond of RMB 480 million, the coupon interest rate of the bond is 7.10%, which is paid annually.The debenture pays 20% of the principal of the current debenture in each of the 3 to 7 years of maturity. All the funds raised from the bonds will be used for the construction of two projects, namely, Shouguang new garden (affordable housing) project and Shouguang urban heating pipe network renovation project. As of December 31, 2018, the repayment of the principal of the bond is RMB 288,000,000.00, and the amount shown in the long term liabilities matured within one year is RMB 96,000,000.00.

②15 Shouguang city investment (MTN)

According to the notice of acceptance of registration, No. [2015] MTN352 document of China Association of inter-bank market dealers, Shouguang Urban Construction Investment and Development Co., Ltd. is accepted for the registration of medium-term notes with a registered amount of 320 million yuan and a maturity period of 3 years. The coupon interest rate of the notes is 4.88%. All the funds raised from the medium-term note will be used for the urban heating pipe network renovation project of Shouguang city (phase ii). As of December 31, 2018, the principal of the bonds has been repaid in full with RMB 320,000,000.00.

③16 Shouguang city investment PPN001, 17 Shouguang city investment PPN002

According to the notice of acceptance of registration, No. PPN407 [2015] in the document of China Association of inter-bank market traders, the PPN of Shouguang City Construction Investment Development Co., Ltd. is accepted for registration, with the registered amount of 1 billion yuan, and it can be issued in installments during the registration period.

16 Shouguang city investment co., LTD. PPN001 was issued in February 2016 with an

issuance amount of 350 million yuan and a maturity of 5 years. The coupon interest rate of the note is 5.47%. The PPN001 raised 350 million yuan, of which 300 million yuan was used to repay the bank project loans and working capital loans, and 50 million yuan was used for the Shouguang urban heating pipe network renovation project (phase ii).

17 Shouguang City Investment Co., Ltd. PPN002 was issued in January 2017 with an amount of 650 million yuan and a maturity of 5 years. The coupon rate of the note is 5.38%. The PPN002 raised 650 million yuan, of which 510 million yuan was used to repay the trust principal and interest, and 140 million yuan was used to repay the bank loan.

④17 Shouguang city investment (MTN)

According to the notice of acceptance of registration, No. [2017] MTN370 document of China Association of inter-bank market dealers, Shouguang Urban Construction Investment and Development Co., Ltd. is accepted for registration of medium-term notes with a registered amount of 500 million yuan and a validity period of 2 years. The note's coupon interest rate is 6%.The bill raised 500 million yuan to repay the bank loan.

⑤17 Lu Shouguang city investment ZR001

According to the notice of acceptance of filing, No. 0015 document of debt financing plan 2016 of Beijing financial assets exchange, the planned filing amount of Shouguang city Construction Investment Development Co., Ltd. is RMB 400 million. The actual listing amount is RMB 120 million on March 29, 2017.The debt financing plan raises money to repay bank loans. As of December 31, 2018, the amount shown in the long-term liabilities carried over to maturity within one year is RMB 120,000,000.00.

⑥ 18 Shouguang 01

With the approval of the document "SZH [2017] 1052" issued by the Shanghai Stock Exchange, Shouguang Urban Construction Investment and Development Co., Ltd. is allowed to publicly issue corporate bonds with a total amount not exceeding 1 billion yuan. The actual listing amount is 300 million yuan (the first phase) on January 12, 2018. The debt financing plan is intended to raise funds for the issuer and its subsidiaries to supplement working capital and repay the Company's debts.

⑦ 18 Shouguang 02

With the approval of the document "SZH [2017] 1052" issued by the Shanghai Stock Exchange, Shouguang Urban Construction Investment and Development Co., Ltd. is allowed to publicly issue corporate bonds with a total amount of no more than 1 billion yuan. The actual listing amount on April 17, 2018 is 570 million yuan (the second phase). The debt financing plan is intended to raise funds for the issuer and its subsidiaries to supplement working capital and repay the Company's debts.

25. Long-term Payables

Items	Opening balance	Closing balance
Long-term payables	637,120,179.18	210,446,297.38
Special payables	-	-
Total	637,120,179.18	210,446,297.38

(1) Long-term payables

Items	Closing balance	Opening balance
Finance lease payment	686,182,009.86	107,812,378.67

[English version is for translation purpose only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail]

Items	Closing balance	Opening balance
Xiliu village villagers resettlement project loan	59,300,000.00	62,150,000.00
Others	71,860,180.00	71,860,180.00
Less:Long-term payable due within one year (Note VII, 22)	180,222,010.68	31,376,261.29
Total	637,120,179.18	210,446,297.38

(2) Details of long-term payable finance lease payments

Creditors	Starting date of loan	Termination date	Interest rate	Currency	Closing balance	Opening balance
Ping'An International Financial Leasing Co., Ltd.	2018-11-08	2021-11-08	5.51%	RMB	97,000,000.00	-
Guangzhou Yuexiu Financial Leasing Co., Ltd.	2017-05-19	2022-05-18	7.21%	RMB	79,286,117.38	107,812,378.67
Pudong Bank Financial Leasing Co., Ltd	2018-04-03	2023-04-21	4.89%	RMB	335,895,892.48	-
Chongqing Xinyu Financial Leasing Co., Ltd	2018-05-29	2023-05-29	5.70%	RMB	174,000,000.00	-
Subtotal					686,182,009.86	107,812,378.67
Less：Part due within one year					177,372,010.68	28,526,261.29
Total					508,809,999.18	79,286,117.38

26. Paid-in Capital

Name of Investors	Closing balance		Opening balance	
	Proportion (%)	Amount invested	Proportion (%)	Amount invested
Shouguang City Infrastructure Construction Investment Management Center	-	-	100.00%	150,000,000.00
Shouguang City Investment Holding Group Co., Ltd	100.00%	150,000,000.00	-	-
Total	100.00%	150,000,000.00	100.00%	150,000,000.00

Note: in July 2018, the Company changed the shareholder to Shouguang City Investment Holding Co., Ltd. According to No. 53 document of SCGZ(2018). In August 2018, the group was established and Shouguang City Investment Holding Co., Ltd. was renamed Shouguang City Investment Holding Group Co., Ltd.

27. Capital Reserve

Items	Opening balance	Increase in current year	Decrease in current year	Closing balance
Capital (or share) premiums	-	-	-	-
Other capital reserve	1,488,728,334.38	2,540,184,011.73	17,745,315.95	4,011,167,030.16
Total	1,488,728,334.38	2,540,184,011.73	17,745,315.95	4,011,167,030.16

Note: The increase of capital reserves in current year refers to the allocation of equity, while the decrease of capital reserves refers to the allocation of equity.

28. Surplus Reserve

Items	Opening balance	Increase in current year	Decrease in current year	Closing balance
Statutory surplus reserve	76,189,370.35	-	-	76,189,370.35
Total	76,189,370.35	-	-	76,189,370.35

Note: According to the provisions of the Company law and articles of association, the Company shall withdraw the statutory surplus reserve at 10% of the net profit. Where the statutory surplus reserve accumulates to more than 50% of the Company's registered capital, it shall not be withdrawn.

After drawing the statutory surplus reserve fund, the Company may draw any surplus reserve fund. Subject to approval, any surplus reserve fund may be used to cover losses of previous years or increase capital stock.

29. Undistributed Profits

Items	Current year	Prior year
Undistributed profit at the end of the previous year before adjustment	687,525,248.23	604,451,383.40
Adjust the total undistributed profit at the beginning of the year (increase +, decrease -)	-	-
Undistributed profit at the beginning of the year after adjustment	687,525,248.23	604,451,383.40
Plus: Net profit attributable to shareholders of the parent company for the current year	74,839,172.06	93,103,715.00
Less: Appropriation to legal surplus reserve	-	10,029,850.17
Appropriation to surplus reserve	-	-
Appropriation to general risk reserve	-	-
Common stock dividends payable	-	-
Dividends on common stock converted to capital stock	-	
Undistributed profit at the end of year	762,364,420.29	687,525,248.23

30. Operating Revenue and Operating Costs

Items	Current year		Prior year	
	Revenue	Costs	Revenue	Costs
Principal operating activities	610,615,448.08	522,238,706.72	516,414,677.67	426,983,014.46
Other operating activities	77,799,876.29	45,204,005.65	69,113,531.37	24,125,778.75
Total	688,415,324.37	567,442,712.37	585,528,209.04	451,108,793.21

31. Tax and Surcharge

Items	Current year	Prior year
City maintenance and construction tax	2,257,854.22	1,330,993.95
Educational surcharge	967,470.62	570,184.69
Local education surcharge	644,980.40	380,123.15
Local water conservancy construction fund	161,245.17	107,586.71
Land value added tax	7,026,014.67	2,089,759.52
Land use tax	19,707,929.87	33,387,443.68
The property tax	9,600,316.95	5,166,082.48
Stamp duty	361,340.31	217,643.50
Vehicle and Vessel Tax	3,110.16	1,365.16
Water resources tax	421,713.00	-
Environmental tax	319,947.45	-
Total	41,471,922.82	43,251,182.84

Note: please refer to Note V Tax for details of all taxes and additional payment standards.

32. Selling Expenses

Items	Current year	Prior year
Employee benefits	5,764,643.58	2,316,889.21
Depreciation cost	11,986.21	25,534.49
AD cost	1,986,022.92	1,589,461.21
Sales service charge	729,194.29	272,740.80
Office cost	267,557.77	99,899.71
Travel fee	18,523.50	10,429.50
Property management fee	741,717.28	625,483.96
Other	130,992.04	500,340.89
Total	9,650,637.59	5,440,779.77

33. Administrative Expenses

Items	Current year	Prior year

[English version is for translation purpose only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail]

Items	Current year	Prior year
Employee benefits	22,868,768.47	18,141,658.77
Depreciation cost	11,279,982.03	13,308,180.89
Amortization of intangible assets	9,644,397.96	8,843,358.46
Agency fees	3,083,289.61	2,281,024.44
Office cost	1,135,306.59	988,076.05
Business entertainment	590,156.35	624,146.44
Material consumption	1,478,375.50	1,608,048.05
Other	1,850,914.49	4,522,826.60
Total	51,931,191.00	50,317,319.70

34. Financial Expenses

Items	Current year	Prior year
Interest expenses	299,739,658.05	216,900,316.97
Less: Interest income	38,182,090.96	21,167,490.06
Bank charges	542,835.23	362,631.14
Others	18,613,595.42	13,293,978.03
Total	280,713,997.74	209,389,436.08

35. Asset Impairment Losses

Items	Current year	Prior year
Impairment loss for doubtful accounts	-29,119,995.41	40,053,233.76
Total	-29,119,995.41	40,053,233.76

36. Other Income

Items	Current year	Prior year
Government grants	292,306,095.00	307,079,094.00
Total	292,306,095.00	307,079,094.00

37. Investment Income

Sources for investment income	Current year	Prior year

Sources for investment income	Current year	Prior year
Income from long-term equity investments using equity method	13,543,647.52	-1,646,956.48
Income from disposal of long-term equity investments	351,079.74	620,947.60
Investment income from financial assets measured at fair value through profit or loss during holding period	-	-
Investment income from disposal of financial assets measured at fair value through profit or loss	-	-
Income from held-to-maturity investments during holding period	-	-
Income from disposal of held-to-maturity investments	-	-
Income from available-for-sale financial assets	-	291,422.52
Income from disposal of available-for-sale financial assets	-	-
Gains from remeasurement of equity investments retained at fair value after losing control	-	-
Total	13,894,727.26	-734,586.36

38. Gains on Disposal of Assets

Items	Current year	Prior year
Proceeds from disposal of non-current assets	-	-21,250.00
Total	-	-21,250.00

39. Non-operating Income

Items	Current year	Prior year
Gains on retirement of non-current assets	-	-
Gains on debt restructuring	-	-
Donations received	-	-
Government grants unrelated to daily operation of the Company	-	-
Others	726,843.47	1,782,811.34
Total	726,843.47	1,782,811.34

40. Non-operating Expenses

Items	Current year	Prior year
Losses on retirement of non-current assets	775.00	-
Losses on debt restructuring	-	-

Items	Current year	Prior year
Donations	1,071,368.86	-
Others	1,641,488.29	3,531,713.36
Total	2,713,632.15	3,531,713.36

41. Income Tax Expenses

(1) Income tax expenses

Items	Current year	Prior year
Income tax expenses in current period	433,694.78	1,475,431.04
Adjustment of deferred income taxes	-4,011.83	32,863.71
Total	429,682.95	1,508,294.75

(2) Reconciliation of accounting profit and income tax expenses

Items	Current year
Total profit	70,538,891.84
Income tax expenses calculated at the statutory / applicable tax rate	17,634,722.96
Effects of different applicable tax rates on subsidiaries	3,321,847.81
Effects of adjustments of income taxes in previous periods	72,097.06
Effects of non-taxable income	-73,584,958.40
Effects of non-deductible costs, expenses, and losses	41,280,581.14
Effects of utilizing deductible losses that are not previously recognized as deferred tax assets	-
Effects of deductible temporary differences or deductible losses that are not recognized as deferred tax assets in current year	11,705,392.38
Changes in opening balances of deferred tax assets or liabilities resulting from tax rate adjustments	-
Income tax expense	429,682.95

42. Consolidated Statement of Cash Flows

(1)Using indirect method to reconcile net profit to cash flows from operating activities

Supplementary information	Current year	Prior year
1. To reconcile net profit to cash flows from operating activities:		
Net profit	70,109,208.89	89,033,524.55
Add: Loss allowances	-29,119,995.41	40,053,233.76

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Supplementary information	Current year	Prior year
Depreciations of fixed assets, oil and gas assets, and bearer biological assets	62,565,420.33	56,467,517.88
Amortizations of intangible assets	9,644,366.38	8,845,878.46
Amortizations of long-term prepaid expenses	15,155,100.15	10,552,571.25
Losses on disposal of fixed assets, intangible assets and other Long-term assets (gain expressed with "-")	-	21,250.00
Losses on retirement of fixed assets (gain expressed with "-"))	775.00	
Losses on changes in fair value (gain expressed with "-")	-	-
Financial expenses (gain expressed with "-")	303,844,658.05	208,892,234.03
Investment losses (gain expressed with "-")	-13,894,727.26	734,586.36
Decrease in deferred tax assets (increase expressed with "-")	-4,011.83	32,863.71
Increase in deferred tax liabilities (decrease expressed with "-")	-	-
Decrease in inventories (increase expressed with "-")	-1,354,487,077.77	24,464,139.60
Decrease in receivables in operating activities (increase expressed with "-")	-486,666,689.70	-860,165,137.92
Increase in payables in operating activities (decrease expressed with "-")	677,944,235.97	568,931,640.22
Others	-	-
Net cash flows from operating activities	-744,908,737.20	147,864,301.90
2. Significant investing and financing activities that do not involve cash receipts or payments		
Debts converted to capital	-	-
Convertible debts due within one year	-	-
Fixed assets leased in under finance leases	-	-
3. Net changes of cash and cash equivalents		
Closing balance of cash	489,070,713.74	480,724,225.65
Less: Opening balance of cash	480,724,225.65	105,993,949.55
Add: Closing balance of cash equivalents	-	-
Less: Opening balance of cash equivalents	-	-
Net increase in cash and cash equivalents	8,346,488.09	374,730,276.10

(2)Composition of cash and cash equivalents

Items	Current year	Prior year
I. Cash	489,070,713.74	480,724,225.65

Items	Current year	Prior year
Including: Cash on hand	304,830.15	39,526.59
Demand deposits	488,765,883.59	480,684,699.06
Other monetary funds available for payment	-	-
Demand deposits in central bank	-	-
Deposits in banks and other financial institutions	-	-
Loans to banks and other financial institutions	-	-
II. Cash equivalents	-	-
Including: Bond investments due within three months	-	-
III. Closing balance of cash and cash equivalents	489,070,713.74	480,724,225.65
Including: Cash and cash equivalents not available for use by the Parent or the subsidiaries in the Group	-	-

Note: Cash and cash equivalents do not include restricted cash and cash equivalents used by the parent Company or subsidiaries of the group.

43. Assets with Restricted Ownership or Use Rights

Items	Carrying amount at year end	Reason for restriction
Monetary funds	384,750,000.00	The deposit and time deposit are notes payable and long-term loan pledge
Notes receivable	45,000,000.00	Collateral for a long-term loan
Inventories	380,225,336.97	Collateral for a long-term loan
Investment real estate	244,514,679.21	For short-term loans, notes payable, long-term loan collateral
Intangible assets	193,957,779.67	Collateral for a long-term loan
Total	1,248,447,795.85	

44. Government Grants

Basic information on government grants

Classification	Amount	Items	Amount included in the current profit and loss
Related to earnings	292,306,095.00	Other earnings	292,306,095.00
Total	292,306,095.00		292,306,095.00

VIII. Relationships and Transactions with Related Parties

1. Basic Information of the subsidiaries

The composition of enterprise groups

Name of subsidiary	Principal place	Registered address	Business nature	Proportion(%)	
				Direct	Indirect
Shouguang Jinhui Heating Co., Ltd.	Shouguang, Shandong	Shouguang, Shandong	Heating	100.00	
Shouguang Hengan Architectural Decoration Co., Ltd.	Shouguang, Shandong	Shouguang, Shandong	Building decoration	100.00	
Shouguang Hengan Construction And Installation Engineering Co., Ltd.	Shouguang, Shandong	Shouguang, Shandong	Installation project	100.00	
Shandong Lvyin Landscaping Engineering Co., Ltd. *	Shouguang, Shandong	Shouguang, Shandong	Landscape engineering, municipal engineering		100.00
Shouguang Jinrun Trading Co., Ltd.	Shouguang, Shandong	Shouguang, Shandong	Building materials sales	100.00	
Shouguang Jintong Pipeline Engineering Co., Ltd.	Shouguang, Shandong	Shouguang, Shandong	Construction of municipal engineering; urban central heating		62.50
Shouguang Shengchang New Energy Development Co., Ltd.	Shouguang, Shandong	Shouguang, Shandong	New energy development	100.00	
Shouguang Meijie Property Management Service Co., Ltd.	Shouguang, Shandong	Shouguang, Shandong	Greening, property	100.00	
Shouguang Warm Housekeeping Service Co., Ltd.. *	Shouguang, Shandong	Shouguang, Shandong	Household cleaning service		100.00
Shouguang Runcheng Building Materials Co., Ltd.	Shouguang, Shandong	Shouguang, Shandong	Building materials sales	100.00	
Shouguang Longxiang Culture Media Co., Ltd.	Shouguang, Shandong	Shouguang, Shandong	Media	100.00	
Shouguang Longxiang Lighting Engineering Co., Ltd. *	Shouguang, Shandong	Shouguang, Shandong	Lighting engineering		100.00
Shouguang Zhengxin Engineering Quality Inspection Co., Ltd. *	Shouguang, Shandong	Shouguang, Shandong	Quality inspection		100.00
Shouguang Sun City Pension Service Co., Ltd.	Shouguang, Shandong	Shouguang, Shandong	Elderly care service	100.00	
Shouguang Quality Investment Development Co., Ltd.	Shouguang, Shandong	Shouguang, Shandong	Investment	100.00	
Shouguang Aomei Sports Service Co., Ltd.	Shouguang, Shandong	Shouguang, Shandong	Sports training, venue services	100.00	
Shouguang Xicheng Heating Co., Ltd.	Shouguang, Shandong	Shouguang, Shandong	Heating	60.00	40.00
Shouguang Ancheng Gas Co., Ltd.	Shouguang, Shandong	Shouguang, Shandong	Natural gas and gas equipment sales	100.00	
Shouguang City Parking Management Service Co., Ltd.	Shouguang, Shandong	Shouguang, Shandong	Parking lot management	100.00	
Shouguang chengtou Bridge Engineering Management Co., Ltd.	Shouguang, Shandong	Shouguang, Shandong	Bridge engineering management service	70.00	

Note: Standard * represents the second-tier subsidiary.

2. Interest in a joint venture

(1) Joint venture

Names of joint venture	Principal place	Registered address	Business nature	Proportion (%)	Accounting treatment of joint

				Direct	Indirect	venture investment
Shandong Jinyingli New Material Technology Co., Ltd.	Shouguang, Shandong	Shouguang, Shandong	Textile industry	33.10		Equity method
Shouguang kunlun Gas Co., Ltd.	Shouguang, Shandong	Shouguang, Shandong	Technology promotion and application services	37.50		Equity method
Shouguang Chengfa Investment Co., Ltd.	Shouguang, Shandong	Shouguang, Shandong	Business services	30.00		Equity method
Shouguang Jincai Public Asset Management Co., Ltd	Shouguang, Shandong	Shouguang, Shandong	Business services	25.00		Equity method
Shandong Luyang Natural Gas Co., Ltd.	Shouguang, Shandong	Shouguang, Shandong	Technology promotion and application services	29.28		Equity method

(2)Summary financial information of insignificant associates

Item	Closing balance/current year	Opening balance/prior year
Joint venture：		
Total book value of investment	2,598,171,118.22	24,545,007.10
The following items are calculated according to the shareholding ratio		
- Net profit	13,543,647.52	-5,104,662.33
- Other comprehensive income	-	-
- Total comprehensive income	13,543,647.52	-5,104,662.33

IX.Risks Associated with Financial Instruments

The main financial instruments of the Company include equity investment, loan, accounts receivable and accounts payable. Detailed information of each financial instrument is shown in the relevant items in note 7.The risks associated with these financial instruments and the risk management policies adopted by the Company to mitigate these risks are described below. These exposures are managed and monitored by the Company's management to ensure that the risks are kept within a defined range.

The Company adopts sensitivity analysis technology to analyze the influence of reasonable and possible changes of risk variables on current profits and losses or shareholders' equity. Since any risk variable rarely changes in isolation, and the correlation between variables has a significant impact on the amount of the ultimate impact of a change in a risk variable, the following assumes that each change in a variable is carried out independently.

(I) Risk Management Objectives and Policies

The goal of the Company's risk management is to achieve an appropriate balance between risks and benefits, reduce the negative impact of risks on the Company's operating performance to the lowest level, and maximize the interests of shareholders and other equity investors. Based on the risk management objectives, the basic strategy of the Company's risk management is to identify and analyze the various risks faced by the Company, establish appropriate risk tolerance baseline and carry out risk management, timely and reliably supervise various risks and control risks within a limited range.

1. Market Risk

(1) Foreign exchange risk

Foreign exchange risk refers to the risk of loss due to exchange rate fluctuations. The Company is not engaged in relevant foreign exchange business and has no relevant foreign exchange risks.

(2) Interest rate risk - cash flow change risk

The interest rate risk of the Company arises from the bank loan and bond market. As at December 31, 2018, the Company's interest-bearing debt was mainly denominated in RMB with a fixed interest rate of 5,105,157,189.86 yuan (December 31, 2017: RMB 4,002,822,558.67). In the current economic environment, the bank loan interest rate is relatively stable with little fluctuation, and a small interest rate change will not form a large interest rate risk.At the same time, by establishing a good bank-enterprise relationship, the Company can meet various short-term financing needs of the Company, make capital budgets, adjust bank loans according to changes in the economic environment, and reduce interest rate risks.

2. Credit Risk

On December 31, 2018, the maximum credit risk exposure that could cause financial losses of the Company was mainly from the loss of the Company's financial assets caused by the failure of the other party to perform its obligations.

The Company reviews the recovery of each item of receivables on each balance sheet date to ensure that adequate provisions are made for uncollectible accounts. Therefore, the Company's management believes that the Company's credit risk has been significantly reduced.

The Company's working capital is deposited in a bank with a high credit rating, so the credit risk of working capital is low.

3. Liquidity Risk

In managing liquidity risks, the Company maintains and monitors cash and cash equivalents that the management considers adequate to meet the operating needs of the Company and reduce the impact of cash flow fluctuations. The Company's management monitors the use of bank loans and ensures compliance with loan agreements.

X. Relationships and Transactions with Related Parties

1. Basic Information of the Parent

Name of the parent	Registered address	Business nature	Registered capital	Proportion of shares held by the parent (%)	Proportion of voting rights held by the parent (%)
Shouguang City Investment Holding Group Co., Ltd.	Shouguang, Shandong	Business services	10,000.00	100.00	100.00

Note: The ultimate controlling party of the Company is Shouguang State-owned Assets Supervision And Administration Office.

2. Subsidiaries

See Note VIII -1.Basic Information of the subsidiaries

3. Joint Ventures And Associates

See Note VIII-2 Interest in a joint venture

4. Other Related Parties

Name of related parties	Relationship with the Company
Shouguang Cultural Development Co., Ltd	Same parent company
Shouguang Kexun Property Co., Ltd.	Same parent company

5. Related Party Transactions

The Company as the guarantor of the guarantee

Guarantor	Guaranteed amount(Ten thousand yuan)	Guarantee balance(Ten thousand yuan)	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed
Shouguang Jincai Public Asset Management Co., Ltd.	6,000.00	5,990.00	2016.06.28	2021.06.25	No

6. Receivables from or Payables to Related Parties

(1)Trade receivable

Item	Closing balance		Opening balance	
	Carrying amount	Provision	Carrying amount	Provision
Other receivable：				
Shouguang Kexun Real Estate Co., Ltd.	211,336.00	41,767.20	211,336.00	-
Shouguang Cultural Development Co., Ltd.	164,319.43	26,714.36	164,319.43	-
Shandong Jinyingli New Material Technology Co., Ltd.	34,939,672.00	17,469,836.00	86,500,000.00	17,300,000.00
Total	35,315,327.43	17,538,317.56	86,875,655.43	17,300,000.00

(2)Payables

[English version is for translation purpose only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail]

Item	Closing balance	Opening balance
Other payables：		
Shouguang Jincai Public Asset Management Co., Ltd	21,299,120.00	21,299,120.00
Shouguang Cultural Development Co., Ltd.	4,326,977.05	4,611,622.00
Total	25,626,097.05	25,910,742.00

XI.Commitments and contingencies

1. Major Commitments

The Company has no material commitments to disclose by December 31, 2018.

2. Contingencies

By December 31, 2018, the Company has provided the following guarantees:

Unit: RMB ten thousand yuan

Borrower	Financial institutions	Guarantee balance	Loan date - due date	Note
Shandong Shouguang First Construction Co., Ltd.	Huaxia Bank Qingdao Branch	2,000.00	2018.06.01-2019.06.01	Short-term borrowing
Shandong Shouguang First Construction Co., Ltd.	Huaxia Bank Qingdao Branch	3,000.00	2018.10.15 -2019.10.15	Bank acceptance
Shandong Shouguang first Construction Co., Ltd.	Shanghai Pudong Development Bank Weifang Branch	2,000.00	2018.07.06 -2019.07.06	Short-term borrowing
Shandong Shouguang first Construction Co., Ltd.	Shanghai Pudong Development Bank Weifang Branch	3,000.00	2018.03.30 -2019.03.30	Short-term borrowing
Shandong Shouguang Shengdu Construction Group Co., Ltd.	Weifang Bank Shouguang Branch	700.00	2018.04.11 -2019.04.10	Short-term borrowing
Shandong Shouguang Shengdu Construction Group Co., Ltd.	Weifang Bank Shouguang Branch	1,000.00	2018.03.23 -2019.03.22	Short-term borrowing
Shandong Shouguang Shengdu Construction Group Co., Ltd.	Weifang Bank Shouguang Branch	1,200.00	2018.03.22 -2019.03.21	Short-term borrowing
Shandong Shouguang Shengdu Construction Group Co., Ltd.	Weifang Bank Shouguang Branch	1,000.00	2018.04.04 -2019.04.03	Short-term borrowing
Shandong Shouguang Shengdu Construction Group Co., Ltd.	Bank of China Shouguang Sub-branch	1,000.00	2018.10.17 -2019.04.08	Factoring borrowing
Shouguang Vegetable Holding Industry Group	Agricultural bank Shouguang Branch	1,000.00	2018.12.14 -2019.12.11	Short-term borrowing
Shouguang Vegetable Holding Industry Group	Agricultural bank Shouguang Branch	2,000.00	2018.12.14 -2019.12.11	Short-term borrowing
Shouguang Vegetable Holding Industry Group	Agricultural bank Shouguang Branch	2,000.00	2018.12.14 -2019.12.11	Short-term borrowing
Shouguang Jincai Public Asset Management Co., Ltd	Weifang Bank Shouguang Branch	5,990.00	2016.06.28 -2021.06.25	Long-term borrowing
Shandong Shouguang Jianyuanchun Co., Ltd.	Agricultural bank Shouguang Branch	3,700.00	2018.04.04 -2019.04.03	Short-term borrowing
Shandong Shouguang Shengdu Construction Group Co., Ltd.	Hengfeng Bank Shouguang Branch	5,000.00	2018.05.09 -2019.05.09	Short-term borrowing

[English version is for translation purpose only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail]

Borrower	Financial institutions	Guarantee balance	Loan date - due date	Note
Shouguang Eco-Wetland Tourism Development Co., Ltd.	Huiyin Financial Leasing Co., Ltd.	18,300.88	2018.06.08 -2023.06.08	Financing lease
Shouguang Eco-Wetland Tourism Development Co., Ltd.	Haitong Hengxin Leasing Co.Ltd	9,150.00	2018.11.15 -2019.11.15	Financing lease
Total		62,040.88		

XII. Balance Sheet Date

According to the China Interbank Market Dealers Association Zhongshi Association No. [2018] PPN412 document "Notice of Acceptance of Registration", accept the PPN registration of Shouguang City Construction Investment Development Co., Ltd. The registered amount is RMB 900 million and the registration is valid for 2 years. The actual issuance of 300 million yuan on March 21, 2019, with a term of 3 + 2 years, a coupon rate of 7.5%, is paid annually, and the principal is repaid once due. The raised funds are used to repay loans from financial institutions.

XIII. Other Important Matters

According to the document of Shouguang City Finance Bureau (SCGZ [2018] No. 95), the Company obtained 25% equity of Shouguang Jincai Public Asset Management Co., Ltd. for free, of which the equity transfer date was September 30, 2018. The Company calculated the amount of 25% of the net assets of Shouguang Jincai Public Asset Management Co., Ltd. as of September 30, 2018 and the transferred shareholding ratio to be RMB 2.5401840 million, as the cost of equity investment, included in long-term equity investment, while increasing Capital reserve. The investment is accounted for according to the equity method.

XIV. Notes to Major Items in Financial Statements of the Parent

1. Notes Receivable and Trade Receivables

Classification	Closing balance	Opening balance
Notes receivable	64,840,000.00	4,959,580.00
Trade receivables	987,729,546.82	731,386,900.98
Total	1,052,569,546.82	736,346,480.98

(1) Notes Receivable

Classification	Closing balance	Opening balance
Bank acceptance draft	64,840,000.00	4,924,500.00
Commercial acceptance draft	-	35,080.00
Total	64,840,000.00	4,959,580.00

[English version is for translation purpose only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail]

(2) Trade Receivables

① Aging analysis

Aging	Closing balance			Opening balance		
	Gross carrying amount		Allowance for doubtful accounts	Gross carrying amount		Allowance for doubtful accounts
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year	333,975,391.88	33.78	886,501.35	244,536,507.16	31.72	322,274.69
1-2 years	221,439,408.27	22.39	210,405.49	29,504,710.18	42.74	74,535.00
2-3 years	237,266,560.18	23.99	43,440.00	196,888,533.33	25.54	39,146,040.00
Over 3 years	196,188,533.33	19.84	-	-	-	-
Total	988,869,893.66	100.00	1,140,346.84	770,929,750.67	100.00	39,542,849.69

②Allowance for doubtful accounts provision changes

Opening balance	Current year	Decrease in current year		Closing balance
		Number of return	Number of resale	
39,542,849.69	-38,402,502.85	-	-	1,140,346.84

Note: There is no risk of bad debts in the accounts receivable from the Shouguang City Finance Bureau and the subordinate financial institutions in the year-end balance of accounts receivable, and no provision for bad debts is made. Receivables from related parties within the scope of consolidation, no bad debts are accrued.

2.Other Receivables

Items	Closing balance	Opening balance
Interests receivable	-	-
Dividends receivable	-	-
Other receivables	1,489,305,799.90	1,720,131,974.64
Total	1,489,305,799.90	1,720,131,974.64

①Aging analysis

Aging	Closing balance			Opening balance		
	Gross carrying amount		Allowance for doubtful accounts	Gross carrying amount		Allowance for doubtful accounts
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year	1,300,669,844.38	85.35	3,876,528.28	1,382,213,984.02	78.88	6,268,180.05
1-2 years	139,081,240.84	9.13	2,518,206.60	238,222,936.63	13.60	974,707.92

Aging	Closing balance			Opening balance		
	Gross carrying amount		Allowance for doubtful accounts	Gross carrying amount		Allowance for doubtful accounts
	Amount	Proportion (%)		Amount	Proportion (%)	
2-3 years	12,641,696.02	0.83	1,745,083.20	119,210,570.29	6.80	18,622,835.07
Over 3 years	71,480,410.98	4.69	26,427,574.24	12,700,413.48	0.72	6,350,206.74
Total	1,523,873,192.22	100.00	34,567,392.32	1,752,347,904.42	100.00	32,215,929.78

②Allowance for doubtful accounts provision changes

Opening balance	Current year	Decrease in current year		Closing balance
		Number of return	Number of resale	
32,215,929.78	2,351,462.54	-	-	34,567,392.32

In the balance of other receivables at the end of the year, the receivables of Shouguang finance bureau and Yangkou town government are free from the risk of bad debts, and no provision for bad debts is made. The amounts of related parties within the scope of consolidation shall not be calculated and withdrawn for bad debts.

3. Long-term Equity Investments

(1) Classification of long-term equity investments

Items	Closing balance			Opening balance		
	Gross carrying amount	Loss allowance	Carrying amount	Gross carrying amount	Loss allowance	Carrying amount
Investments in subsidiaries	276,402,984.36	-	276,402,984.36	190,661,984.86	-	190,661,984.86
Investments in associates & joint ventures	2,598,171,118.22	-	2,598,171,118.22	24,545,007.10	-	24,545,007.10
Total	2,874,574,102.58	-	2,874,574,102.58	215,206,991.96	-	215,206,991.96

(2) Investment in subsidiaries

Items	Opening balance	Increase in current year	Decrease in current year	Closing balance	Provision for impairment	Closing balance of loss allowance
Shouguang Jinhui Heating Co., Ltd.	2,000.00	-	-	2,000.00	-	-
Shouguang Haohan Concrete Co., Ltd.	3,200.00	-	-	3,200.00	-	-
Shouguang Runcheng Building Materials Co., Ltd.	1,000.00	-	-	1,000.00	-	-
Shouguang Longxiang Culture Media Co., Ltd.	500.00	-	-	500.00	-	-
Shouguang Hengan Architectural Decoration Co., Ltd.	648.09	-	-	648.09	-	-

Items	Opening balance	Increase in current year	Decrease in current year	Closing balance	Provision for impairment	Closing balance of loss allowance
Shouguang Jinrun Trading Co., Ltd.	222.08	-	-	222.08	-	-
Shouguang Meijie Property Management Service Co., Ltd.	50.00	-	-	50.00	-	-
Shouguang Cultural Development Co., Ltd.	500.00	-	500.00	-	-	-
Shouguang Kexun Real Estate Co., Ltd.	1,191.03	-	1,191.03	-	-	-
Shouguang Xicheng Heating Co., Ltd.	6,000.00	-	-	6,000.00	-	-
Shouguang Sun City Pension Service Co., Ltd.	3,000.00	-	-	3,000.00	-	-
Shouguang City Parking Management Service Co., Ltd.	5.00	75.00	-	80.00	-	-
Shouguang Ancheng Gas Co., Ltd.	500.00	2,500.00	-	3,000.00	-	-
Shouguang Hengan Construction and Installation Engineering Co., Ltd.	-	2,000.00	-	2,000.00	-	-
Shouguang City Investment Enterprise Headquarters Management Co., Ltd.	250.00	100.00	350.00	-	-	-
Shouguang Chengtou Bridge Engineering Management Co., Ltd.	-	5,940.13	-	5,940.13	-	-
Total	19,066.20	10,615.13	2,041.03	27,640.30	-	-

(3)Investment in associates and joint ventures

Investee	Opening balanc	Increase/ decrease in current year				
		Increase in investments	Decrease in investments	Investment gain or loss recognized under equity method	Adjustment in other comprehensive income	Other changes
I. Associates						
Subtotal	-	-	-	-	-	-
II. Joint ventures						
Shouguang Kunlun Gas Co., Ltd.	3,965,062.07	-	-	-340,234.07	-	-
Shouguang Intelligent Logistics Industry Development Co., Ltd.	1,017,548.13	-	-	-	-	-1,017,548.13
Shandong Luyang Natural Gas Co., Ltd.	19,562,396.90	-	-	132,262.09	-	-
Shandong Jinyingli New Material Technology Co., Ltd.	-	11,916,000.00	-	27,596.69	-	-
Shouguang Chengfa Investment Co., Ltd.	-	9,000,000.00	-	-277,619.49	-	-

Investee	Opening balanc	Increase/ decrease in current year				
		Increase in investments	Decrease in investments	Investment gain or loss recognized under equity method	Adjustment in other comprehensive income	Other changes
Shouguang Jincai Public Asset Management Co., Ltd	-	-	-	14,001,642.30	-	2,540,184,011.73
Subtotal	24,545,007.10	20,916,000.00	-	13,543,647.52	-	2,539,166,463.60
Total	24,545,007.10	20,916,000.00	-	13,543,647.52	-	2,539,166,463.60

(Continued)

Investee	Increase/ decrease in current year				Closing balance	Closing balance of loss allowance
	Other changes in equity	Cash dividends declared and profits to be distributed	Loss allowance	Others		
III. Associates						
Subtotal	-	-	-	-	-	-
IV. Joint ventures						
Shouguang Kunlun Gas Co., Ltd.	-	-	-	-	3,624,828.00	-
Shouguang Intelligent Logistics Industry Development Co., Ltd.	-	-	-	-	-	-
Shandong Luyang Natural Gas Co., Ltd.	-	-	-	-	19,694,658.99	-
Shandong Jinyingli New Material Technology Co., Ltd.	-	-	-	-	11,943,596.69	-
Shouguang Chengfa Investment Co., Ltd.	-	-	-	-	8,722,380.51	-
Shouguang Jincai Public Asset Management Co., Ltd	-	-	-	-	2,554,185,654.03	-
Subtotal	-	-	-	-	2,598,171,118.22	-
Total	-	-	-	-	2,598,171,118.22	-

4. Operating Revenue and Operating Costs

Items	Current year		Prior year	
	Revenue	Costs	Revenue	Costs
Principal operating activities	339,015,321.38	294,044,920.83	301,798,192.85	242,687,297.01
Other operating activities	45,665,163.31	26,578,703.87	43,099,974.59	17,513,425.21
Total	384,680,484.69	320,623,624.70	344,898,167.44	260,200,722.22

5. Investment Income

Sources for investment income	Current year	Prior year
Income from long-term equity investments using equity method	-	-
Income from disposal of long-term equity investments	13,543,647.52	-1,646,956.48
Investment income from financial assets measured at fair value through profit or loss during holding period	-1,682,658.86	-
Investment income from disposal of financial assets measured at fair value through profit or loss	-	-
Income from held-to-maturity investments during holding period	-	-
Income from disposal of held-to-maturity investments	-	-
Income from available-for-sale financial assets	-	115,000.00
Income from disposal of available-for-sale financial assets	-	-
Gains from remeasurement of equity investments retained at fair value after losing control	-	-
Others	-	-
Total	11,860,988.66	-1,531,956.48

APPENDIX – FORM OF IRREVOCABLE STANDBY LETTER OF CREDIT

FROM: XIAMEN INTERNATIONAL BANK CO., LTD. SHANGHAI BRANCH (SWIFT: IBXHCNBASHB)

ADDRESS: 7/F, NO.88 YANGSHUPU ROAD, HONGKOU DISTRICT, SHANGHAI, CHINA

DATE: 2020

TO BENEFICIARY: CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED OF 20/F, CCB TOWER, 3 CONNAUGHT ROAD CENTRAL, CENTRAL, HONG KONG (SWIFT: CCBQHKAX, FACSIMILE NUMBER: +852 3918 6976) (THE "**BENEFICIARY**" OR "**YOU**") IN ITS CAPACITY AS TRUSTEE (THE "**TRUSTEE**") FOR ITSELF AND ON BEHALF OF THE HOLDERS (THE "**BONDHOLDERS**") OF THE U.S.$28,000,000 3.5 PER CENT. CREDIT ENHANCED BONDS DUE 2023 (THE "**BONDS**"), TO BE ISSUED BY SHOUGUANG CITY CONSTRUCTION INVESTMENT DEVELOPMENT CO., LTD. (壽光市城市建設投資開發有限公司)(THE "**ISSUER**") AND TO BE CONSTITUTED BY A TRUST DEED DATED 30 NOVEMBER 2020 (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, XIAMEN INTERNATIONAL BANK CO., LTD. SHANGHAI BRANCH (THE "**ISSUING BANK**," "**OUR**," "**US**" OR "**WE**"), HEREBY ISSUE OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. [*NUMBER*] IN YOUR FAVOUR, AND FOR THE ACCOUNT OF THE ISSUER, IN RESPECT OF AND IN CONNECTION WITH THE TERMS AND CONDITIONS OF THE BONDS 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 2(C) 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 THE TRUSTEE FOR THE BONDHOLDERS, HAS GIVEN NOTICE TO THE ISSUER IN ACCORDANCE WITH THE CONDITIONS THAT THE BONDS ARE IMMEDIATELY DUE AND PAYABLE IN ACCORDANCE WITH THE CONDITIONS.

SUBJECT TO THE TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WE UNCONDITIONALLY AND IRREVOCABLY UNDERTAKE TO YOU THAT, ON AND AFTER THE ISSUE DATE AND FOLLOWING RECEIPT BY US OF A DEMAND PRESENTED BY YOU OR ON YOUR BEHALF IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT BY 6:00 P.M. (HONG KONG TIME) ON A BUSINESS DAY, WE SHALL BY 10:00 A.M. (HONG KONG TIME) ON THE FOURTH BUSINESS DAY AFTER THE BUSINESS DAY ON WHICH WE RECEIVE SUCH DEMAND (OR IF SUCH DEMAND IS RECEIVED AFTER 6:00 P.M. (HONG KONG TIME) ON A BUSINESS DAY, THEN 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 UNITED STATES 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 COMMERCIAL BANKS AND FOREIGN EXCHANGE MARKETS ARE GENERALLY OPEN FOR BUSINESS IN BEIJING, NEW YORK AND HONG KONG.

OUR AGGREGATE LIABILITY UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE EXPRESSED AND PAYABLE IN UNITED STATES DOLLARS AND SHALL NOT IN ANY CIRCUMSTANCES EXCEED U.S.$29,490,000 (THE "**MAXIMUM LIMIT**"), AN AMOUNT REPRESENTING ONLY (I) THE AGGREGATE PRINCIPAL AMOUNT OF THE BONDS PLUS INTEREST PAYABLE FOR ONE INTEREST PERIOD (BEING SIX MONTHS) IN ACCORDANCE WITH THE CONDITIONS AND (II) U.S.$1,000,000.00 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 BONDS, THE TRUST DEED, THE AGENCY AGREEMENT AND/OR ANY OTHER TRANSACTION DOCUMENT RELATING TO THE BONDS.

SUBJECT TO THE TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, OUR OBLIGATION TO PAY TO THE TRUSTEE IS UNCONDITIONAL, IRREVOCABLE AND ABSOLUTE AND ANY DEMAND BY THE TRUSTEE IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE HONOURED WITHOUT ANY FURTHER ENQUIRY AS TO THE TRUSTEE'S RIGHTS TO MAKE SUCH DEMAND.

THIS IRREVOCABLE STANDBY LETTER OF CREDIT TAKES EFFECT FROM THE ISSUE DATE AND SHALL REMAIN VALID AND IN FULL FORCE UNTIL 6:00 P.M. (HONG KONG TIME) ON 20 NOVEMBER 2023 (THE "**EXPIRY DATE**") AND SHALL EXPIRE AT THE PLACE OF THE ISSUING BANK.

PAYMENT WILL BE EFFECTED AFTER OUR RECEIPT OF A DEMAND PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WHICH IS PRESENTED DURING THE PERIOD ON OR AFTER THE 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 THE TRUSTEE TO US (SWIFT: IBXHCNBASHB) 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, THE TRUSTEE MAY INSTEAD ARRANGE FOR A WRITTEN DEMAND SIGNED BY OR ON BEHALF OF THE TRUSTEE TO BE PRESENTED TO US VIA FACSIMILE TRANSMISSION AT +86 21-33928286 ON OR BEFORE 6:00 P.M. (HONG KONG TIME) ON THE EXPIRY DATE *PROVIDED THAT* THE ORIGINAL OF SUCH WRITTEN DEMAND SHALL BE COURIERED TO OUR COUNTER AT OUR ADDRESS (AS SPECIFIED ABOVE) THEREAFTER AND THAT WE ARE NOT REQUIRED TO PROCESS THE DEMAND UNTIL WE HAVE RECEIVED THE ORIGINAL OF SUCH WRITTEN DEMAND. IN RELATION TO A WRITTEN DEMAND, WE MAY RELY ON THE LIST OF AUTHORISED SIGNATORIES ACCOMPANYING THE WRITTEN DEMAND TO VERIFY THE AUTHENTICITY OF SUCH DEMAND.

ONLY ONE DRAWING UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS PERMITTED.

ALL CHARGES AND COMMISSIONS INCURRED BY US IN CONNECTION WITH THE ISSUANCE OR ADMINISTRATION OF THIS STANDBY LETTER OF CREDIT (INCLUDING ANY DRAWING HEREUNDER) ARE FOR THE ACCOUNT OF THE ISSUER AND, FOR THE AVOIDANCE OF DOUBT, ARE NOT FOR THE ACCOUNT OF THE TRUSTEE.

NOTWITHSTANDING THE MAXIMUM LIMIT, ALL PAYMENTS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE MADE IN UNITED STATES DOLLARS AND FOR VALUE ON THE DATE PRESCRIBED 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 OF SUCH AMOUNTS AS WOULD HAVE BEEN RECEIVED BY IT HAD NO SUCH DEDUCTION OR WITHHOLDING BEEN REQUIRED BY LAW.

THE TRUSTEE'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 BONDS SUBJECT ONLY TO AT LEAST 15 BUSINESS DAYS' NOTICE HAVING BEEN GIVEN TO US BY OR ON BEHALF OF THE TRUSTEE BY AUTHENTICATED SWIFT, OR IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE FOR ANY REASON VIA FACSIMILE TRANSMISSION TO US AT +86 21-33928286. 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 AND ARTICLE 36 OF UCP600 (AS DEFINED BELOW), IN THE EVENT THAT WE ARE CLOSED WHEN THE TRUSTEE WISHES TO PRESENT A DEMAND HEREUNDER ON THE DAY AND AT THE TIME A DEMAND IS PERMITTED TO BE PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WE AGREE THAT THE TRUSTEE CAN PRESENT THE DEMAND BY AUTHENTICATED SWIFT OR, IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE FOR ANY REASON, BY PRESENTING A WRITTEN DEMAND VIA FACSIMILE TRANSMISSION AT +86 21-33928286 SIGNED BY OR ON BEHALF OF THE TRUSTEE FROM THE DATE OF OUR RESUMPTION OF OUR BUSINESS *PROVIDED THAT* THE ORIGINAL OF SUCH WRITTEN DEMAND SHALL BE COURIERED TO OUR COUNTER AT OUR ADDRESS (AS SPECIFIED ABOVE) THEREAFTER AND WE ARE NOT REQUIRED TO PROCESS THE DEMAND UNTIL WE HAVE RECEIVED THE ORIGINAL OF SUCH WRITTEN DEMAND; *PROVIDED THAT* IF WE ARE CLOSED ON THE EXPIRY DATE, THE EXPIRY DATE SHALL BE AUTOMATICALLY EXTENDED BY, AND SUCH PRESENTATION SHALL BE MADE WITHIN, FIVE (5) 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.

ANY SETTLEMENT OR DISCHARGE BETWEEN US AS ISSUING BANK AND THE TRUSTEE SHALL BE CONDITIONAL UPON NO PAYMENT TO THE TRUSTEE 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 CIRCUMSTANCES) AND, IN THE EVENT OF ANY SUCH PAYMENT BEING SO AVOIDED, THE TRUSTEE SHALL BE ENTITLED TO RECOVER FROM US SUBSEQUENTLY THE AMOUNT BY WHICH SUCH PAYMENT IS SO AVOIDED AS IF SUCH SETTLEMENT OR DISCHARGE HAD NOT OCCURRED.

EXCEPT TO THE EXTENT THAT IT IS INCONSISTENT WITH THE EXPRESS TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (2007 REVISION), INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 600 ("**UCP600**").

THIS IRREVOCABLE STANDBY LETTER OF CREDIT, AND ANY NON-CONTRACTUAL OBLIGATIONS ARISING OUT OF OR IN CONNECTION WITH IT, SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH ENGLISH LAW. NO PERSON SHALL HAVE ANY RIGHT TO ENFORCE ANY TERM OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT UNDER THE CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999. WE AGREE (1) THAT THE COURTS OF HONG KONG HAVE EXCLUSIVE JURISDICTION TO SETTLE ANY DISPUTE (A "**DISPUTE**") ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT (INCLUDING ANY NON-CONTRACTUAL OBLIGATIONS ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT), AND (2) THAT THE COURTS OF HONG KONG ARE THE MOST APPROPRIATE AND CONVENIENT COURTS TO SETTLE ANY DISPUTE AND, ACCORDINGLY, THAT WE WILL NOT ARGUE THAT ANY OTHER COURTS ARE MORE APPROPRIATE OR CONVENIENT. WE HAVE IRREVOCABLY APPOINTED COGENCY GLOBAL (HK) LIMITED AT UNIT B, 1/F, LIPPO LEIGHTON TOWER, 103 LEIGHTON ROAD, CAUSEWAY BAY, HONG KONG AS OUR PROCESS AGENT IN HONG KONG TO RECEIVE SERVICE OF PROCESS IN ANY LEGAL ACTION OR PROCEEDINGS ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT IN HONG KONG. IF FOR ANY REASON WE CEASE TO HAVE SUCH A PROCESS AGENT IN HONG KONG, WE WILL PROMPTLY APPOINT A SUBSTITUTE PROCESS AGENT AND NOTIFY THE BENEFICIARY OF SUCH APPOINTMENT WITHIN 30 DAYS OF SUCH CESSATION. NOTHING HEREIN SHALL AFFECT THE RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

APPENDIX A-1
FORM OF DEMAND

TO: XIAMEN INTERNATIONAL BANK CO., LTD. SHANGHAI BRANCH (SWIFT: IBXHCNBASHB)

ADDRESS: 7/F, NO.88 YANGSHUPU ROAD, HONGKOU DISTRICT, SHANGHAI, CHINA

ATTENTION OF: ACCOUNTING AND SETTLEMENT DEPARTMENT

TEL: +86 21-31788888-342

[DATE]

DEAR SIRS

RE: DEMAND UNDER THE IRREVOCABLE STANDBY LETTER OF CREDIT NO. [*NUMBER*] IN RESPECT OF THE U.S.$28,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF 3.5 PER CENT. CREDIT ENHANCED BONDS DUE 2023 (THE "BONDS") ISSUED BY SHOUGUANG CITY CONSTRUCTION INVESTMENT DEVELOPMENT CO., LTD. (壽光市城市建設投資開發有限公司) (THE "ISSUER")

THE UNDERSIGNED IS EACH A DULY AUTHORISED REPRESENTATIVE OF CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED WHICH IS HEREBY MAKING A DEMAND AS TRUSTEE FOR ITSELF AND ON BEHALF OF THE BONDHOLDERS (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[1]:

   ☐ THE ISSUER HAS FAILED TO COMPLY WITH CONDITION 2(C) (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 THE BONDHOLDERS, HAS GIVEN NOTICE TO THE ISSUER THAT THE BONDS ARE DUE AND PAYABLE IN ACCORDANCE WITH THE CONDITIONS.

2. WE HEREBY DEMAND YOU TO PAY U.S.$ REPRESENTING THE AGGREGATE OF (I) INTEREST ACCRUED UP TO THE DATE WHEN THE BONDS CEASE TO BEAR INTEREST PURSUANT TO THE CONDITIONS, (II) PRINCIPAL DUE IN RESPECT OF THE OUTSTANDING BONDS AND (III) THE FEES, COSTS, EXPENSES, INDEMNITY PAYMENTS AND ALL OTHER AMOUNTS PAYABLE TO THE TRUSTEE UNDER OR IN CONNECTION WITH THE BONDS, THE TRUST DEED, THE AGENCY AGREEMENT AND/OR ANY OTHER TRANSACTION DOCUMENT RELATING TO THE BONDS.

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1 Trustee to check appropriate box and complete details in brackets.

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 ON BEHALF OF

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED AS BENEFICIARY

BY: ______________________________ BY: ______________________________

NAME: NAME:

TITLE: TITLE:

ISSUER

SHOUGUANG CITY CONSTRUCTION INVESTMENT DEVELOPMENT CO., LTD.
（壽光市城市建設投資開發有限公司）
Room 2208, No. 3 Building of the Enterprise Headquarter
West of Haoyuan Road, South of Shengcheng Road, Luocheng Avenue, Shouguang City
Weifang City, Shandong Province, PRC

TRUSTEE, REGISTRAR, PRINCIPAL PAYING AGENT
AND TRANSFER AGENT

China Construction Bank (Asia) Corporation Limited
28/F, CCB Tower
3 Connaught Road Central
Central, Hong Kong

LEGAL ADVISERS

To the Managers
as to English law and Hong Kong law

Jun He Law Offices
Suite 3701-10, 37/F
Jardine House
1 Connaught Place
Central, Hong Kong

To the Managers
as to PRC law

Hiways Law Firm
15/F, Eton Place Tower A
69 Dongfang Road
Pudong District, Shanghai
People's Republic of China

To the Trustee

Jun He Law Offices
Suite 3701-10, 37/F
Jardine House
1 Connaught Place
Central, Hong Kong

AUDITORS OF THE GROUP

Ruihua Certified Public Accountants
9/F, West Tower of China Overseas Property Plaza
Building 7, NO.8,Yongdingmen Xibinhe Road
Dongcheng District
Beijing, PRC

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