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Yi Bright International Limited
沂晟國際有限公司

(incorporated with limited liability in the British Virgin Islands)

U.S.$300,000,000 2.60 per cent. Guaranteed Bonds Due 2024 (the "Bonds")
(Stock Code: 40748)

Unconditionally and Irrevocably Guaranteed by

临沂城投集团
LINYI CITY INVESTMENT GROUP

Linyi City Construction Investment Group Co., Ltd.
(臨沂城市建設投資集團有限公司)

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

PUBLICATION OF THE OFFERING CIRCULAR

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

Please refer to the Offering Circular dated 28 June 2021 (the "**Offering Circular**") appended herein in relation to the issuance of the Bonds. As disclosed in the Offering Circular, the Bonds were intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) ("**Professional Investors**") only and have been listed on the Hong Kong Stock Exchange on that basis.

Notice to Hong Kong Investors: Each of Yi Bright International Limited (沂晟國際有限公司) (the "**Issuer**") and Linyi City Construction Investment Group Co., Ltd. (臨沂城市建設投資集團有限公司) (the "**Guarantor**") confirms that the Bonds are intended for purchase by Professional Investors only and have been listed on the Hong Kong Stock Exchange on that basis. Accordingly, each of the Issuer and the Guarantor confirms that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

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

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

Hong Kong, 7 July 2021

As at the date of this announcement, the sole director of Yi Bright International Limited (沂晟國際有限公司) is Mr. LI Yan.

As at the date of this announcement, the directors of Linyi City Construction Investment Group Co., Ltd. (臨沂城市建設投資集團有限公司) are Mr. GUAN Enli, Mr. XUAN Ruili, Mr. WANG Xinhua, Mr. LIU Ruifeng, Mr. WU Chuanqiang, Mr. WANG Fei and Mr. LI Jiaxin.

IMPORTANT NOTICE

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Singapore Securities and Futures Act Product Classification — Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (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).

The attached document is not a prospectus for the purposes of the European Union's Prospectus Regulation (Regulation EU 2017/1129) (and any amendments thereto) as implemented in member states of the European Economic Area (the "**EEA**") (which, for these purposes, include the United Kingdom).

The communication of the attached document and any other document or materials relating to the issue of the securities described therein is not being made, and such documents and/or materials have not been approved, by an authorised person for the purposes of Section 21 of the United Kingdom Financial Services and Markets Act 2000, as amended ("**FSMA**"). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the United Kingdom Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**")), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "**relevant persons**"). In the United Kingdom, the securities described in the attached document are only available to, and any investment or investment activity to which the attached document relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on the attached document or any of its contents.

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In order to be eligible to view the attached document or make an investment decision with respect to the securities described therein, investors must be purchasing the securities outside the United States in an offshore transaction in reliance on Regulation S under the Securities Act. By accepting the e-mail and accessing the attached document, you shall be deemed to have represented to us and the Joint Lead Managers (each as defined herein) (1) that you and any customers you represent are not, and that the electronic mail address that you gave us and to which this e-mail has been delivered is not, located in the United States, its territories or possessions, (2) that you consent to delivery of the attached document and any amendments or supplements thereto by electronic transmission, and (3) 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.

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Yi Bright International Limited
沂晟國際有限公司

(incorporated with limited liability in the British Virgin Islands)

U.S.$300,000,000 2.60 per cent. Guaranteed Bonds due 2024
Unconditionally and Irrevocably Guaranteed by

临沂城投集团 LINYI CITY INVESTMENT GROUP

Linyi City Construction Investment Group Co., Ltd.
(臨沂城市建設投資集團有限公司)

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

Issue Price: 100.0 per cent.

The 2.60 per cent. guaranteed bonds in the aggregate principal amount of U.S.$300,000,000 due 2024 (the "**Bonds**") will be issued by Yi Bright International Limited 沂晟國際有限公司 (the "**Issuer**") and will be unconditionally and irrevocably guaranteed (the "**Guarantee**") by Linyi City Construction Investment Group Co., Ltd. (臨沂城市建設投資集團有限公司) (the "**Company**" or "**Guarantor**"). The Bonds will bear interest on their outstanding principal amount from and including 6 July 2021 (the "**Issue Date**") at the rate of 2.60 per cent. per annum and such interest will be payable semi-annually in arrear in equal instalments on 6 January and 6 July in each year, commencing on 6 January 2022. All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee shall be made without set-off or counterclaim, and free and clear of, and without withholding or deduction for, any taxes to the extent described under "*Terms and Conditions of the Bonds — Taxation*".

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

The Guarantor will enter into a deed of guarantee (the "**Deed of Guarantee**") on or around 6 July 2021. The Guarantor undertakes to register or cause to be registered with the local branch of the State Administration of Foreign Exchange of the PRC (the "**SAFE**") the Deed of Guarantee within 15 Registration Business Days (as defined in the Conditions) after its execution of such Deed of Guarantee in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by the SAFE on 12 May 2014 which came into effect on 1 June 2014 (the "**SAFE Registration**"). The Guarantor shall use its best endeavours to complete the SAFE Registration and obtain a registration record from the local branch of the SAFE on or before the Registration Deadline (being 90 Registration Business Days after the Issue Date).

Pursuant to the Circular on Promoting the Reform of the Filing and Registration System on the Issuance by Enterprises of Foreign Debt (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**") on 14 September 2015 which came into effect on the same day, the Guarantor has registered the issuance of the Bonds with the NDRC and received an Enterprise Foreign Debt Pre-Issuance Registration Certificate dated 7 July 2020 from the NDRC evidencing such registration. The Guarantor undertakes that it will, within ten 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 NDRC Circular and any implementation rules as issued by the NDRC from time to time (the "**NDRC Post-issue Filing**").

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 6 July 2024 (the "**Maturity Date**"). At any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (as defined below) (which notice shall be irrevocable) and in writing to the Trustee (as defined below) and the Principal Paying Agent (as defined below), the Issuer may redeem the Bonds in whole, but not in part, of their principal amount, together with any interest accrued to (but not including) the date fixed for redemption, if, immediately prior to giving such notice, the Issuer and/or the Guarantor (as the case may be) satisfies the Trustee that the Issuer (or if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts (as defined in the Conditions) as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands, 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 28 June 2021, and such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it. Following the occurrence of a Relevant Event (as defined in the Conditions), each holder of Bonds (each a "**Bondholder**") will have the right, at such Bondholder's option, to require the Issuer to redeem all, but not some only, of that Bondholder's Bonds on the Put Settlement Date (as defined in the Conditions) at 101 per cent. (in the case of a redemption for a Change of Control (as defined in the Conditions)) or 100 per cent. (in the case of a redemption for a Non-Registration Event (as defined in the Conditions)) 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*".

The Bonds are expected to be assigned a rating of "BBB-" by Fitch Ratings, Inc. ("**Fitch**"). Such rating does not constitute a recommendation to buy, sell or hold the Bonds and may be subject to suspension, reduction or withdrawal at any time by Fitch.

For a more detailed description of the Bonds, see "Terms and Conditions of the Bonds" beginning on page 64.

The Bonds will be issued in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

Investing in the Bonds involves risks. See "Risk Factors" beginning on page 17 for a discussion of certain factors to be considered in connection with an investment in the Bonds.

The Bonds and the Guarantee have not been and will not be registered under the 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. The Bonds and the Guarantee are being offered in offshore transactions outside the United States in reliance on Regulation S under the Securities Act. For a description of these and certain further restrictions on offers and sales of the Bonds and the Guarantee and the distribution of this Offering Circular, see "*Subscription and Sale*".

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

The SEHK has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Circular to Professional Investors only have been reproduced in this Offering Circular. Listing of the Bonds on the SEHK is not to be taken as an indication of the commercial merits or credit quality of the Bonds, the Issuer, the Guarantor, 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 represented initially by interests in a global certificate (the "**Global Certificate**") in registered form which will be registered in the name of a nominee of, and shall be deposited on or about 6 July 2021, with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners

China International Capital Corporation | **China Industrial Securities International** | **Bank of China**

Joint Lead Managers and Joint Bookrunners

China Zheshang Bank Co., Ltd. (Hong Kong Branch) | **CNCB Capital** | **Guotai Junan International** | **ICBC (Asia)**

PRC Advisors

HengFeng Bank Co., Ltd. | **Hua Xia Bank Co., Limited** | **Bank of Beijing Co., Ltd.**

Offering Circular dated 28 June 2021

NOTICE TO INVESTORS

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

Prohibition of sales to EEA retail investors — The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Prohibition of sales to UK retail investors — The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Singapore Securities and Futures Act Product Classification — Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (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) (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).

Hong Kong Exchanges and Clearing Limited and the SEHK take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss however arising from or in reliance upon

the whole or any part of the contents of this Offering Circular. 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 Guarantor. Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that (i) this Offering Circular contains all information with respect to the Issuer, the Guarantor, their subsidiaries taken as a whole (collectively, the "**Group**") and to the Bonds and the Guarantee 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 Guarantor, the Group, the Bonds and the Guarantee, is necessary to enable investors and their investment advisers to make an informed assessment of the activities, assets and liabilities, financial position, profits and losses, and prospects of the Issuer, the Guarantor and the Group and the rights attaching to the Bonds and the Guarantee), (ii) the statements with respect to the Issuer, the Guarantor, the Group, the Bonds and the Guarantee contained in this Offering Circular as at the date hereof are, in every material particular true and accurate and not misleading, (iii) the opinions and intentions with respect to the Issuer, the Guarantor, the Group, the Bonds or the Guarantee expressed in this Offering Circular as at the date hereof 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 Guarantor, the Group, the Bonds or the Guarantee, 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 and the Guarantor to ascertain such facts and to verify the accuracy of all such information and statements in the Offering Circular; (vi) this Offering Circular as at the date hereof does not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (vii) the statistical, industry and market-related data and forward looking statements of which included in this Offering Circular are based on or derived or extracted from sources which each of the Issuer and the Guarantor believes to be accurate and reliable in all material respects.

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

Limited and Industrial and Commercial Bank of China (Asia) Limited (collectively, the "**Joint Lead Managers**") to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds and the giving of the Guarantee 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 Guarantor giving the Guarantee, 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*". By purchasing the Bonds, investors represent and agree to all of those provisions contained in that section of this Offering Circular. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for, or otherwise acquire, the Bonds. Distribution of this Offering Circular to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised. Each prospective investor, by accepting delivery of this Offering Circular, agrees to the foregoing and to make no photocopies of this Offering Circular or any documents referred to in this Offering Circular.

Each of HengFeng Bank Co., Ltd., Hua Xia Bank Co., Limited and Bank of Beijing Co., Ltd., as a PRC Advisor, is not a licensed entity and has not engaged in and will not engage in any licensing activities such as marketing, selling, underwriting of securities.

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 and the Guarantor 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 Guarantor or the Joint Lead Managers. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor or the Group or any of them 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 Joint Lead Managers, the Trustee (as defined in the Conditions) or the Agents (as defined in the Conditions) nor any of their respective directors, officers, employees, representatives, agents, advisers, affiliates and each person who controls any of them has separately verified the information contained in this Offering Circular. None of the Joint Lead Managers, the Trustee or the Agents nor any of their respective directors, officers, employees, representatives, agents, advisers, affiliates and each 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 Guarantee. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee or the Agents, or any of their respective directors, officers,

employees, representatives, agents, advisers, affiliates or each 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 Guarantor and the merits 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 Joint Lead Managers, the Trustee or the Agents nor any of their respective directors, officers, employees, representatives, agents, advisers, affiliates and each person who controls any of them accepts any responsibility for the contents of this Offering Circular and they assume no responsibility for the contents, accuracy, completeness or sufficiency of any such information or for any other statement made or purported to be made by a Joint Lead Manager, the Trustee or an Agent, or any of their respective directors, officers, employees, representatives, agents, advisers, affiliates and each person who controls any of them or on its behalf, in connection with the Issuer, the Guarantor, the Group, the issue and offering of the Bonds or the giving of the Guarantee. Each of the Joint Lead Managers, the Trustee and the Agents and any of their respective directors, officers, employees, representatives, agents, advisers, affiliates and each person who controls any of them accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. None of the Joint Lead Managers, the Trustee or the Agents nor any of their respective directors, officers, employees, representatives, agents, advisers, affiliates and each person who controls any of them undertakes to review the financial condition or affairs of the Issuer or the Guarantor 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 Joint Lead Managers, the Trustee or the Agents, or any of their respective directors, officers, employees, representatives, agents, advisers, affiliates and each 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 should not be considered as a recommendation by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, employees, representatives, agents, advisers, affiliates and each person who controls any of them, or 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 Guarantor 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 summarises certain material documents and other information, and the Issuer, the Guarantor and the Joint Lead Managers refer the recipient of this Offering Circular to them for a more complete understanding of what is contained in this Offering Circular. None of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents nor any of their respective directors, officers, employees, representatives, agents, advisers, affiliates and each 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 THE ISSUE OF THE BONDS, ANY OF THE JOINT LEAD MANAGERS APPOINTED AND ACTING IN ITS CAPACITY AS STABILISATION MANAGER (THE "STABILISING MANAGER") (OR ANY PERSON ACTING ON BEHALF OF THE STABILISING MANAGER) MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND DIRECTIVES, OVER-ALLOT 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 DOING SO 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 AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.

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

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. Although each of the Issuer and the Guarantor believes the information to be reliable, it has not been independently verified, and none of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or any person who controls any of them, or any of their respective directors, officers, employees, agents, advisers or affiliates 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 consolidated financial information of the Guarantor as at and for the years ended 31 December 2018, 2019 and 2020 which has been extracted from the audited consolidated financial statements of the Guarantor as at and for the years ended 31 December 2019 and 2020, respectively, included elsewhere in this Offering Circular. The audited consolidated financial statements of the Guarantor as at and for the years ended 31 December 2019 and 2020 were prepared and presented in accordance with the Accounting Standards for Business Enterprises in the PRC (the "**PRC GAAP**"). The audited consolidated financial statements of the Guarantor as at and for the year ended 31 December 2019 have been audited by Jonten Certified Public Accountants (Limited Liabilities Partnership) (中天運會計師事務所(特殊普通合夥)) ("**Jonten**"), the Guarantor's independent auditors in 2018 and 2019. The audited consolidated financial statements of the Guarantor as at and for the year ended 31 December 2020 have been audited by China Audit Asia Pacific Certified Public Accountants (Limited Liabilities Partnership) (中審亞太會計師事務所(特殊普通合夥)) ("**Asia Pacific**"), the current independent auditors of the Guarantor.

PRC GAAP differs in certain respects from the International Financial Reporting Standards ("**IFRS**"). See "*Summary of Certain Differences between PRC GAAP and IFRS*".

This Offering Circular includes figures relating to EBITDA. EBITDA is not a standard measure under PRC GAAP or IFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an

alternative to cash flows, net income or any other measure of performance or as an indicator of the Guarantor's operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, investors should consider, among other things, the components of EBITDA such as operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. The Guarantor has included EBITDA because the Guarantor believes that it is a useful supplement to cash flow data as a measure of the Guarantor's performance and its ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare the Guarantor's EBITDA to EBITDA presented by other companies because not all companies use the same definition.

According to the Circular of the National Development and Reform Commission and the Ministry of Finance on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness Risks (Fa Gai Wai Zi [2018] No. 706) (國家發展改革委財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知 (發改外資[2018]706號)) ("**Circular 706**"), any public interest assets such as public schools, public hospitals, public cultural facilities, parks, public squares, office buildings of government departments and public institutions, municipal roads, non-toll bridges, non-operating water conservancy facilities, no-charge pipe network facilities and other public interest assets and the usage rights of reserve land ("**Public Interest Assets**") cannot be counted towards the Group's assets for the purposes of issuing medium- and long-term foreign debt. As at 31 December 2020, the value of the Group's Public Interest Assets amounted to approximately RMB11.6 billion, representing approximately 16.2 per cent. of the Group's total assets and 32.0 per cent. of the Group's total net assets, respectively. See "*Risk Factors — Risks relating to the Bonds and the Guarantee — Any public interest assets of the Group should not be taken into account when evaluating the Group's business, financial condition, results of operations and prospects.*" for further information.

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), and all references to the "United States" and "U.S." are to the United States of America, 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; 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 RMB6.5250 to U.S.$1.00 (being the noon buying rate in New York City on 31 December 2020 as set forth in the weekly H.10 statistical release of the Federal Reserve Board of the Federal Reserve Bank of New York). 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 or billions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables or figures shown as totals 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 or transliterations of their Chinese names and are included for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

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

- "**GDP**" refers to gross domestic product;
- "**Linyi Municipal Government**" refers to the Municipal Government of Linyi;
- "**Linyi SASAC**" refers to the State-owned Assets Supervision and Administration Commission of Linyi Municipal Government;
- "**MOF**" refers to the Ministry of Finance of the People's Republic of China;

- "**MOFCOM**" refers to the Ministry of Commerce of the People's Republic of China;

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

- the "**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;

- "**SAT**" refers to the State Administration of Taxation of the People's Republic of China;

- "**SCNPC**" refers to the Standing Committee of the National People's Congress of the People's Republic of China;

- "**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 and the Guarantor have made certain forward-looking statements in this Offering Circular. All statements other than statements of historical facts contained in this Offering Circular constitute "forward-looking statements". 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, the Guarantor 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, the Guarantor or by any third party) involve known and unknown risks, including those disclosed under the section entitled "*Risk Factors*", uncertainties and other factors that may cause the actual results, performance or achievements of the Issuer, the Guarantor 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. Each of the Issuer and the Guarantor expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any of the opinions or forward-looking statements 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 opinions or statement was based.

The factors that could cause the actual results, performances and achievements of the Issuer, the Guarantor, 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;
- the Group's capital expenditure plans and its ability to carry out those plans;
- access and cost of capital and financing;
- future developments, trends and conditions in the industry and markets in which the Group operates;
- changes in the competition landscape in the industries where the Group operates;

- any changes in the laws, rules and regulations of the PRC government and the Linyi Municipal 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 Linyi;

- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industries 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*".

Neither the Issuer nor the Guarantor undertakes 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 entitled "Risk Factors", before making an investment decision.

OVERVIEW

The Group is the largest government investment and financing platform in Linyi by assets and revenues and is owned by Linyi SASAC. Since its establishment in 2013, the Group has been the core operating entity carrying out municipal development activities and providing public services in Linyi, including municipal construction, real estate development, transportation, green energy, wood products manufacturing and affordable housing construction. Leveraging on the development of Linyi, strong shareholder's support and its diversified businesses, the Group has undertaken and completed a large number of municipal development projects and played an important role in the development of Linyi.

The Group's principal business segments are as follows:

- *Municipal Construction.* Municipal construction business is the primary business of the Group. The Group is the core municipal construction entity in Linyi, whose business includes the investment, construction and development of municipal infrastructure projects in Linyi. The Group's municipal construction business includes infrastructure construction, shantytown redevelopment and land sales. In particular, the Group undertakes the construction of the Linyi High Speed Railway Area (臨沂高鐵片區), which was designated as the top priority project in Linyi by the Linyi Municipal Government. During the years ended 31 December 2018, 2019 and 2020, the Group had completed 81 infrastructure construction projects with a total investment amount of approximately RMB7,906.4 million. As at 31 December 2020, the Group had 32 infrastructure construction projects under construction with a total estimated investment of approximately RMB17,777.4 million and 12 infrastructure construction projects under planning with a total estimated investment of RMB15,900.0 million. For the years ended 31 December 2018, 2019 and 2020, operating income generated from the Group's municipal construction business was RMB892.0 million, nil and nil, respectively, representing 20.3 per cent., nil and nil, respectively, of the Group's total operating income for the same periods. For the years ended 31 December 2019 and 2020, operating income generated from the Group's municipal construction business was nil primarily due to the inherent time lag between investment and revenue recognition of construction projects and change of business model.

- *Real Estate Development.* The Group's real estate business includes the investment, construction and development of commercial real estate projects. All of the Group's real estate projects under construction are located in the core area of Linyi, including Linyi city, Fei County (費縣) and Yinan County (沂南縣). During the years ended 31 December 2018, 2019 and 2020, the Group had completed three commercial real estate projects with a total investment of approximately RMB2,318.0 million. As at 31 December 2020, the Group had six commercial real estate projects under construction with a total estimated investment of approximately RMB9,663.0 million and three commercial real estate projects under planning with a total estimated investment of RMB6,298.2 million. The Group also possesses a large volume of land reserves at premium locations, including the Northern City New District in Linyi (臨沂市北城新區), Linyi Economic and Technological Development Zone (臨沂市經濟技術開發區) and Linyi High-tech Zone (臨沂市高新區). As at 31 December 2020, the Group's land reserves amounted to a total GFA of approximately 5.37 sq.km. For the years ended 31 December 2018, 2019 and 2020, operating income generated from the Group's real estate development business was RMB719.9 million, RMB851.2 million and RMB1,267.7 million, respectively, representing 16.4 per cent., 18.5 per cent. and 23.8 per cent., respectively, of the Group's total operating income for the same periods.

- *Transportation.* The Group is the sole operating entity conducting the transportation business in Linyi. The Group operates its transportation business through certain of its subsidiaries, including Linyi Railway Construction Investment Group Co., Ltd. (臨沂鐵路建設投資集團有限公司), Linyi Public Transportation Group Co., Ltd. (臨沂公共交通集團有限公司), Linyi Transportation Investment Group Co., Ltd. (臨沂交通運輸投資集團有限公司). The transportation business segment mainly consists of three sub-segments, namely, railway construction investment, city bus transportation service and intercity passenger transportation service. The Group generates operating income from its transportation business mainly through fees collected for the city bus transportation service and the intercity passenger transportation service that the Group provides and government subsidies. For the years ended 31 December 2018, 2019 and 2020, operating income generated from the Group's transportation business was RMB1,223.7 million, RMB1,289.8 million and RMB841.0 million, representing 27.8 per cent., 28.1 per cent. and 15.8 per cent., respectively, of the Group's total operating income for the same periods.

- *Green Energy.* The Group is one of the main entities providing green energy service in Linyi. The Group's green energy business involves the provision of heating service and electricity service, of which heating service is the primary source of revenue. The Group generates operating income from its green energy business mainly through utility fees collected for the electricity power and heating that the Group provides. For the years ended 31 December 2018, 2019 and 2020, operating income generated from the Group's

green energy business was approximately RMB1,029.3 million, RMB860.7 million and RMB813.1 million, representing 23.4 per cent.,18.7 per cent. and 15.3 per cent., respectively, of the Group's total operating income for the same periods.

- *Wood Products Manufacturing.* The Group's wood products manufacturing business involves the research and development, manufacture and sales of wooden furniture and home decoration materials. The Group's wooden furniture includes door, cupboard, cabinet, closet, doorframe and wallboard, which are custom-made for high-end rental apartments developed and managed by leading real estate developers in China. The Group's home decoration materials mainly include different types of fibreboard, such as particleboard and oriented strand board, as well as decorative panel and impregnated paper. For the years ended 31 December 2018, 2019 and 2020, operating income generated from the Group's wood products manufacturing business was RMB254.6 million, RMB1,085.2 million and RMB1,391.6 million, respectively, representing 5.8 per cent., 23.6 per cent. and 26.1 per cent., respectively, of the Group's total operating income for the same periods.

- *Affordable Housing Construction.* The Group's affordable housing construction business primarily involves providing affordable housing for local residents resettled for the development of the Linyi High Speed Railway Area. The Group conducts its affordable housing construction business through its wholly-owned subsidiary, Linyi City Construction Group Co., Ltd. (臨沂城建建設集團有限公司). The Group generated profits from its affordable housing construction business mainly through the sales of commercial properties relating to such affordable housing projects. For the years ended 31 December 2018, 2019 and 2020, operating income generated from the Group's affordable housing construction business was nil, nil and RMB603.3 million, respectively, representing nil, nil and 11.3 per cent., respectively, of the Group's total operating income for the same periods.

In addition to its primary business segments, the Group also participates in other operating activities to supplement its primary operating activities, namely cultural tourism, medical and health care, new energy industry, commercial factoring, prefabricated building manufacturing, and resources development.

COMPETITIVE STRENGTHS

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

- Well-positioned to leverage the excellent location of Linyi to achieve business growth;

- Strong support from the Group's shareholders;

- Crucial importance to the development of Linyi;
- Diversified business portfolio and asset base to provide stable return to the Group;
- Sufficient capital from diversified financing channels;
- Robust risk management system; and
- Sound corporate governance with experienced senior management team.

BUSINESS STRATEGIES

Through establishing development platforms for various competitive industries, the Group aims to maintain its prominent position in Linyi while at the same time diversifying its business portfolio. With the vision to promote the development of Linyi, the Group intends to focus the following business strategies:

- Sustainable business development driven by the "Three Double-Engines" strategy;
- The Group is fully committed to its responsibilities as a state-owned assets management platform, and will put its three missions as top priority;
- Further diversify the business portfolio and invest in the Value Chain; and
- Continue to acquire and integrate other platforms from the Linyi SASAC, and to improve management efficiency by creating synergies.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF THE GUARANTOR

The summary consolidated financial information of the Guarantor as at and for the years ended 31 December 2018, 2019 and 2020 set forth below has been extracted from the Guarantor's audited consolidated financial statements as at and for the years ended 31 December 2019 and 2020, which are included elsewhere in this Offering Circular. The consolidated financial statements of the Guarantor as at and for the year ended 31 December 2019 were prepared and presented in accordance with PRC GAAP and have been audited by Jonten, the Guarantor's auditors in 2018 and 2019, in accordance with Auditing Standards for Certified Public Accountants in China. The consolidated financial statements of the Guarantor as at and for the year ended 31 December 2020 were prepared and presented in accordance with PRC GAAP and have been audited by Asia Pacific in accordance with Auditing Standards for Certified Public Accountants in China. PRC GAAP differs in certain material respects from IFRS. For a summary of those differences, see "Summary of Certain Differences between PRC GAAP and IFRS".

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

The following table set forth the Guarantor's consolidated financial information as at the dates and for the periods indicated.

SUMMARY CONSOLIDATED BALANCE SHEET DATA

	As at 31 December			
	2018	2019	2020	
	(RMB)	*(RMB)*	*(RMB)*	*(USD)*
	(audited)	*(audited)*	*(audited)*	*(unaudited)*
	(in thousands)			
Current assets				
Monetary funds	2,687,098.2	3,371,095.8	6,540,129.5	1,002,318.7
Notes receivable	2,865.9	134,319.0	140,917.9	21,596.6
Accounts receivable	803,691.4	1,209,139.9	1,643,360.8	251,856.1
Pre-paid accounts	522,976.0	294,623.9	298,080.9	45,682.9
Other receivables	2,435,866.1	2,482,958.4	2,530,802.1	387,862.4
Inventory	18,568,987.6	27,794,424.8	27,262,718.8	4,178,194.5
Other current assets	362,811.1	416,256.4	606,226.8	92,908.3
Total current assets	**25,384,296.3**	**35,702,818.1**	**39,022,236.7**	**5,980,419.4**

	As at 31 December			
	2018	2019	2020	
	(RMB)	*(RMB)*	*(RMB)*	*(USD)*
	(audited)	*(audited)*	*(audited)*	*(unaudited)*
	(in thousands)			
Non-Current assets				
Available-for-sale financial assets	672,208.6	627,275.5	631,280.1	96,747.9
Long-term receivables	13,037.8	—	—	—
Long-term equity investment	806,436.1	767,809.6	837,716.3	128,385.6
Other non-current financial assets	—	—	151,500.0	23,218.4
Investment real estate	4,484,095.8	5,898,564.3	6,033,056.9	924,606.4
Fixed assets	8,854,505.9	8,939,670.3	13,629,786.7	2,088,856.2
Construction in progress	6,673,227.9	4,296,817.2	3,130,041.9	479,699.9
Productive biological assets	—	—	5,989.4	917.9
Intangible assets	2,542,947.2	2,941,693.3	4,829,890.4	740,213.1
Goodwill	5,495.8	5,495.8	—	—
Long-term deferred expense	21,892.5	45,420.1	88,781.3	13,606.3
Deferred tax assets	13,099.8	21,544.9	57,449.3	8,804.5
Other non-current assets	815,240.1	491,015.1	3,265,901.3	500,521.3
Total non-current assets	**24,902,187.6**	**24,035,306.2**	**32,661,393.6**	**5,005,577.6**
Total assets	**50,286,483.9**	**59,738,124.3**	**71,683,630.3**	**10,985,997.0**
Current liabilities				
Short-term loans	650,000.0	2,531,000.0	1,302,072.5	199,551.3
Notes payable	536,743.1	1,299,850.4	930,210.9	142,561.1
Accounts payable	663,195.1	961,904.4	4,114,462.4	630,569.0
Advance from customers	2,539,065.8	2,538,387.2	4,028,923.2	617,459.5
Payroll payable	207,099.5	218,085.4	278,083.6	42,618.2
Taxes payables	166,253.9	249,586.1	544,430.6	83,437.6
Other payables	4,838,230.9	3,761,232.4	4,804,552.9	736,329.9
Non-current liabilities maturing within one year	8,500.0	1,588,623.3	1,293,278.9	198,203.7
Other current liabilities	2,001.2	2,824.8	2,256.0	345.7
Total current liabilities	**9,611,089.5**	**13,151,494.0**	**17,298,271.1**	**2,651,076.0**
Non-current liabilities				
Long-term loans	4,767,752.9	5,840,802.8	5,327,088.8	816,412.1
Bonds payable	2,481,750.7	1,971,951.1	7,773,536.3	1,191,346.6
Long-term payables	754,590.0	588,907.0	2,668,265.0	408,929.5
Deferred income	557,873.8	462,082.5	1,243,817.5	190,623.4
Deferred tax liabilities	142,467.2	1,065,635.6	1,168,049.0	179,011.3
Other non-current liabilities	28,830.0	13,070.0	—	—
Total non-current liabilities	**8,733,264.5**	**9,942,449.0**	**18,180,756.6**	**2,786,322.8**
Total liabilities	**18,344,354.1**	**23,093,943.0**	**35,479,027.7**	**5,437,398.9**

	As at 31 December			
	2018	2019	2020	
	(RMB)	*(RMB)*	*(RMB)*	*(USD)*
	(audited)	*(audited)*	*(audited)*	*(unaudited)*
	(in thousands)			
Owner's equity				
Paid-in capital	2,000,000.0	2,000,000.0	2,000,000.0	306,513.4
Capital reserve	22,787,817.5	24,403,556.5	23,823,127.2	3,651,054.0
Other comprehensive income	3,388,828.3	3,388,828.3	3,388,828.3	519,360.7
Special reserve	5,482.1	64,529.4	70,614.5	10,822.1
Surplus reserve	223,542.6	395,125.7	400,940.4	61,446.8
General risk reserve	—	—	10,045.8	1,539.6
Undistributed profit	3,279,161.6	5,819,798.7	5,781,157.8	886,001.2
Total owner's equity attributable to parent company	31,684,832.2	36,071,838.5	35,474,714.0	5,436,737.8
Minority equity	257,297.7	572,342.9	729,888.6	111,860.3
Total owner's equity	**31,942,129.9**	**36,644,181.4**	**36,204,602.7**	**5,548,598.1**
Total liabilities and owner's equity	**50,286,483.9**	**59,738,124.3**	**71,683,630.3**	**10,985,997.0**

SUMMARY CONSOLIDATED INCOME STATEMENT DATA

	For the year ended 31 December			
	2018	2019	2020	
	(RMB) *(audited)*	*(RMB)* *(audited)*	*(RMB)* *(audited)*	*(USD)* *(unaudited)*
	(in thousands)			
Operating income	**4,396,088.9**	**4,591,922.0**	**5,324,846.2**	**816,068.4**
Less:				
Operating cost	3,866,691.4	3,610,890.9	4,010,878.0	614,693.9
Taxes and additions	41,470.9	101,076.5	158,501.3	24,291.4
Selling expense	147,882.1	267,970.4	381,892.1	58,527.5
Management expense	222,926.2	552,764.1	766,420.1	117,459.0
Research and development expense	—	16,404.5	37,944.5	5,815.3
Finance expense	70,066.6	28,088.3	187,272.3	28,700.7
Assets impairment loss	27,608.2	31,003.3	40,238.8	6,166.9
Plus:				
Other incomes	182,120.9	274,931.3	491,884.3	75,384.6
Return on investment	24,885.3	5,906.6	78,290.3	11,998.5
Gains from changes in fair value	267,442.0	3,692,673.9	134,492.6	20,611.9
Gains (loss) from disposal of assets	—	—	(25.6)	(3.9)
Operating profit	**493,891.6**	**3,957,235.6**	**446,340.6**	**68,404.7**
Plus:				
Non-operating income	8,787.4	9,090.8	24,364.2	3,734.0
Less:				
Non-operating expenses	21,734.3	35,022.8	20,599.4	3,157.0
Total profit	**480,944.7**	**3,931,303.6**	**450,105.5**	**68,981.7**
Income tax expense	158,154.4	1,064,408.1	262,727.4	40,264.7
Net profit	**322,790.3**	**2,866,895.5**	**187,378.0**	**28,716.9**
Net profit attributable to shareholders of the parent company	274,512.4	2,733,006.3	6,652.6	1,019.6
Profits and losses of minority shareholders	48,277.9	133,889.2	180,725.4	27,697.4
Total comprehensive income	**322,790.3**	**2,866,895.5**	**187,378.0**	**28,716.9**

SUMMARY CONSOLIDATED CASH FLOW STATEMENT DATA

	For the year ended 31 December			
	2018	2019	2020	
	(RMB)	*(RMB)*	*(RMB)*	*(USD)*
	(audited)	*(audited)*	*(audited)*	*(unaudited)*
	(in thousands)			
Net amount of cash flow from operating activities	(213,132.0)	(1,287,181.8)	4,106,044.0	629,278.8
Net amount of cash flow from investing activities	(3,032,929.8)	(2,989,894.3)	(3,959,614.1)	(606,837.4)
Net amount of cash flow from financing activities	903,141.6	4,218,955.8	3,195,697.7	489,762.1
Effect of fluctuations in exchange on cash and cash equivalents	0.0	0.0	69,941.8	10,719.0
Net increase of cash and cash equivalents	**(2,342,920.2)**	**(58,120.2)**	**3,412,069.3**	**522,922.5**
Balance of beginning cash and cash equivalents	5,030,018.4	2,687,098.2	2,628,978.0	402,908.5
Closing balance of cash and cash equivalents	**2,687,098.2**	**2,628,978.0**	**6,041,047.3**	**925,831.0**

OTHER FINANCIAL DATA

The following table sets forth certain other financial data of the Group as at the dates and for the periods indicated.

	As at and for the year ended 31 December		
	2018	**2019**	**2020**
EBIT[(1)] (RMB in millions)	337.9	519.5	749.2
EBITDA[(1)] (RMB in millions)	722.0	1,142.2	1,511.3
Interest expense (RMB in millions)	136.4	260.9	515.6
Total indebtedness[(2)] (RMB in billions)	8.6	12.5	16.4
Total indebtedness to EBITDA	11.90x	10.96x	10.86x
Net debt[(3)] (RMB in billions)	5.9	9.1	9.9
EBITDA/Interest expense	5.3	4.4	2.9
EBIT/Interest expense	2.5	2.0	1.5
Total liabilities/Total Asset ratio	36.5%	38.7%	49.5%

Notes:

(1) EBIT for any period is calculated as operating profit (excluding investment income and income from changes in fair value) adding back interest expense. EBITDA for any period is calculated as operating profit (excluding investment income and income from changes in fair value) adding back interest expense, depreciation and amortisation. EBIT and EBITDA are widely used financial indicators of a company's ability to service and incur debt. EBIT or EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of the Group's operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBIT and EBITDA, the Company believes that investors should consider, among other things, the respective components of EBIT and EBITDA such as sales and operating expenses under the amount by which EBIT or EBITDA exceeds capital expenditures and other charges. The Company has included EBIT and EBITDA because it believes that they are useful supplements to the cash flow data as a measure of the Group's performance and its ability to generate cash flow from operations to cover debt service and taxes. EBIT and EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare the Group's EBIT to EBIT or EBITDA to EBITDA presented by other companies because not all companies use the same definitions.

(2) Total indebtedness is the sum of short-term loans, non-current liabilities maturing within one year, long-term loans, bonds payable and long-term payables (finance lease and trust loans).

(3) Net debt is the difference between total indebtedness and monetary assets.

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	Yi Bright International Limited 沂晟國際有限公司
Guarantor	Linyi City Construction Investment Group Co., Ltd. (臨沂城市建設投資集團有限公司)
The Bonds	U.S.$300,000,000 2.60 per cent. Guaranteed Bonds due 2024.
Guarantee	The Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds. Its obligations in that respect will be contained in the Deed of Guarantee. The Guarantor undertakes to register or cause to be registered with the local branch of SAFE the Deed of Guarantee within 15 Registration Business Days after the execution of such Deed of Guarantee in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 (the "**SAFE Registration**"). The Guarantor shall use its best endeavours to complete the SAFE Registration and obtain a registration certificate from the local branch of SAFE on or before the day falling 90 Registration Business Days after the Issue Date (the "**Registration Deadline**") and comply with all applicable PRC laws and regulations with respect to the issue of the Bonds and the Deed of Guarantee.
Issue Price	The Bonds will be issued at 100.0 per cent. of their principal amount.
Form and Denomination	The Bonds will be issued in in the specified denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Issue Date	6 July 2021.

Interest	The Bonds will bear interest on their outstanding principal amount from and including 6 July 2021, at the rate of 2.60 per cent. per annum, payable semi-annually in arrear in equal instalments on 6 January and 6 July in each year, commencing on 6 January 2022.
Maturity Date	6 July 2024.
Status of the Bonds	The Bonds will constitute direct, unconditional, unsubordinated and (subject to Condition 4(a) (*Negative Pledge*) of the Conditions) unsecured obligations of the Issuer and shall at all times rank pari passu and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable laws and regulations and subject to Condition 4(a) (*Negative Pledge*) of the Conditions, at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.
Status of the Guarantee	The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable laws and regulations and subject to Condition 4(a) (*Negative Pledge*) of the Conditions, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
Negative Pledge	The Bonds will contain a negative pledge provision as further described in Condition 4(a) (*Negative Pledge*) of the Conditions.
Use of Proceeds	See "*Use of Proceeds*".
Events of Default	The Bonds will contain certain events of default as further described in Condition 9 (*Events of Default*) of the Conditions.

Cross-Default	The Bonds are subject to a cross-default provision in respect of (i) any other present or future indebtedness of the Issuer or the Guarantor or any of their respective Subsidiaries for or in respect of moneys borrowed or raised which becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer, the Guarantor or any of their respective Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, *provided* that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above have occurred in aggregate equals or exceeds U.S.$25,000,000 or its equivalent. See Condition 9(c) (*Cross-Default*) of the Conditions.
Taxation	All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee shall be made without set-off or counterclaim, and free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands, the PRC or, in each case, any political subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. Where such withholding or deduction is made by the Issuer or the Guarantor or within the PRC at a rate up to and including the aggregate rate applicable on 28 June 2021 (the "**Applicable Rate**"), the Issuer or, as the case may be, the Guarantor will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

	If the Issuer or, as the case may be, the Guarantor is required to make a deduction or withholding by or within the PRC at a rate in excess of the Applicable Rate, or any deduction or withholding by the BVI is required, the Issuer or, as the case may be, the Guarantor 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. See "*Terms and Conditions of the Bonds — Taxation*".
Final Redemption	Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Maturity Date.
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 at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a Non-Registration Event) of their principal amount, together in each case with accrued interest to (but excluding) the relevant Put Settlement Date, as further described in Condition 6(c) (*Redemption for Relevant Events*) of the Conditions.

Redemption for Taxation Reasons	The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders, which shall specify the date for redemption and the method by which payment shall be made to the Bondholders, in accordance with Condition 16 of the Conditions (which notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at their principal amount, together with any interest accrued to (but not including) the date fixed for redemption, if, the Issuer satisfies the Trustee immediately prior to the giving of such notice that the Issuer (or if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or the PRC or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 28 June 2021, and such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, as further described in "*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for Taxation Reasons*".
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 deadlines for making and completing the NDRC Post-Issue Filing and the SAFE Registration and for making the consequent notifications to the Trustee and the Bondholders) and so that the same shall be consolidated and form a single series with the outstanding Bonds, as further described in "*Terms and Conditions of the Bonds — Further Issues*".
Trustee	The Bank of New York Mellon, London Branch
Principal Paying Agent	The Bank of New York Mellon, London Branch
Registrar and Transfer Agent	The Bank of New York Mellon SA/NV, Dublin Branch

Clearing Systems	The Bonds will be represented initially by beneficial interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on the Issue Date with, a common depositary for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on, and transfers 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.
Notices and Payment	So long as the Bonds are evidenced by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream and/or an Alternative Clearing System, notices to the holders of the Bonds shall be validly given by the delivery of the relevant notice to Euroclear and/or Clearstream and/or an Alternative Clearing System, as applicable, for communication by it to entitled accountholders in substitution for notification as required by the Conditions.
Governing Law	English law.
Rating	The Bonds are expected to be assigned a rating of "BBB-" by Fitch Ratings, Inc. ("**Fitch**"). Such rating does not constitute a recommendation to buy, sell or hold the Bonds and may be subject to suspension, reduction or withdrawal at any time by Fitch.
Listing	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.
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*".
ISIN	XS2356930383.
Common Code	235693038.

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, the Guarantor and the Group or the value of the Bonds. The Issuer and the Guarantor believe that the risk factors described below represent the principal risks inherent in investing in the Bonds, but the ability of the Issuer and/or the Guarantor 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 and/or the Guarantor based on information currently available to them or which they are currently unable to anticipate. All of these factors are contingencies which may or may not occur and the Issuer and the Guarantor are not in a position to express a view on the likelihood of any such contingency occurring. This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The actual results of the Group could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Offering Circular.

The Issuer and the Guarantor do not represent that the statements below regarding the risk factors of 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

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

The Group's businesses and assets are highly concentrated in Linyi, Shandong Province, focusing mainly on municipal development activities including municipal construction, real estate development, transportation, green energy, wood products manufacturing and affordable housing construction. Therefore, its business, financial condition, results of operations and prospects have been and will continue to be heavily dependent on the level of economic development of Linyi.

Economic conditions in the PRC generally and in Linyi in particular are key factors affecting the development of Linyi. China's economy has experienced rapid growth in the past 40 years, however, in recent years there has been a slowdown in the growth rate since the second half of 2013. According to the National Statistics Bureau of the PRC, the annual growth rate of China's GDP slowed down from 7.8 per cent. in 2013 to 2.3 per cent. in 2020. Linyi has similarly experienced steady but slowing economic growth in recent years. During the same period, the

annual growth rate of GDP in Linyi slowed down from 11.0 per cent. to 3.0 per cent. according to the Linyi Municipal Statistics Bureau (臨沂市統計局). There is no assurance that the level of economic development in Linyi will continue to grow at the rates seen in recent years. Any continuing slowdown in the economic development in Linyi may affect its development plans, which may decrease the demand for the Group's business and adversely affect the Group's business, financial condition, results of operations and prospects.

PRC regulations on the administration of the financing platforms and local government debt will have a material impact on the Group's financing and business models.

The PRC government has in recent years issued multiple regulations intended to restrict the ability of local governments to use state-owned enterprises to incur debt that should be directly incurred by government bodies. These regulations include: the Notice on Strengthening the Administration of Local Government Financing Vehicles (Guo Fa [2010] No. 19) (關於加强地方政府融資平臺公司管理有關問題的通知(國發[2010]19號)) ("**Circular 19**") in June 2010 and the Opinion on Enhancing the Administration of Fiscal Debts of Local Governments (Guo Fa [2014] No. 43) (關於加强地方政府性債務管理的意見(國發[2014]43號)) ("**Circular 43**") in September 2014 released by the State Council, the Notice on Further Regulating Issuance of Bonds by Local Government Financing Vehicles (Fa Gai Ban Cai Jin [2010] No. 2881) (關於進一步規範地方政府投融資平臺公司發行債券行為有關問題的通知(發改辦財金[2010]2881號)) released by the NDRC issued in November 2010 ("**Circular 2881**"), the Circular on Further Regulating the Debt Financing Behaviours of Local Government (Cai Yu [2017] No. 50) (關於進一步規範地方政府舉債融資行為的通知(財預[2017]50號)) ("**Circular 50**") jointly issued by the MOF, the NDRC, the Ministry of Justice of the PRC, the PBOC, the CBRC and the China Securities Regulatory Commission in April 2017, the Circular on Firmly Curbing Local Governments' Illegal Financing Activities in the Name of Government Procurement of Services (Cai Yu [2017] No. 87) (關於堅決制止地方以政府購買服務名義違法違規融資的通知(財預[2017]87號)) ("**Circular 87**") issued by the MOF in May 2017, the Notice of the Ministry of Finance on the Financing Activities Conducted by Financial Institutions for Local Governments and State-owned Enterprises (Cai Jin [2018] No. 23) (財政部關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知(財金[2018]23號)) ("**Circular 23**") in March 2018, the Circular 706, the Guiding Opinion on Strengthening the Asset and Liability Constraints of State-Owned Enterprises (中共中央辦公廳、國務院辦公廳《關於加強國有企業資產負債約束的指導意見》) jointly issued by the General Office of the Central Committee of the Communist Party of China and the State Council in September 2018 (the "**Joint Opinion**") and the Circular on Filing Requirements with respect to Application for Foreign Debt Issuance by Local State-owned Enterprises (Fa Gai Ban Wai Zi [2019] No. 666) (國家發展改革委辦公廳關於對地方國有企業發行外債申請備案登記有關要求的通知(發改辦外資[2019]666號)) issued by the General Office of NDRC in June 2019 ("**Circular 666**") (Circular 43, Circular 50, Circular 87, Circular 23, Circular 706, the Joint Opinion and Circular 666, together, the "**Debt Control Circulars**").

According to Circular 2881, in addition to the relevant requirements on the assets composition under Circular 19, the financing vehicles of a local government, such as the Company, must rely on their internal operating cash flow to finance more than 70 per cent. of the cash requirements for repaying their corporate bonds issued in the PRC. If revenue from the construction of public interest projects represents more than 30 per cent. of their total revenue, the financing vehicles should provide the authorities that review the application of corporate bonds issuance with information relating to the balance of the local government's debts and other detailed information to demonstrate the local government's comprehensive financial capacity. In addition, it reinforces the requirements under Circular 19 which prohibit local governments from providing guarantees or credits to secure the debts of its financing vehicles through financial funds and state-owned assets of administrative institutions, or any direct or indirect means. As of the date of this Offering Circular, the Group has not received any notice from any governmental authority that it is not in compliance with Circular 2881.

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

On 6 July 2019, the General Office of the NDRC issued Circular 666, which aims to strengthen the management of local government debt and prevent the risks of medium and long-term foreign debts and hidden debt of local government. Circular 666 expressly restricts the use of proceeds of foreign debt issued by local state-owned enterprises which undertake local government financing functions to repaying medium and long-term foreign debts due within one year. For further details on the Debt Control Circulars, see "*PRC Regulation*".

The Group believes that the PRC government will continue to implement the Debt Control Circulars to control local government debts. Accordingly, the Group should rely on the cash flow generated from its operations and external borrowings for financing its operating activities and to satisfy its cash needs for servicing its outstanding indebtedness. Pursuant to the terms of the Bonds and as required by the Debt Control Circulars, neither the Linyi Municipal Government nor any other PRC governmental entity has any obligation to repay any amount under the Bonds and will not provide a guarantee of any kind for the Bonds. The Bonds are solely to be repaid by the

Group, and the obligations of the Group under the Bonds or the Trust Deed shall solely be fulfilled by the Group as independent legal persons. The liability of the Linyi Municipal Government is limited to its equity contribution in the Group. If the Group does not fulfil its obligations under the Bonds and the Trust Deed, the Bondholders will only have recourse against the Group, and not the Linyi Municipal Government or any other PRC governmental entities.

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

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

As a state-owned enterprise owned by the Linyi SASAC, a governmental agency under administration of the Linyi Municipal Government, the Company has received financial support (other than credit support) and certain preferential treatments from the Linyi Municipal Government. These supports come in various forms, such as favourable policies, government subsidies, asset transfer, capital injection and tax incentives. For the years ended 31 December 2018, 2019 and 2020, the Group had received government subsidies of approximately RMB187.0 million, RMB275.0 million and RMB419.9 million, respectively. However, there is no assurance that the Linyi SASAC and the Linyi Municipal Government will continue to provide such support to the Group or that the existing or other types of government support will not be adjusted or terminated due to any change in government policies or otherwise. If any favourable incentive or government support which is currently available to the Group is reduced or discontinued in the future, the Group's business, financial condition, results of operations and prospects would be materially and adversely affected. In addition, the ownership or controlling relationship between the Group and the Linyi SASAC, which is under the administration of the Linyi Municipal Government, does not necessarily correlate to, or provide any assurance as to the Issuer's or the Group's financial conditions. The repayment obligations under the Bonds remain the sole obligations of the Issuer and/or the Group.

The Group's business and prospects depend to a large extent upon the public spending of the Linyi Municipal Government on green energy and transportation service in Linyi.

The Group is a state-owned enterprise owned by the Linyi SASAC and is designated to carry out businesses including municipal construction, real estate development, transportation, green energy, wood products manufacturing and affordable housing construction in Linyi. Accordingly, the Group's business and prospects have historically been, and may continue to be, materially affected by the budget and spending of the Linyi Municipal Government on municipal development including green energy and transportation businesses. Any significant reduction in the Linyi's public budgets relating to municipal development business activities could materially and

adversely affect the Group's business. For example, the operating income of the Group's intercity passenger transportation service business heavily relies on the spending of Linyi Municipal Government, which consists of fuel allowance, renewable energy allowance, vehicle purchase allowance and other allowance associated with the transportation business granted by the government.

There are many factors affecting the amount, timing and priority of the Linyi Municipal Government's budget and spending on municipal development, such as national and regional policies affecting the development of certain industries and fiscal and monetary policies. Government budget and spending are also affected by government income and the general economic conditions in the PRC and Linyi. Any slowdown in the economic growth in the PRC and Linyi may adversely affect the financial condition and fiscal income of the Linyi, which may in turn cause the Linyi Municipal Government to reduce its spending and budget on municipal development, especially the transportation business. If the public spending and budget of the Linyi Municipal Government on municipal development decreases, especially the transportation business, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

Linyi SASAC and Linyi Municipal Government may exert significant influence on the Group, and could cause the Group to make decisions or modify the scope of its operations, or impose new obligations on the Group, which may not be in the Group's best interests or may not maximise the Group's profits.

The Company is beneficially owned and controlled by the Linyi Municipal Government with the Linyi SASAC as its controlling shareholder. As its controlling shareholder, Linyi SASAC participates in and closely monitors the Group's decision-making process for key projects, reviews the Group's development strategy and investment plans and appoints, and conducts annual appraisals on, the directors, supervisors and senior management of the Company. Because of the involvement of Linyi SASAC in the affairs of the Company as the its controlling shareholder, there can be no assurance that Linyi SASAC will not interfere with the business and operations of the Company, and any such interference may have a material adverse effect on the Group's business, financial position, results of operations, financial performance and prospects.

In addition, Linyi Municipal Government may also exert significant influence on the Group's major business decisions and strategies, including the scope of its operations, investment decisions and dividend policy. There is no assurance that Linyi SASAC and Linyi Municipal Government would always make decisions in the Group's best interests or with the aim of maximising the Group's profits. For example, Linyi SASAC may influence the Group's business and strategy in a manner beneficial to Linyi as a whole but not necessarily in the Group's best interests. Linyi Municipal Government could also change its policies, plans, preferences, views, expectations, projections, forecasts and opinions, as a result of changes in the PRC's economic, political and

social environment and its projections of population and employment growth. Any such change may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

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

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

As a result, the Group's operating income and results of operations may fluctuate significantly from period to period. The Group's operating income and results of operations for any period may not be directly comparable with other periods and therefore may not be a useful indicator of its performance in the future.

The Group faces risks associated with contracting with public bodies.

As a state-owned enterprise owned by Linyi SASAC mainly undertaking the municipal development of Linyi with a focus on transportation business, green energy and affordable housing construction, the Group collaborates with various governmental authorities and their controlled entities in Linyi. Although the Company believes that the Group currently maintains working relationships with those governmental authorities and entities relevant to its business, there is no assurance that these working relationships will sustain in the future. Local governments and their controlled entities may have economic or business interests or considerations that are inconsistent with the Group's, take actions contrary to the Group's requests, strategies or objectives, be unable or unwilling to fulfil their obligations, encounter financial difficulties, or have disputes with the Group as to contractual or other matters. Those governmental authorities and entities may not honour their contractual obligations in a timely manner, if at all, or may, without prior notice or consent from the Group, change existing policies and project plans in Linyi for a number of reasons, such as government budgeting and government policies.

In addition, the Group has historically and may contract with the local government in Linyi for certain land development, infrastructure construction and real estate development projects. Such projects are capital intensive and involve many risks arising from budget overruns. The local government's ability to meet its payment obligations for such projects largely depends on its fiscal revenue, policies and regulations promulgated by higher level governments or authorities as well as many other factors which are generally beyond the Group's control.

Failure by the local government to fulfil its obligations under these projects or any adverse change to the policies or business plans may require the Group to adjust its development plans which could adversely affect its operating results. There is no assurance that the Group will be able to successfully resolve any material disagreement with the local government or any of its controlled entities in a timely manner, or at all. Disputes with public bodies may last for considerably longer periods of time than those with private sector counterparties, and payments from public bodies with which the Group has such disputes may be delayed as a result. Any of these eventualities may materially and adversely affect the business relationships between the Group and the local governments and governmental entities, which may in turn materially and adversely affect the Group's business, financial condition, results of operations and prospects.

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 municipal construction, real estate development, transportation, green energy and affordable housing construction businesses are extensively regulated in the PRC. The operation of these business activities requires a number of approvals, licences and permits from different governmental authorities. It takes time to obtain all of these approvals and certificates. Governmental authorities in China have broad discretion in implementing and enforcing applicable laws and regulations and in granting approvals, licences, permits and certificates necessary for the Group to conduct its business. Failure to obtain the necessary approvals, licences or permits in a timely manner could result in delay or suspension of business operations, and a failure to obtain the necessary approvals, licences or permits may subject the relevant entities to regulatory or administrative penalties.

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

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

The Group may from time to time expand its businesses to new industries and markets in which it has limited operating experience. Such expansion may require the Group to devote substantial resources to become familiar with, and monitor changes in, different operating

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

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

The Group's business requires and will continue to require substantial capital expenditure. For the years ended 31 December 2018, 2019 and 2020, the Group made capital expenditures of RMB2,233.5 million, RMB2,174.7 million and RMB4,389.5 million, respectively. The Group has historically satisfied its capital requirements with cash flows generated from its operating activities, bank loans, bond issuances and other borrowings and equity contributions from its shareholder.

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, changes in general market conditions, the regulatory environment, governmental policies and the competition in certain sectors in which the Group operates. Any material adverse change in these factors may cause the Group to experience a capital shortfall. The Group has historically experienced negative net operating cash flows. For the years ended 31 December 2018 and 2019, the net cash flow used in operating activities amounted to RMB0.2 billion and RMB1.3 billion, respectively. The increase in cash flow used in operating activities was mainly due to the long duration and the large scale of the Group's infrastructure construction, shantytown redevelopment and commercial real estate projects and a mismatch between the development timetables which determine its expenditure and the payment timetables which determine its revenue from the relevant projects. There is no assurance that the Group's operations are or will be able to generate sufficient cash to satisfy its cash need at all times.

Insufficient cash flow generated from the Group's operating activities will increase the Group's reliance on external financing. As at 31 December 2020, the Group had total credit facilities of approximately RMB18.8 billion, of which approximately RMB11.9 billion had not been utilised. The Group's ability to access and raise sufficient capital through different sources depends upon a number of factors, such as the PRC's economic condition, relationships with key commercial banks, prevailing conditions in capital markets, regulatory requirements and the Group's financial condition. Some of these factors are beyond the Group's control and there is no assurance that the Group will be able to procure sufficient funds in a timely manner or to obtain

external financing on commercially acceptable terms, or at all. In these cases, the Group may not be able to fund the capital expenditure necessary to implement its business plans and strategies, which may in turn have a material and adverse impact on its business, financial condition, results of operations and prospects.

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 an amount of outstanding indebtedness. As at 31 December 2020, the Group's total indebtedness (comprising short-term loans, non-current liabilities maturing within one year, long-term loans, bonds payable and long-term payables (finance lease and trust loans)) was approximately RMB16.4 billion, representing 23.0 per cent. of the Group's total assets, of which approximately RMB1.3 billion would become due within 12 months.

Certain amount of indebtedness could impact 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 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.

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

The Group's borrowings may be secured. Third-party security rights may limit the Group's use of the underlying collateral assets and adversely affect its operational efficiency. As at 31 December 2020, the Group's restricted assets amounted to RMB4,319.9 million, representing 6.0

per cent. of its total assets. If the Company 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, prospects and financial condition.

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

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

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

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

The Group engages third-party contractors for its businesses, for example infrastructure construction and real estate development. The Group generally selects independent contractors through an open tender process. However, there is no assurance that the services rendered by any of these independent contractors or subcontractors will always be satisfactory or meet the Group's quality and safety standards. If the performance of any independent contractor is not satisfactory, the Group may need to replace such contractor or take other actions to remedy the situation, which could adversely affect the cost and construction progress of its projects. Further, the completion of its projects may be delayed, and the Group may incur additional costs in some cases due to a contractor's financial or other difficulties. In addition, the Group may be requested on short notice to undertake additional development projects such as infrastructure construction and real estate development, 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.

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

The cost of construction materials, such as steel, which constitutes a significant portion of the Group's payments to its construction contractors, may fluctuate. Any increase in the cost of construction materials may result in additional costs to the Group and may lead to future increases in construction contract costs. Construction material costs have fluctuated in recent years. Any increase in the cost of any significant construction materials will adversely impact the Group's overall construction costs, which may pose an adverse effect on the profitability of the Group.

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

There are a number of construction, financing, operating and other risks associated with the infrastructure construction and real estate development projects of the Group. Projects that the Group undertakes typically require substantial capital expenditures, especially under the private funding method for infrastructure construction project during the construction or development phase and can take a substantial period of time to complete. The time taken and the costs involved in completing these projects can be adversely affected by many factors, including shortages of materials, equipment and labour costs, adverse weather conditions, natural disasters, terrorism, labour disputes, disputes with sub-contractors, accidents, changes in governmental priorities and other unforeseen circumstances, many of which are out of the Group's control. Any of these could

give rise to delays in the completion of the Group's projects and may result in liabilities, reduced efficiency and lower financial returns, which may in turn materially and adversely affect the Group's business, financial condition and results of operations.

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

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

As at 31 December 2018, 2019 and 2020, the Group's inventories amounted to RMB18.6 billion, RMB27.8 billion and RMB27.3 billion, respectively, representing 36.9 per cent., 46.5 per cent. and 38.0 per cent. of the Group's total assets, respectively. The Group's inventories mainly comprise development cost, raw materials and merchandise inventory. Such development costs booked as inventories on the Group's consolidated balance sheet are illiquid assets and may not be sold for cash in an efficient manner. This may limit the Group's ability to respond to changing economic, financial and investment conditions. There is no assurance that it will be able to sell any of these construction projects to other third parties for a price or on the terms satisfactory to the Group.

The Group had made provision for inventory price changes in the past in accordance with its accounting policies. Any failure to effectively manage the Group's inventory level will have a material impact on the Group's cash flow and adversely affect its ability to carry on ordinary business activities and to serve its outstanding indebtedness, such as the Bonds, which in turn could materially and adversely affect the Group's business, financial condition, results of operations or prospects.

The Group's ability to raise fares to cover the Group's operating costs under its transportation business could be limited.

The prices for the bus tickets are determined by the Linyi Municipal Government. The Group adopted a flat rate system with the current bus ticket of RMB2.0 per person per ride which reflects the characteristics of public utilities. Even the operating costs increased recently primary due to increases in fuel prices and labour costs, the ticket price has not been adjusted by the Linyi Municipal Government accordingly. Despite the heavy passenger flow on the Group's bus system every day, revenue from ticket sales is historically unable to recover the operating costs due to the low ticket price. However, based on the increased costs of the Group for its transportation business, the Linyi Municipal Government would provide the financial subsidies to the Group to support its operations. There also can be no assurance that the Group will be entitled to such

subsidies in future. The Group's limited ability to raise fares and a reduction or discontinuance of such subsidies may materially and adversely affect the Group's financial condition and results of operations.

A decline in passenger volume may adversely affect the operating income of the Group's transportation business.

The inner-city and intercity bus transportation services are dependent on, among other things, the number of passengers, competition from alternative transportations, natural disasters and the continued fitness of the bus transits for bearing passenger volumes. Passenger volume is, directly and indirectly, affected by a number of factors, including the availability, quality, proximity and ticket rate differentials of alternative means of transportation.

The stability in transport capacity of roads and tunnels has been impacting the overall bus transit transportation industry. Widening and expansion works of nearby expressways and local roads, as well as openings of new roads, will also hinder traffic growth of metros and railways. To the extent that capacity shortages may reduce the volume of passengers, the Group's business, results of operations and financial condition may be materially and/or adversely affected.

Alternative modes of transportation may also affect the Group's inner-city and intercity bus transit operations. There is no assurance that new competing transportations will not be operational to divert traffic and other existing competing modes of transportation will not significantly improve their services and consequently will not materially adversely affect the revenue, results of operations and financial condition of the infrastructure construction and operation business of the Group.

Competition in Linyi from other forms of public and private transportation may adversely affect the Group.

As the sole intercity public transportation operator in Linyi, the Group competes with other forms of public and private transportation available in the city, principally rail, taxis and private vehicles. The speed, reliability and comfort offered by intercity public transportation system in Linyi may be eroded by:

- the general improvement in rail services;
- the expanding rail network; and
- the increased ownership and usage of private vehicles.

Private vehicles and other forms of public transportation may cover more routes throughout regions near Linyi and its vicinities and provide commuters with alternative access or more comfortable and convenient transportation services. There is no assurance that the Group will be

able to compete with existing and new forms of transportation in respect of each of these factors, or at all. As a result, the Group expects increased competition from such public and private transportation providers, which may adversely affect the Group.

The Group engages in public interest projects which may have a material and adverse effect on the Group's financial condition and results of operations.

As a state-owned enterprise, the Group engages and participates in projects which are motivated by public interests and social welfare development, such as participating in the management of Linyi Shubuling Airport, operation of public transportation service. Such operation and management may not be commercially viable and the Group may not be able to recover its investment or achieve financial returns in a commercially desirable timeframe, or at all. The Group has received financial allocation or capital injections, cash or other assets, and may receive other financial support (other than credit support) from government for such government-sponsored projects. However, such financial support may not always be available due to the government's liquidity, budgeting priority and other considerations. In addition, such financial support may not be sufficient to cover the Group's investment. Furthermore, the Group has limited resources, and engagement in such projects may reduce its ability to participate in other profit generating projects. There can be no assurance that the Group's business, financial condition and results of operations will not be adversely affected as a result.

The Group's green energy business is affected by risks arising from the PRC government's price control regime for heating sales.

The heating service under the Group's green energy business is sourced from the power plants the Group operates in Linyi through steam and hot water boilers utilising fuels including natural gas and coal. The government approved price for heat energy supplies from coal-fired power generation units is typically lower than the price for supplies from gas-fired power generation units. The price for coal, which is mainly used in the Group's self-operated boilers is determined by the relevant PRC government authority based on a number of factors, including wellhead price, cost of transportation, general market conditions and applicable VAT and taxes. In addition, the retail tariff of the Group's heating service to end customers is also decided by the relevant pricing authority in Linyi. As a result, the Group has limited control over the pricing of its heat sales prices, which are strictly controlled by the PRC government and adjusted from time to time, which will in turn affect the results of operation of the Group's green energy business.

The Group's green energy business is subject to fluctuating fuel costs.

Most of the Group's power plant is fuelled by coal for its green energy business. Therefore, the results of operations of the Group's green energy business is directly affected by the cost of coal.

The Group sources the majority of its coal for its green energy business through contracts with third-party suppliers which offer, among other things, allocated railway transportation capacity. Coal prices negotiated between the Group or its procurement agents and its coal suppliers are subject to other factors, including, in particular, price volatility, fluctuations in supply, market conditions, applicable VAT and cost of transportation. Although the Group has maintained stable relationships with its major coal suppliers, there is no assurance, however, that there will not be any interruption or disruption in, or change in terms of, the Group's coal supplies, or that there will be sufficient coal in the open market or sufficient transportation capacity available to ensure that the Group receives sufficient coal supplies required for the operations of its power plant on a timely basis or at all. Such factors, which may include events which are beyond the Group's control, may materially and adversely affect the normal operations of the Group's green energy business and its business, financial condition and results of operations. In addition, the Group sources its coal mainly from a relatively concentrated group of suppliers, whose negative performance may significantly disrupt the operations of the Group's green energy business.

Moreover, due to fluctuations in the coal supply in the PRC, the Group has not always been able to purchase all of the Group's required coal supplies from its regular suppliers that produce coal of acceptable and known quality. There can be no assurance that the Group will not experience difficulties ensuring a consistent quality of coal, which may negatively affect the stability and performance of its green energy business. In addition, coal transportation may experience delays or breakdowns due to natural disasters, accidents, unforeseen engineering, environmental or geological problems. Any interruption to the Group's supply of qualified coal can materially and adversely affect the Group's green energy business, financial condition and results of operations.

Sales and operating results of the Group's green energy business are subject to seasonal fluctuations.

The Group's heating service under its green energy business has experienced, and expects to continue to experience, seasonal fluctuations in its operating income, cash flow and results of operations, primarily due to seasonal changes in temperature. Demand for heating and hot water by users in Linyi is subject to seasonal peaks and lows. Heating service demand peaks when the temperature in Linyi reaches lows from November to April in the following year. Demand decreases relatively when the weather turns warmer from May to October.

However, expenses of the Group's green energy business do not necessarily correspond to changes in the demand of heating and revenue. For instance, the Group incurs maintenance expenses, labour costs and other overhead expenses in relation to its green energy business throughout the year. The Group expects fluctuations in operating income, cash flow and results of operations of its green energy business to continue, which may materially and adversely affect this segment's cash flows and financial performance. In addition, due to the seasonality of the green energy business, revenue and costs of sales attributable to this segment during the first and fourth

quarters of a year may account for a larger percentage of the Group's annual total operating income and costs of sale, and therefore the interim financial performance may not be indicative of the segment's or the Group's financial performance for the year.

The Group's power plants supply electricity and heating service business mostly in Linyi.

As at 31 December 2020, the Group operated a power plant in Linyi and a majority of the revenue from its green energy business, namely heating service and electricity service, was derived from sales in Linyi. As such, the operations of the Group's green energy business are subject to risks specific to the Linyi region, including, but not limited to, decreases in transmission capacity, changes to on-grid tariffs for electricity or sales prices for heat energy, climate change and change in overall governmental policies. The occurrence of any of these events could materially and adversely affect the Group's green energy service business.

The Group's operations in green energy business are subject to hazards customary to the power generation industry and the Group may not have adequate insurance to cover all of these hazards.

Operating the power plant involves many potential risks, including breakdowns, equipment failures, and substandard performance of equipment, improper installation or operation of equipment, natural disasters, environmental or industrial accidents, fuel supply disruptions, labour disturbances, disputes with contractors and other business interruptions. There is no assurance that such deaths or injuries resulting from the operation of electricity and heating may not occur. Any occurrence of the operational or transmission problems may materially and adversely affect the Group's green energy business or results of operations.

The Group maintains insurance typical in the PRC power generation industry and in amounts that it believes to be adequate. However, there can be no assurance that the insurance maintained by the Group will provide adequate coverage in certain circumstances. The occurrence of any such incident for which the Group is uninsured or inadequately insured may materially and adversely affect its business, financial condition and results of operations.

The Group's revenue in electricity service under its green energy business is primarily derived from power sales and may be adversely affected by reductions in tariffs, or by reductions in net generation volume.

Electricity power sales accounts for a part of the Group's operating income. The sale of power is primarily governed by two factors: on-grid tariffs and the Group's power plant. The Group's operating income in its electricity service primarily depend upon each of its power plants' net generation volume sold to the grid companies, which in turn is subject to the local demand for power and the amount of generation capacity available in the grids. The dispatch centre under the jurisdiction of each applicable power grid company oversees such dispatch of power. The dispatch of power is typically governed by a dispatch agreement and an electricity sale and purchase

agreement between the power plant and the applicable power grid company made in accordance with governmental dispatch regulations and other relevant regulations relating to grid management and administration. As the Group competes with other power plants in the areas in which it operates, there is no assurance that the dispatch centres will not give dispatch priority to other power plants under the jurisdictions of the relevant power grid companies. Reductions in the Group's net electricity power generation volume may materially and adversely affect its operating income and profit.

Power producers in the PRC are required to sell their electricity directly to the relevant grid companies at the on-grid tariffs, which are determined by the NDRC. There is no assurance that NDRC will not promulgate further on-grid tariff decreases in the future, which may negatively affect the Group's power plant business. As a result, the Group's operating income in electricity service is heavily influenced by the PRC government, the demand and supply of power in each province in which it operates and any reductions in either the on-grid tariffs or the Group's net electricity power generation may reduce its revenue and have a material and adverse effect on its business, financial condition and results of operations.

Regulatory changes and the uncertainties associated with the reform of the PRC power industry may adversely affect the Group's green energy business and results of operations.

The Group's power plant is subject to extensive regulations by the PRC government, and provincial and local authorities and agencies, which regulate many aspects of the power operations, including the connection and dispatch of electricity generation, the setting of on-grid and retail tariffs, compliance with power grid control and dispatch directives, and environmental, safety and health standards and emissions controls. The PRC power generation industry has undergone and will continue to undergo regulatory reform. For instance, in July 2003, the State Council issued the Electricity Tariff Reform Scheme (《電價改革方案》) which sets forth the target, principle and main reform measures for the electricity tariff. New Regulations subsequently promulgated include but not limited to: Measures for the Supervision and Administration of Electric Power Safety Production (電力安全生產監督管理辦法) issued by the NDRC in February 2015, Several Opinions of the CPC Central Committee and the State Council on Further Deepening the Reform of the Power System (中共中央、國務院關於進一步深化電力體制改革的若干意見) issued in March 2015, Measures for Construction Safety Supervision and Management of Electric Power Construction Projects (電力建設工程施工安全監督管理辦法) issued by the NDRC in August 2015, the Electric Power Law of the PRC (中華人民共和國電力法) issued by the Standing Committee of National People's Congress in December 2018, and the Regulations of Electric Power Supply and Use (電力供應與使用條例) issued by the State Council in February 2016 and further amended in March 2019. As the on-grid tariff is still heavily regulated in the PRC, the Group's green energy business has been and will continue to be subject to the regulations, in particular those related to the on-grid tariff, that may be promulgated by the PRC government from time to time. The compliance costs, liabilities and requirements associated with the abovementioned regulations can have a significant impact on the Group's green energy business and accordingly the Group's overall operating results.

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

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

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 municipal construction, real estate development, transportation, green energy, wood products manufacturing and affordable housing construction businesses. The effectiveness of the Group's quality control system depends significantly on a number of factors, including a timely update of the quality control system to suit the ever-changing business needs, the related training programmes as well as its ability to ensure that the Group's and the contractors' employees adhere to its quality control policies and guidelines. There 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 have any merit, could cause the Group to incur significant costs, harm its business reputation and result in significant disruption to its operations. Furthermore, if any of such claims are ultimately successful, the Group could be required to pay substantial monetary damages or penalties. There can be no assurance that failures in the Group's 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 PRC government may adopt measures aimed at slowing down growth in the real estate sector, which in turn may affect the land development industry.

Since 2005, the PRC government has from time to time introduced various measures to curtail property speculation in response to concerns over, among other things, the increases in property investments and property price and the overheating of the property market. For example, according to the Notice of the General Office of the State Council on Issues Relating to Further Improving the Control of the Real Estate Market (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知) dated 26 January 2011 and the Notice of the General Office of the State Council on Further Improving the Regulation and Control of the Real Estate Market (國務院辦公廳關於繼續做好房地產市場調控工作的通知) dated 26 February 2013, the PRC government firmly

restrained speculative demands and strengthened market supervision to better control the overheating service of the PRC real estate market. Such measures may limit property developers' access to capital resources, reduce market demand for their properties and increase their operating costs in complying with these measures, which in turn could have an adverse effect on the demand for land developed by the Group. There is no assurance that the PRC government will not adopt additional and more stringent measures to further dampen the growth of the property sector, which could slow down property development in China. This may have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's real estate development activity is exposed to certain risks associated with resettlement of indigenous residents.

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

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

Under applicable PRC laws and regulations, unless otherwise provided, if the Group does not commence land development for more than one year after the date specified in the relevant land use rights grant contract or allocation decision, or the Group commences development on an area which is less than one-third of the area granted, or the capital invested in the development is less than one-fourth of the total investment approved for the development, and the development is suspended for more than one year without governmental approval, the PRC government may impose an idle land fee equal to 20 per cent. of the land premium or allocation fees. The PRC government may revoke the land use rights certificate without compensation if the Group does not commence development for more than two years after the date specified in the relevant land use rights grant contract or allocation decision without compelling causes. The State Council issued the Notice on Promoting the Saving and Intensification of Use of Land (國務院關於促進節約集約用地的通知) which states, among other things, that the Ministry of Land and Resources of the PRC ("**MLR**") and other authorities are required to research and commence the drafting of implementation rules concerning the levy of land appreciation fees on idle land. Furthermore,

MLR issued the Notice on Restricting the Administration of Construction Land and Promoting the Utilisation of Approved Land (國土資源部關於嚴格建設用地管理促進批而未用土地利用的通知) in August 2009 which reiterates its policy on idle land. Any fines or penalties imposed, or any cancellation of land use rights with respect to idle land may materially and adversely affect the Group's business, financial condition and results of operations.

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 (城市房地產開發經營管理條例) promulgated by the State Council on 20 July 1998 and further amended on 19 March 2018, and Regulations for the Administration of Sale of Commodity Building (商品房銷售管理辦法) promulgated on 4 April 2001 and became effective on 1 June 2001, all property developers in the PRC must provide certain quality warranties for the properties they sell. The Group is required to provide these warranties to the purchasers of the properties it develops and sells. Generally, the Group receives quality warranties from its third-party contractors with respect to its property projects. If a significant number of claims were brought against the Group under its warranties and if the Group is unable to obtain compensation for such claims from third-party contractors in a timely manner or at all, the Group could incur significant expenses to resolve such claims or face delays in remedying the related defects, which could in turn harm its reputation, and materially adversely affect its real estate development business and related financial condition and results of operations.

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

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

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

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

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

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

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

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

- operating limitations imposed by environmental or other regulatory requirements;
- defective quality of the real estate properties it develops;
- work-related personal injuries;
- on-site production accidents;

- construction interruptions caused by operational errors, electricity outages, raw material shortages, equipment failure and other production risks;
- credit risks relating to the performance of customers or other contractual third parties;
- disruption in the global capital markets and the economy in general;
- loss on investments;
- environmental or industrial accidents; and
- catastrophic events such as fires, earthquakes, explosions, floods or other natural disasters.

The Group maintains limited insurance policies, but in the construction projects, the Group usually requires the contractors to maintain insurance coverage for the projects, which the Group believes to be consistent with the relevant law and industry and business practice in the PRC. However, some of the above-mentioned operational risks may not be covered and even if covered by the insurance policies maintained by the contractors of the Group, claims under these insurance policies may not be honoured fully or on time, or the insurance coverage may not be sufficient to cover the costs incurred in the Group's operations related to the above-mentioned operational risks. There are also certain types of losses (such as from wars, acts of terrorism or acts of God, business interruption, property risks and third party (public) liability) that generally are not insured because they are either uninsurable or not economically insurable. To the extent that the Company or any of its subsidiaries suffers loss or damage that is not covered by insurance or that exceeds the limit of the insurance coverage, the Group's results of operations and cash flow may be materially and adversely affected.

The Group is subject to extensive governmental approvals and compliance requirements for its construction and development projects. For certain facilities owned by the Group, as well as certain municipal facilities being developed by the Group for the government, the Group has not fully obtained all requisite permits, certificates and approvals from the relevant authorities.

For constructing and developing facilities in the PRC, the Group is required to obtain various permits, certificates and other approvals from the relevant authorities, including, but not limited to land use right certificates, planning permits, construction permits, approvals for passing environmental impact assessments, environmental protection acceptance check, approvals for passing fire control design assessments, approvals for passing fire control acceptance check, registration for passing acceptance inspections upon construction completion, as well as building ownership certificates. As of the date of this Offering Circular, the Company and Linyi Train Station Construction and Development Co., Ltd. (臨沂火車站建設開發有限公司) have not fully obtained all requisite permits, certificates and approvals for the construction and development of certain facilities, including facilities for owned by the Group as well as municipal facilities being

developed by the Group for the government. If the Group loses the right to any of its lands or buildings due to such non-compliance, its uses of such lands or buildings may be limited, or the Group may be subject to administrative penalty, which may adversely affect our business operation and financial condition.

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

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

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

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

In addition, the Group's success depends on its ability to attract and retain key personnel who possess in-depth knowledge and understanding of the industries in which the Group invests or operates. These key personnel include members of the Group's senior management, experienced finance professionals, project development and management personnel, and other operation personnel. Competition for attracting and retaining these individuals is intensive. Such competition may require the Group to offer higher compensation and other benefits in order to attract and retain qualified professionals, which could materially and adversely affect the Group's financial condition and results of operations. As a result, the Group may be unable to attract or retain these personnel to achieve its business objectives and the failure to do so could severely disrupt its business and prospects. For example, the Group may not be able to hire enough qualified personnel to support its new investment projects or business expansion. As the Group expands its

business or hires new employees, such new employees may take time to get accustomed to any new standard procedures and consequently may not comply with the standard procedures of such new business in an accurate and timely manner. The occurrence of any of the events discussed above could lead to unexpected loss to the Group and adversely affect its revenue and financial condition.

The Group may not 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, subcontractors or other third parties that could subject it to financial losses and sanctions imposed by governmental authorities, which in turn could affect its reputation. Such misconduct could include:

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

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

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

Financial risks are inherent in the Group's businesses. Although systems and procedures are in place to identify and report on a timely basis the liquidity, foreign exchange, interest rate and credit risks arising from the activities of its businesses, there is no assurance that these systems and procedures will prevent any loss that affects the Group's financial conditions. In addition, many of the current systems have a significant manual component. There are additional risks inherent in any manual risk management system, including human error. The reliability of the systems and the information generated from them depends on, inter alia, the configuration and design of the systems, the built-in system control features and the internal control measures surrounding them. Any failure of internal controls could have a material adverse effect on the Group's businesses, results of operations and financial conditions.

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

The Group has substantial indebtedness outstanding. Some of the Group's indebtedness bears interest that accrues at interest rates linked to benchmark lending rates published by PBOC. Any material fluctuation in the benchmark lending rate may have a material impact on the Group's interest expenses and payables under its bank loans and in turn affect its results of operations. The PRC government from time to time adjusted interest rates as implementation of the PRC government's economic and monetary policies. Since the outbreak of the global financial crisis in 2008, the PRC government has repeatedly lowered benchmark lending rates to encourage borrowing and stimulate the recovery of the country's economy. Beginning in 2008, PBOC decreased the benchmark one-year lending rate five times, from 7.47 per cent. to 5.31 per cent. in December 2008, which remained unchanged until September 2010. Since then, the one-year lending rate was gradually increased to 6.56 per cent. on 7 July 2011 and onwards. In recent years, a perceivable slowdown in the growth of China's economy again caused the PRC government to adopt more liberal monetary policies with an aim to stimulate its economic development. Since 2012, PBOC reduced the benchmark one-year lending rate a number of times to 4.35 per cent. as at 24 October 2015 and onwards. In August 2019, the PBOC adopted measures to increase the influence of the loan prime rate (the "**LPR**") as part of its broader market-based reforms of the PRC's interest rate market. The LPR serves as the benchmark for market interest rates in the PRC. As at the date of this Offering Circular, the one-year LPR is at 3.85 per cent. Although the Group's business and financial condition may benefit from the low prevailing interest rates in the market,

there is no assurance that this low-interest environment will continue. Any increase in benchmark lending rates by PBOC in the future will increase the Group's financing costs and adversely affect the Group's profitability, financial condition and results of operations.

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

The Group may from time to time be involved in disputes with various parties involved in its business, including contractors, tenants, suppliers and purchasers. Such disputes may lead to legal or other proceedings and they may damage the Group's reputation, increase the Group's costs of operations and divert the Group's management's attention from daily business operations. In addition, where regulatory bodies or governmental authorities disagree with the Group's conduct in respect of its operations, the Group may be subject to administrative proceedings and unfavourable decrees that could result in liabilities and delays to its projects. There can be no assurance that the Group will not be so involved in any major legal or other proceedings in the future which may subject the Group to significant liabilities and may materially and adversely affect the Group's business, financial condition, results of operations and prospects.

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

The Group's business may be affected by natural disasters, epidemics and other acts of God which are beyond the Group's control. Occurrence of earthquake, sandstorm, snowstorm, fire, drought, or outbreak of epidemics such as Middle East Respiratory Syndrome (MERS), Severe Acute Respiratory Syndrome (SARS), H5N1 avian flu, human swine flu (also known as Influenza A (H1N1)), H7N9, Zika Virus Disease or COVID-19 may have a material adverse impact on the economic and social condition in the affected regions.

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

Moreover, the PRC has experienced natural disasters like earthquakes, floods and droughts in the past few years. For example, in May 2008 and April 2010, the PRC experienced earthquakes in Sichuan Province and Qinghai Province, respectively, resulting in the death of tens of thousands of people. Since the beginning of 2010, there have occurred severe droughts in southwestern China, resulting in significant economic losses in these areas. Any future occurrence of severe natural disasters in the PRC may adversely affect its economy and in turn the Group's business.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

China has experienced a slowdown in its economic development and the future performance of China's economy is uncertain.

The economy of the PRC experienced rapid growth in the past 30 years. There has been a slowdown in the growth of the PRC's GDP since the second half of 2013 and this has raised market concerns that the historic rapid growth of the economy of the PRC may not be sustainable. According to the National Statistics Bureau of the PRC, the annual growth rate of China's GDP in 2015 slowed down to 6.9 per cent. on a year-on-year basis compared to 7.3 per cent. in 2014, and it further decreased to 6.7 per cent. in 2016 on a year-on-year basis. In 2017, the annual growth rate of China's GDP slightly raised to 6.9 per cent. but it slowed down to 6.6 per cent. in 2018 and further decreased to 6.1 per cent. in 2019. China's economy has experienced a significant slowdown since the outbreak of COVID-19 in 2020 and China recorded a GDP of 2.3 per cent for the year. In May 2017, Moody's changed China's long-term sovereign credit rating and foreign currency issuer ratings to A1 from Aa3. In September 2017, S&P Global Ratings also downgraded China's long-term sovereign credit rating to A+ from AA-, citing increasing economic and financial risks from a prolonged period of strong credit growth. Further indication of the slowdown in the growth of China's economy is evidenced by press reports of a recent increase in bond defaults by PRC corporate issuers.

The future performance of China's economy is not only affected by the economic and monetary policies of the PRC government, but it is also exposed to material changes in global economic and political environments as well as the performance of certain major developed economies in the world, such as the United States and the European Union. The PRC's economic growth may also slow down due to weakened exports as well as recent developments surrounding the trade war with the United States. Starting in April 2018, the United States imposed tariffs on various categories of imports from China, and China responded with similarly sized tariffs on United States' products. While China and the United States reached a phase one trade deal in January 2020, the amicable resolution of such a trade war remains elusive, and the lasting impacts any trade war may have on the PRC economy and the industries the Group operates in remain uncertain. On 31 January 2020, the United Kingdom officially exited the European Union (the "**Brexit**") following a United Kingdom-European Union Withdrawal Agreement signed in October 2019. With the transition period ended on 31 December 2020 and Brexit taking full effect, there remains uncertainty about the future relationship between the United Kingdom and the European Union. It is unclear how Brexit would ultimately affect the fiscal, monetary and regulatory

landscape within the United Kingdom, the European Union and the rest of the world, and Brexit has and may continue to create negative economic impact and increase volatility in the global market. These could include further falls in stock exchange indices, a fall in the values of currencies, an increase in exchange rates and/or greater volatility of markets in general due to the increased uncertainty. On 11 March 2020, the World Health Organisation declared the COVID-19 as a global pandemic. The COVID-19 pandemic has resulted in a number of countries declaring a state of emergency and a number of countries, including China, Japan, the United States, members of the European Union and the United Kingdom, 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. The pace of any economic recovery will depend on future developments, which are highly uncertain and cannot be predicted, particularly in light of the recent resurgence of reported infections, including in India and the United States, as well as the emergence and rapid spread of new variants of the COVID-19 virus in India, and new information which may emerge. 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. If economic conditions in the key markets of the Group remain uncertain and deteriorate further, the Group may experience a material impact on its business, operating results and financial condition.

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

Changes in the economic, political and social conditions in the PRC and government policies adopted by the PRC government could affect the Group's business and prospects.

The economy of the PRC differs from the economies of most developed countries in many respects, including with respect to government involvement, level of development, economic growth rate, control of foreign exchange and allocation of resources. The economy of the PRC has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC government has implemented a series of measures emphasising market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises.

However, a large portion of productive assets in the PRC remain owned by the PRC government. The PRC government continues to play a significant role in regulating industrial development, the allocation of resources, production, pricing and management, and there can be no assurance that the PRC government will continue to pursue the economic reforms or that any such reforms will not have an adverse effect on the Group's business.

The Group's operations and financial results could also be affected by changes in political, economic and social conditions or the relevant policies of the PRC government, such as changes in laws and regulations (or the interpretation thereof). In addition, the growth of development in the economic and technology development zones and infrastructure construction demand in the PRC depends heavily on economic growth. If the PRC's economic growth slows down or if the economy of the PRC experiences a recession, the growth of development in PRC economic and technology development zones and infrastructure construction demand may also slow down, and the Group's business prospects may be materially and adversely affected. The Group's operations and financial results, as well as its ability to satisfy its obligations under the Bonds, could also be materially and adversely affected by changes to or introduction of measures to control changes in the rate or method of taxation and the imposition of additional restrictions on currency conversion.

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

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

Investors may experience difficulties in effecting service of legal process and enforcing judgments against the Group and the Group's management.

The Group and a number of the Group's subsidiaries are incorporated in the PRC. A substantial portion of the Group's assets are located in the PRC. In addition, most of the Issuer's directors, supervisors and executive officers reside within the PRC and the assets of the Group's directors and officers may be located within the PRC. As a result, it may not be possible to effect service of process outside the PRC upon most of the Group's directors, supervisors and senior

management, including for matters arising under applicable securities law. A judgement of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with China or if judgments of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requirements. However, China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with many countries, including Japan, the United States and the United Kingdom. Therefore, it may be difficult for Investors to enforce any judgments obtained from foreign courts against the Group, the Issuer, any of their respective directors, supervisors or senior management in the PRC.

Government control of currency conversion may adversely affect the value of investors' investments.

Most of the Group's revenue is denominated in Renminbi, which is also the reporting currency. Renminbi is not a freely convertible 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 cash payments on declared dividends, if any, on the Bonds. However, the PRC government may restrict future access to foreign currencies for current account transactions at its discretion. If this were to occur, the Group might not be able to pay dividends to the holders of the Bonds in foreign currencies. On the other hand, foreign exchange transactions under capital account in the PRC continue to be not freely convertible and require the approval of the SAFE. These limitations could affect the Group's ability to obtain foreign currencies through equity financing, or to obtain foreign currencies for capital expenditures.

Fluctuations in the value of Renminbi may adversely affect the businesses of the Group and the value of distributions by its PRC subsidiaries.

The value of the Renminbi against the U.S. dollar, Euro and other currencies is affected by, among other things, changes in the PRC's political and economic conditions and the PRC's foreign exchange policies. The PRC government allows the Renminbi to fluctuate within a narrow and managed band against a basket of certain foreign currencies. In recent years, the exchange rate between the Renminbi and U.S. dollar has been relatively stable and consequently the Renminbi has sometimes fluctuated sharply against other freely traded currencies, in tandem with the U.S. dollar. Since June 2010, the Renminbi has started to slowly appreciate against the U.S. dollar, though there have been periods when the U.S. dollar has appreciated against the Renminbi. On 11 August 2015, the People's Bank of China allowed the Renminbi to depreciate by approximately 2.0 per cent. against the U.S. dollar. Over the following two days, Chinese currency fell 3.5 per cent. against the dollar. It is difficult to predict how long such depreciation of the Renminbi against the U.S. dollar may last and when and how the relationship between the Renminbi and the U.S. dollar may change again. The PRC government indicated that it will make the foreign exchange rate of the Renminbi more flexible and widen the trading band of Renminbi, which increases the possibility of sharp fluctuations in Renminbi's value in the future as well as the unpredictability associated with Renminbi's exchange rate. There remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could

result in further and more significant fluctuations of the Renminbi against foreign currencies. As the majority of the Group's costs and expenses are denominated in Renminbi, a resumption of the appreciation of the Renminbi against the U.S. dollar would further increase the Group's costs in U.S. dollar terms. In addition, as the Group's operating subsidiaries in the PRC receive revenues in Renminbi, any significant depreciation of the Renminbi against the U.S. dollar may have a material adverse effect on the Group's revenues in U.S. dollar terms and financial condition. For example, the Group would need to convert proceeds of this offering dominated in U.S. dollars into Renminbi for its operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount it receives from the conversion. Conversely, depreciation of the Renminbi against the U.S. dollar could adversely affect the value, translated or converted into U.S. dollars or otherwise, of the Group's earnings and its ability to satisfy its obligations under the Bonds.

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

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 implementation of PRC employment regulations may increase labour costs in the PRC generally.

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

In addition, under the Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例), which became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to paid annual leave ranging from 5 to 15 days, depending on the length of the employees' work time. Employees who consent to waive such vacation at the request of employers shall be compensated an amount equal to three times their normal daily salaries for each vacation day being waived. Under the National Leisure and Tourism Outline 2013-2020 (國民旅遊休閒綱要2013-2020) which became effective on 2 February 2013, all workers must receive paid annual leave by 2020. As a result of the PRC Labour Contract Law, the Regulations on Paid Annual Leave for Employees and the National Leisure and Tourism Outline 2013-2020, the Group's labour costs (inclusive of those incurred by contractors) may increase. Further, under the PRC Labour Contract Law, when an employer terminates its PRC employees' employment, the employer may be required to compensate them for such amount which is determined based on their length of service with the employer, and the employer may not be able to efficiently terminate non-fixed-term employment contracts under the PRC Labour Contract Law without cause. In the event the Group decides to significantly change or decrease its workforce, the PRC Labour Contract Law could adversely affect its ability to effect these changes in a cost-effective manner or in the manner that the Group desires, which could result in an adverse impact on the Group's business, financial condition 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. Inflation in the PRC increases the costs of raw materials required by the Group for conducting its business and the costs of labour as well. 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.

There can be no assurance of the accuracy or comparability of facts and statistics contained in this Offering Circular with respect to the PRC, its economy or the relevant industry.

Facts and other statistics in this Offering Circular relating to the PRC, its economy or the relevant industry in which the Group operates have been directly or indirectly derived from official government publications and certain other public industry sources and although the Group believes such facts and statistics are accurate and reliable, it cannot guarantee the quality or the reliability of such source materials. They have not been prepared or independently verified by the Issuer, the Trustee, the Agents or any of its or their respective affiliates, employees, directors, agents, advisors or representatives, and, therefore, the Issuer, the Trustee, the Agents or any of its or their respective affiliates, employees, directors, agents, advisors or representatives makes no representation as to the completeness, accuracy or fairness of such facts or other statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be incomplete, inaccurate or unfair or may not be comparable to statistics produced for other economies or the same or similar industries

in other countries and should not be unduly relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, Investors should give consideration as to how much weight or importance they should attach to or place on such facts or other statistics.

RISKS RELATING TO FINANCIAL AND OTHER INFORMATION

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

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

Historical consolidated financial information is not indicative of current or future results of operations.

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

Certain facts and statistics in this Offering Circular are derived from publications not independently verified by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents or their respective advisers.

This Offering Circular contains facts and statistics relating to the economy of the PRC and Linyi and the industries in which the Guarantor and the Group operate. While the Guarantor has taken reasonable care to select reputable and reliable information sources and ensure that the facts and statistics relating to the relevant economies and the industries in which the Guarantor and the Group operate presented are accurately extracted from such sources, such facts and statistics have not been independently verified by the Guarantor, the Joint Lead Managers, the Trustee, the Agents or their respective advisers and, therefore, none of them makes any representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled

within or outside the PRC. Due to ineffective calculation and collection methods and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies and should not be unduly relied upon.

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

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

RISKS RELATING TO THE BONDS AND THE GUARANTEE

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

According to Circular 706, assets of an issuer of medium- and long-term foreign debt should be of good quality with clear ownership rights. It further provides that any Public Interest Assets cannot be counted towards an issuer's assets for the purposes of issuing medium-and long-term foreign debt. The Group's Public Interest Assets include land use rights and administrative buildings, dams, exhibition centres, expressways and bridges. As at 31 December 2020, the value of the Group's Public Interest Assets amounted to approximately RMB11.6 billion, representing approximately 16.2 per cent. of the Group's total assets and 32.0 per cent. of the value of the Group's total net assets. Potential investors should note that such stated amount of the Group's Public Interest Assets has not been audited by any auditor and as such potential investors must exercise caution when using or placing any reliance on such amount.

The Group's Public Interest Assets have not been excluded from the Group's consolidated financial statements included in this Offering Circular, and potential investors must therefore exercise caution when using such consolidated financial statements to evaluate the Group's business, financial condition, results of operations and prospects. For the purposes of preparing the financial statements, the Group will continue to include all of its assets (including Public Interest Assets) in the financial statements in accordance with PRC GAAP. The Bondholders must exercise caution when evaluating the Group's business, financial condition, results of operations and prospects when reviewing the financial statements prepared by the Group.

Circular 706 further provides that (i) the punishment for enterprises involved in unlawful financing and guarantee shall be intensified; (ii) such enterprises shall be included in the blacklist of relevant fields and the national credit information sharing platform for publicity; (iii) trans-departmental joint punishment shall be implemented; (iv) notification shall be made in a timely manner; and (v) relevant liable parties shall be restricted from filing new applications for or participating in the recordation and registration of foreign debts. As the Circular 706 is relatively new and given the limited volume of published decisions relating to the Circular 706, the interpretation and implementation of the Circular 706 involves uncertainties. In addition, there can

be no assurance that the PRC government will not impose penalty on the Group according to the Circular 706 or impose additional or stricter laws and regulations relating to foreign debt financing, which may increase the Group's financing costs and in turn could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

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

The PRC government (including the Linyi Municipal Government) is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds, the Guarantee or the transaction documents relating to the Bonds and the Guarantee in lieu of the Issuer or the Guarantors. This position has been reinforced by Circular 23 and Circular 706.

The PRC government as the ultimate shareholder of the Issuer only has limited liability in the form of its equity contribution in the Issuer. As such, the PRC government does not have any payment or other obligations under the Bonds, the Guarantee or the transaction documents relating to the Bonds and the Guarantee. The Bonds are solely to be repaid by the Issuer (or the Guarantors if the Guarantee was called) as an obligor under the transaction documents relating to the Bonds and as an independent legal person. Therefore, investors should base their investment decision only on the financial condition of the Issuer, the Guarantors and the Group and base any perceived credit risk associated with an investment in the Bonds and the Guarantee only on the Group's own financial information reflected in its financial statements.

The Issuer is a special purpose vehicle with no business activities of its own and will be dependent on funds from the Guarantor to make payments under the Bonds.

The Issuer was established specifically for the purpose of raising funds through the issue of the Bonds. The Issuer does not and will not have any material assets but it will receive repayments from the Guarantor and/or its subsidiaries in respect of loans made by the Issuer to those companies, which will be the only material sources of funds available to meet the claims of holders of the Bonds. As a result, the Issuer is subject to all the risks to which the Guarantor is subject, to the extent that such risks could limit their ability to satisfy in full and on a timely basis their respective obligations to the Issuer under any such loans. There is no assurance that the Issuer will be able to receive sufficient funds from the Guarantor and/or its subsidiaries and other members of the Group to make payments under the Bonds.

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

As the Guarantor is incorporated under the laws of the PRC, any insolvency proceeding relating to the Guarantor would likely involve insolvency laws of the PRC, 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.

The rating assigned to the Bonds may be changed at any time and may adversely affect the market price of the Bonds.

The Bonds are expected to be assigned a rating of "BBB-" by Fitch. The ratings represent the opinions of the rating agencies and their assessment of the ability of the Issuer and the Guarantor to perform their respective obligations in respect of the Bonds and credit risks in determining the likelihood that payments will be made when due under the Bonds. A rating is not a recommendation to buy, sell or hold the Bonds and may be subject to suspension, reduction or withdrawal at any time. The Group cannot assure investors that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgement circumstances in the future so warrant. Neither the Issuer nor the Guarantor has any obligation to inform holders of the Bonds of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal of the rating of the Bonds may adversely affect the market price of the Bonds and the Issuer's and Guarantor's ability to access the debt capital markets.

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 will be made for the listing of the Bonds on the SEHK, such listing can give no assurance as to the liquidity of, or trading market for, the Bonds. None of the Joint Lead Managers are obligated to make a market in the Bonds, and if any Joint Lead Manager does so, it may discontinue such market-making activity at any time at its discretion. Further, the Bonds may be allocated to a limited number of investors, in which case liquidity may be limited. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, the holders of the Bonds will only be able to resell the Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act.

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

The Bonds are denominated and payable in U.S. dollars. An investor who measures investment returns by reference to a currency other than U.S. dollars would be subject to foreign exchange risks by virtue of an investment in the Bonds, due to, among other things, economic, political and other factors over which neither the Issuer nor the Guarantor has any control. Depreciation of the U.S. dollars against such currency could cause a decrease in the effective yield of the Bonds below their stated coupon rates and could result in a loss when the return on the Bonds is translated into such currency. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Bonds.

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

Development in other markets may adversely affect the market price of the Bonds.

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

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

On the Maturity Date (as defined in the Terms and Conditions), the Bonds will be redeemed at their principal amount, or following the occurrence of a Relevant Event (as defined in the Terms and Conditions of the Bonds), the Issuer may, at the option of any Bondholder, be required to redeem all, but not some only, of such Bondholder's Bonds at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a Non-Registration Event) of their principal amount, together in each case with accrued interest. 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 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.

Restrictive covenants contained in debt agreements of the Group may limit the Group's ability to incur additional indebtedness and restrict its future operations, and failure to comply with these restrictive covenants may result in defaults under the terms of these agreements, or the Bonds, and may also adversely affect the Group's liquidity, financial condition and results of operations.

Certain debt agreements entered into by members of the Group contain operational and financial restrictions that prohibit such member of the Group from incurring additional indebtedness, restrict such member of the Group from creating security or granting guarantees or prohibit such member of the Group from changing its business and corporate structure, or amending its articles of association, in each case without the lender's prior consent. If any member of the Group is unable to comply with its current or future obligations under the agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the lenders could terminate their commitments to lend, accelerate repayment of the debts, declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of the debt agreements entered into by members of the Group, including the Bonds, contain (or may in the future contain) cross-acceleration or cross-default provisions. The default by the relevant member of the Group under one debt agreement may cause the acceleration of repayment of debt or result in a default under its other debt agreements, including the Bonds. As a result, these restrictions in the debt agreements may potentially negatively affect the ability of the relevant member of the Group to respond to changes in market conditions, pursue the business opportunities the Group believes to be desirable, obtain future financing, fund capital expenditures, or withstand a continuing or future downturn in its business. There can also be no assurance that in the event of occurrence of any acceleration of repayment or default, the relevant member of the Group will have sufficient assets and cash flows to repay in full all of their indebtedness, or that such member would be able to find alternative financing. Even if alternative financing could be obtained, there can be no assurance that it would be on terms that are favourable or acceptable to the Group. Any of these factors could materially and adversely affect the Group's ability to satisfy its obligations under outstanding financial obligations, including the Bonds.

Modifications and waivers may be made in respect of the Conditions, the Deed of Guarantee and the Trust Deed 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 also provide that the Trustee may (but shall not be obliged to), without the consent of the holders of the Bonds, agree to any modification of the Conditions, the Deed of Guarantee, the Trust Deed and/or the Agency Agreement (other than in respect of a reserved matter) which in the opinion of the Trustee will not be materially prejudicial to the interests of the holders of the Bonds and to any modification of the Bonds, the Deed of Guarantee, the Trust Deed or the Agency Agreement which in the opinion of the Trustee is of a formal, minor or technical nature or is to correct a manifest error or to comply with any mandatory provision of applicable law.

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

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

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

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

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

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Bonds, the merits and risks of investing in the relevant Bonds and the information contained in this Offering Circular;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant 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 relevant Bonds;

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

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

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

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

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

The Conditions and the transaction documents are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken. Under the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排), judgments of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of Hong Kong courts. In addition, on 18 January 2019, the Supreme People's Court of China (the "**SPC**") and the Hong Kong Government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and 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 "**New Arrangement**"). The New Arrangement extends the scope of judicial assistance, and the effective date shall be announced by SPC and Hong Kong after SPC issued the judicial interpretation and Hong Kong completed relevant procedures.

However, recognition and enforcement of a Hong Kong court judgement could be refused if the PRC courts consider that the enforcement of such judgement is contrary to the social and public interest of the PRC or meets other circumstances specified by the Reciprocal Recognition Arrangement. While it is expected that the PRC courts will recognise and enforce a judgement given by Hong Kong courts governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area. Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the Bondholders will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the Bondholders' ability to initiate a claim outside of Hong Kong will be limited.

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

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

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

The Bonds will 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. Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive bonds. The relevant clearing system will maintain records of the beneficial interests in the Global Certificate. While the Bonds are evidenced by the Global Certificate, investors will be able to trade their beneficial interests only through the clearing systems.

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

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

The Bonds and the Guarantee are unsecured obligations.

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

- the Issuer or the Guarantor enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;

- there is a default in payment under the Issuer's or the Guarantor's future secured indebtedness or other unsecured indebtedness; or

- there is an acceleration of any of the Issuer's or the Guarantor's indebtedness.

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

The 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 100 per cent. of their principal amount, together with any 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 (or if the Guarantee were called, the Guarantor) 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 their 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 prior consultation with the Bondholders create and issue further bonds 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 deadlines of making and completing the NDRC Post-issue Filing and the SAFE Registration) (see "*Terms and Conditions of the Bonds — Further Issues*") or otherwise raise additional capital through such means and in such manner as the Group may consider necessary. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Bonds.

The Guarantee given by the Guarantor needs to be registered with SAFE before it can be considered enforceable under PRC law, and there may be logistical hurdles for cross-border payment under the Guarantee if such registration is not completed within the prescribed timeframe.

The Guarantor, as a PRC-incorporated company giving guarantee to its foreign incorporated subsidiary, is required to complete registration within the required period after the creation and issuance of the Bonds pursuant to the Provisions on the Foreign Exchange Administration of Cross-Border Guarantee (跨境擔保外匯管理規定) promulgated by the SAFE on 12 May 2014 (the "**Foreign Exchange Cross-Border Guarantee Rules**"), the Operational Guidelines on Foreign Exchange Administration of Cross-border Guarantee (跨境擔保外匯管理操作指引) promulgated by SAFE on 12 May 2014 (the "**SAFE Guidelines**"), and other relevant regulations.

There is no assurance that the Guarantor will be able to complete the registration of the Guarantee with SAFE within the prescribed timeframe or at all. Under the Conditions, Bondholders may require the Issuer to redeem their Bonds in the event that the Guarantee is not registered within a specified timeframe. Bondholders who do not exercise such redemption option should note that before requisite registrations of the Guarantee given by the Guarantor are

completed, it is uncertain whether the Guarantee given by the Guarantor can be enforced in practice. Although the failure to register does not render the Guarantee ineffective or invalid under PRC law, SAFE may impose penalties on the Guarantor if the Guarantor fails to complete the SAFE Registration. Further, there may be hurdles at the time of remittance of funds (if any cross-border payment is to be made by the Guarantor under the Guarantee) as domestic banks may require evidence of SAFE Registration in connection with the Guarantee in order to effect such remittance. Prior to the performance or discharge of its obligations under the Guarantee, the Guarantor is also required to complete a verification process with banks for each remittance under the Guarantee.

The interpretation of the Foreign Exchange Cross-Border Guarantee Rules and the SAFE Guidelines may involve significant uncertainty, and may adversely affect the practical enforceability of the Guarantee given by the Guarantor in the PRC. In addition, the administration of the Foreign Exchange Cross-Border Guarantee Rules and SAFE Guidelines may be subject to a certain degree of executive and policy discretion by the SAFE.

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

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

Any failure to complete the relevant filings under the NDRC Circular within the prescribed time frame following the completion of the issue of the Bonds may have adverse consequences for the Group 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 issued outside the PRC with a maturity not less than one year with the NDRC prior to the issue of the securities. Furthermore, relevant issuers are required to notify the NDRC the particulars of the relevant issues within 10 working days after the completion of the issue of the securities. The NDRC Circular is silent on the legal consequences of non-compliance with the post-issue notification requirement under the NDRC Circular. In the worst-case scenario, such non-compliance with the post-issue notification requirement under the NDRC Circular may result in it being unlawful for the Issuer and/or the Guarantor to perform or comply with any of their respective obligations under the Bonds and the Guarantee, and the Bonds might be subject to enforcement as provided in Condition 9 (Events of Default) of the Conditions. Potential investors of the Bonds are advised to exercise due caution when making their investment decisions. The Guarantor has undertaken to notify the NDRC of the particulars of the issue of the Bonds within 10 PRC Business Days after the Issue Date.

The obligations of the Guarantor under the Guarantee are structurally subordinated to the liabilities and obligations of its subsidiaries.

The Guarantor's ability to perform its obligations under the Guarantee is effectively dependent on the cash flow of its subsidiaries. Any claim by the Trustee against the Guarantor in relation to the Guarantee will be effectively subordinated to all existing and future obligations of the Guarantor's subsidiaries (which have not provided the Guarantee), and all claims by creditors of such subsidiaries will have priority to the assets of such entities over the claims of the Trustee under the Guarantee.

EXCHANGE RATES

PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. 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 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 Renminbi appreciated by 2 per cent. against 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, PBOC enlarged, effective on 21 May 2007, the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against U.S. dollar from 0.3 per cent. to 0.5 per cent. around the central parity rate. This allows Renminbi to fluctuate against U.S. dollar by up to 0.5 per cent. above or below the central parity rate published by PBOC. The floating band was further widened to 1.0 per cent. on 16 April 2012. These changes in currency policy resulted in Renminbi appreciating against U.S. dollar by approximately 26.9 per cent. from 21 July 2005 to 31 December 2013. On 14 March 2014, PBOC further widened the floating band against U.S. dollar to 2.0 per cent. On 11 August 2015, PBOC announced to improve the central parity quotations of Renminbi against 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 PBOC on 11 August 2015 and until the date of this Offering Circular, Renminbi has both depreciated and fluctuated significantly against U.S. dollar. The PRC government may adopt further reforms of its exchange rate system, including making Renminbi freely convertible in the future.

The following table sets forth information concerning exchange rates between Renminbi and 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)		
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	6.9618	6.9014	7.1786	6.6822
2020	6.5250	6.8878	7.1681	6.5208

Period	Renminbi per U.S. dollar Noon Buying Rate[1]			
	End	Average [2]	High	Low
		(RMB per U.S.$1.00)		
2021				
January	6.4282	6.4672	6.4822	6.4282
February	6.4730	6.4601	6.4869	6.4344
March	6.5518	6.5109	6.5716	6.4648
April	6.4749	6.5186	6.5649	6.4710
May	6.3674	6.4321	6.4749	6.3674
June (up to and including 18 June)	6.4525	6.4022	6.4525	6.3796

Notes:

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

(2) Annual 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 (as defined below) and referred to in the Global Certificate (as defined below).

The issue of U.S.$300,000,000 in aggregate principal amount of 2.60 per cent. guaranteed bonds due 2024 (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) was authorised by a resolution of the sole director of Yi Bright International Limited (沂晟國際有限公司) (the "**Issuer**") passed on 16 June 2021. The Bonds are guaranteed by Linyi City Construction Investment Group Co., Ltd. (臨沂城市建設投資集團有限公司) (the "**Guarantor**"). The Bonds have the benefit of a deed of guarantee (the "**Deed of Guarantee**") dated 6 July 2021 executed by the Guarantor and the Trustee relating to the Bonds, such deed being executed in favour of the Trustee for itself and the Bondholders (as defined below). The giving of the Guarantee (as defined in Condition 2(b)) was authorised by a resolution of the board of directors of the Guarantor on 9 September 2019. The Issuer is a subsidiary wholly-owned by the Guarantor. The Bonds are constituted by a trust deed (as amended or supplemented from time to time, the "**Trust Deed**") dated 6 July 2021 (the "**Issue Date**") made between the Issuer, the Guarantor and The Bank of New York Mellon, London Branch as trustee (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) for itself and the Bondholders.

The Bonds are the subject of an agency agreement dated 6 July 2021 (as amended or supplemented from time to time, the "**Agency Agreement**") made between the Issuer, the Guarantor, the Trustee, The Bank of New York Mellon, London Branch 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) and The Bank of New York Mellon SA/NV, Dublin Branch 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 any other agents appointed thereunder. In these terms and conditions (these "**Conditions**"), "**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 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 Conditions are summaries of the Trust Deed, the Deed of Guarantee 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 the Deed of Guarantee and those provisions of the Agency Agreement applicable to them. Copies of the Trust Deed, the Deed of Guarantee and the Agency Agreement are available

for inspection upon prior written request and satisfactory proof of holding and identity during normal business hours (being 9:00 a.m. to 3:00 p.m. Monday to Friday except for public holidays) by the Bondholders at the principal place of business for the time being of the Trustee, being at the Issue Date at One Canada Square, London, E14 5AL, United Kingdom 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 the global certificate ("**Global Certificate**") registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearsteram**"). 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.*

2 STATUS

(a) Status of the Bonds

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

(b) Status of the Guarantee

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

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, with the form of transfer on the back of the Certificate (or in the form obtainable from the Register 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 at the specified office of the Registrar or any Transfer Agent. 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 (which shall be in an Authorised Denomination) 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 in writing 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 Registrar and, if applicable, the relevant Transfer Agent.

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

(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 Registrar or the relevant Transfer Agent (as the case may be) or the Issuer 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 (but excluding) 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)(ii)); 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 (the "**Regulations**") concerning transfers of Bonds, the initial form of which is scheduled to the Agency Agreement. The Regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee, or by the Registrar, with the prior written approval of the Trustee. A copy of the current Regulations will be made available by the Registrar for inspection by any Bondholder who so requests in writing and upon satisfactory proof of holding and identity.

4 COVENANTS

(a) Negative Pledge

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

(b) Undertakings relating to NDRC Post-issue Filing

The Guarantor undertakes that it will, within ten 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 *Notice of the National Development and Reform Commission on Promoting the Administrative Reform of the Recordation and Registration System for Enterprises' Issuance of Foreign Debts (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 on 14 September 2015 and any implementation rules as issued by the NDRC from time to time (the "**NDRC Post-issue Filing**").

(c) Undertakings relating to SAFE Registration

The Guarantor shall register or cause to be registered with the local branch of SAFE the Deed of Guarantee within 15 Registration Business Days after the execution of such Deed of Guarantee in accordance with the *Provisions on the Foreign Exchange Administration of Cross-Border Guarantee (跨境擔保外匯管理規定)* promulgated by SAFE on 12 May 2014 which came into

effect on 1 June 2014 (the "**SAFE Registration**"), and shall use its best endeavours to complete the SAFE Registration and obtain a registration certificate from the local branch of SAFE on or before the Registration Deadline and comply with all applicable PRC laws and regulations with respect to the issue of the Bonds and the Deed of Guarantee.

(d) Notification of Completion of the NDRC Post-Issue Filing and the SAFE Registration

The Guarantor shall, within five Registration Business Days after the later of the completion of the NDRC Post-issue Filing and the receipt of the registration certificate from SAFE (or any other document evidencing the completion of the SAFE Registration),

(i) provide the Trustee with a certificate in English signed by an Authorised Signatory confirming the completion of the NDRC Post-issue Filing and SAFE Registration, together with copies of the relevant documents evidencing due filing with NDRC, completion of registration confirmed by the local branch of SAFE and the particulars of the registration, each certified in English as a true and complete copy of the original by an Authorised Signatory (together, the "**Registration Documents**"), and

(ii) give notice to the Bondholders (in accordance with Condition 16) confirming the completion of the NDRC Post-issue Filing and the SAFE Registration.

provided that such date shall fall on or before the Registration Deadline.

The Trustee shall have no obligation or duty to monitor or ensure (or otherwise assist with) the filing or completion of the NDRC Post-issue Filing and the SAFE Registration before the relevant deadlines specified and may rely on the Registration Documents conclusively without liability to any Bondholder or any other person for the accuracy, validity and/or genuineness of any matters or facts stated therein.

(e) Undertakings relating to Compliance with Laws and Regulations

Each of the Issuer and the Guarantor undertakes that it will comply with all applicable PRC laws and regulations in relation to the Bonds and the Guarantee.

(f) Financial Information

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

(i) a copy of the relevant Audited Financial Reports within 150 days of the end of each Relevant Period prepared in accordance with PRC GAAP, audited by a nationally or internationally recognised firm of independent accountants, and if such statements shall be in the Chinese language, together with an English translation of the same translated

by (aa) an internationally or nationally recognised firm of independent accountants or (bb) 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 (on each of which the Trustee may conclusively rely without liability to any Bondholder or any other person); 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 Financial Reports, and if such statements shall be in the Chinese language, together with an English translation of the same and translated by (aa) an internationally or nationally recognised firm of independent accountants or (bb) 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 (on each of which the Trustee may conclusively rely without liability to any Bondholder or any other person).

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

(g) Compliance Certificate

So long as any Bond remains outstanding (as defined in the Trust Deed), each of the Issuer and the Guarantor shall send a Compliance Certificate to the Trustee (i) at the same time as the Audited Financial Reports are provided pursuant to Condition 4(f) and (ii) within 14 days of any written request by the Trustee. The Trustee may rely on the certificate conclusively without liability to any Bondholder or any other person for the accuracy, validity and/or genuineness of any matters or facts stated therein.

(h) Ratings Maintenance

For so long as any Bond remains outstanding (as defined in the Trust Deed), save with the approval of an Extraordinary Resolution, the Issuer shall use its best endeavours to maintain a rating on the Bonds by at least a Rating Agency.

(i) Definitions

In these Conditions:

"**Audited Financial Reports**" means the annual audited consolidated balance sheet, consolidated income statement, consolidated cash flow statement and consolidated statement of changes in owner's equity of the Guarantor together with any statements, reports (including any directors' and auditors' reports if any) and notes attached to or intended to be read with any of them;

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

"**Compliance Certificate**" means a certificate in English of the Issuer or the Guarantor (as the case may be) signed by an Authorised Signatory confirming that, having made all reasonable enquiries, to the best of the knowledge, information and belief of the Issuer or the Guarantor (as the case may be), as at a date (the "**Certification Date**") not more than five days before the date of the certificate:

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

(ii) the Issuer or the Guarantor (as the case may be) had 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 an event or circumstance which could with the giving of notice, lapse of time, issue of a certificate and/or fulfilment of any other requirement provided for in Condition 9 become an Event of Default;

"**PRC**" means the People's Republic of China, which shall for the purpose of these Conditions only, exclude 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;

"**PRC GAAP**" means the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and all applicable guidance, bulletins and other relevant accounting regulations issued thereafter, as amended from time to time;

"**Rating Agency**" means any of Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, S&P Global Ratings or Fitch Ratings, Inc. and their respective successors;

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

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

"**Relevant Indebtedness**" means any indebtedness incurred or issued outside the PRC which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or are 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, any transferable loan facility or agreement (including any draw-down of any existing credit line or facility));

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

"**SAFE**" means the State Administration of Foreign Exchange of the PRC;

"**Subsidiary**" means, with respect to any person, (i) 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; or (ii) any corporation, association or other business entity which at any time has its accounts consolidated with those of that person or which, under the law, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person;

"**Unaudited Financial Reports**" means the semi-annual unaudited and unreviewed consolidated balance sheet, consolidated income statement, consolidated cash flow statement and consolidated statement of changes in owner's equity of the Guarantor together with any statements, reports (including any directors' and auditors' review reports, if any) and notes attached to or intended to be read with any of them, if any; 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 2.60 per cent. per annum, payable semi-annually in arrear in equal instalments of U.S.$13.0 per Calculation Amount (as defined below) on 6 January and 6 July in each year (each an "**Interest Payment Date**"), commencing on 6 January 2022.

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 (a) 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 (b) 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).

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 specified below for the relevant period determined as provided below, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

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.

6 REDEMPTION AND PURCHASE

(a) Final Redemption

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

(b) Redemption for Taxation Reasons

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**"), which shall specify the date for redemption 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 their principal amount together with any interest accrued to (but not including) the date fixed for redemption, if the Issuer satisfies the Trustee immediately prior to the giving of such notice that:

(i) the Issuer (or, if the Guarantee was called, the Guarantor) 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 British Virgin Islands (the "**BVI**") or the PRC or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of, such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 28 June 2021, and

(ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it,

provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due.

Prior to the giving of any Tax Redemption Notice pursuant to this Condition 6(b), the Issuer (or the Guarantor, as the case may be) shall deliver to the Trustee:

(A) a certificate in English signed by an Authorised Signatory of the Issuer stating that the obligation referred to in (i) above of this Condition 6(b) cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, and

(B) an opinion of independent tax or legal advisers of recognised standing to the effect that the Issuer (or the Guarantor, as the case may be) has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendment.

The Trustee shall be entitled (but shall not be obliged) to accept and rely upon such certificate and opinion as sufficient evidence (without further investigation or query and without liability to the Bondholders or any other person) of the satisfaction of the conditions precedent set out in Condition 6(b)(i) and Condition 6(b)(ii), 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 person for so accepting and relying on such certificate or opinion.

Upon the expiry of any such notice period as is referred to in this Condition 6(b), the Issuer shall be bound to redeem the Bonds 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 at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a Non-Registration Event) of their principal amount, together in each case with accrued interest to (but excluding) the relevant Put Settlement Date. To exercise such right, the holder of the relevant Bond must deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (a "**Put Exercise Notice**"), together with the Certificate evidencing the Bonds to be redeemed, by (i) not later than 30 days following a Relevant Event (the "**Initial Exercise Period**"), or, (ii) if later, within 30 days following the date upon which notice of the Relevant Event is given to Bondholders by the Issuer as specified below (the "**Substituted Exercise Period**"). A Put Exercise Notice, once delivered, shall be irrevocable.

The "**Put Settlement Date**" in respect of any Bond for which such option is exercised shall be the 14th day (in the case of a redemption for a Change of Control) or the fifth day (in the case of a redemption for a Non-Registration Event) after the expiry of (i) the Initial Exercise Period where the option is exercised during the Initial Exercise Period and the Substituted Exercise Period does not commence before expiry of the Initial Exercise Period or (ii) in all other circumstances, the Substituted Exercise Period.

Not later than 14 days (in the case of a Change of Control) or five days (in the case of a Non-Registration Event) following the day on which the Issuer becomes aware 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 Non-Registration Event;

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

(iv) the redemption amount;

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

(vi) the procedures that holders must follow and the requirements that holders 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 in connection with any Relevant Event 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.

For the purpose of these Conditions:

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

(i) (a) the Central Government of the PRC, Shandong Provincial Government, Linyi Municipal Government or any other local governments of the PRC (collectively, the "**PRC Government**") or (b) any Person Controlled by the PRC Government, together cease to hold or own directly or indirectly 100 per cent. of the issued share capital of the Guarantor; or

(ii) the Guarantor ceases to directly or indirectly hold or own at least 100 per cent. of the issued share capital of the Issuer; or

(iii) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of its assets to one or more Persons other than the PRC Government or any Person Controlled by it;

(B) "**Control**" of any Person means:

(i) the ownership or control of at least two thirds of the voting rights of the issued share capital of the relevant Person, or

(ii) the right to appoint and/or remove at least two thirds of the members of the relevant Person's board of directors or other governing body,

in each case whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise; and "**Controlled**" shall have meanings correlative to the foregoing;

(C) "**Linyi Municipal Government**" means the People's Government of Linyi Municipality;

(D) a "**Non-Registration Event**" occurs when any of the Registration Conditions is not satisfied;

(E) 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);

(F) "**Registration Conditions**" means the completion of the SAFE Registration on or prior to the Registration Deadline and the receipt by the Trustee and the Bondholders of the Registration Documents within the timeframe set forth in Condition 4(c);

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

(i) there is a Non-Registration Event; or

(ii) there is a Change of Control; and

(H) "**Shandong Provincial Government**" means the People's Government of Shandong Province.

(d) 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 and shall not be liable to Bondholders, the Issuer or any other person for not doing so.

(e) Purchase

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

(f) Cancellation

All Certificates evidencing Bonds which are redeemed or purchased by or on behalf of the Issuer, the Guarantor or any of their respective Subsidiaries 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 and the Guarantor in respect of any such Bonds shall be discharged.

7 PAYMENTS

(a) Method of Payment:

(i) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of any 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 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 Bondholder means the U.S. dollar account maintained by or on behalf of such holder with a bank, details of which appear in the Register. In this Condition 7(a)(ii), "**business day**" means a day, other than a Saturday, a Sunday or a public holiday, on which the Registrar is open for business in the place of its specified office.

(iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested in writing by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the

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

*Notwithstanding the foregoing, so long as the Global Certificate is held on behalf of Euroclear, Clearstream 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 day on which the bank where a registered account is maintained is open for receipt of such transfers, for value the next following such 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 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) Payment Business Days: 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 New York City, Hong Kong, London and, in the case of surrender of a Certificate, the place in which the specified office of the relevant Paying Agent is located.

8 TAXATION

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

Where such withholding or deduction is made by the Issuer or the Guarantor or within the PRC at a rate up to and including the aggregate rate applicable on 28 June 2021 (the "**Applicable Rate**"), the Issuer or, as the case may be, the Guarantor will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

If the Issuer or, as the case may be, the Guarantor is required to make a deduction or withholding by or within the PRC at a rate in excess of the Applicable Rate, or any deduction or withholding by the BVI is required, the Issuer or, as the case may be, the Guarantor 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**: to a holder (or to a third party on behalf of a holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the BVI or 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.

"**Relevant Date**" in respect of any Bond means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date falling seven days after that on which notice is duly given to the Bondholders that, upon further surrender of the Certificate 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.

Any reference in these Conditions to principal, premium (if any) and interest shall be deemed also to refer to any Additional Tax Amounts or other additional 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.

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

9 EVENTS OF DEFAULT

If an Event of Default (as defined below) occurs the Trustee at its discretion may, and if so requested in writing by holders of at least 25 per cent. of the aggregate principal amount of the Bonds then outstanding (as defined in the Trust Deed) or if so directed by an Extraordinary Resolution shall (provided 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 and unpaid interest.

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

(a) **Non-Payment**: there has been a failure by the Issuer and the Guarantor to pay when due and payable (i) the principal of or any premium on the Bonds (if any), or (ii) any interest on any of the Bonds and such failure continues for a period of seven days; or

(b) **Breach of Other Obligations:** the Issuer or the Guarantor does not perform or comply with any one or more of its other obligations under the Bonds, the Deed of Guarantee or the Trust Deed (other than those referred to in Condition 9(a) or where it gives rise to a right of redemption pursuant to Condition 6(c)) and such default (i) is in the opinion of the Trustee incapable of remedy or, (ii) if in the opinion of the Trustee capable of remedy, is not remedied within 30 days after the Trustee has given written notice thereof to the Issuer; or

(c) **Cross-Default:**

(i) any other present or future indebtedness of the Issuer, the Guarantor or any of their respective Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or

(ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or

(iii) the Issuer, the Guarantor or any of their respective Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised,

provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(c) have occurred in aggregate equals or exceeds U.S.$25,000,000 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(c) operates); or

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

(e) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, the Guarantor or any of their respective Principal Subsidiaries on the whole or any material part of its properties, assets or revenues 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 not discharged within 45 days); or

(f) **Insolvency:** the Issuer, the Guarantor or any of their respective Principal Subsidiaries is (or is deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts as and when such debts fall due, or stops, suspends or threatens to stop or suspend payment of all or any material part of its debts, or proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or any material part of its debts, or proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts; or a moratorium is agreed or declared in respect of or affecting all or any material part of the debts of the Issuer, the Guarantor or any of their respective Principal Subsidiaries; or

(g) **Winding-up:** (i) an order of any court of competent jurisdiction is made or an effective resolution passed for the winding-up or dissolution of the Issuer, the Guarantor or any of their respective Principal Subsidiaries, or (ii) the Issuer, the Guarantor or any of their respective Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except in the cases of (i) and (ii) above for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation while solvent (a) on terms approved by the Trustee acting on an Extraordinary Resolution, or (b) in the case of a Principal Subsidiary (other than the Issuer), whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer, the Guarantor or any other Subsidiary of the Guarantor or a disposal of a Principal Subsidiary on an arm's length basis where the proceeds resulting from such disposal are fully invested in the Issuer, the Guarantor or any other Subsidiary of the Guarantor; or

(h) **Government Intervention:** all or any material part of the undertaking, assets and revenues of the Issuer, the Guarantor or any of their respective Principal Subsidiaries is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government; or

(i) **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(d) to 9(g) (both inclusive); or

(j) **Failure to take action:** 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 by the Issuer or the Guarantor in order (i) to enable the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with its obligations under the Bonds, the Deed of Guarantee and the Trust Deed, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds, the Certificates, the Register, the Deed of Guarantee and the Trust Deed admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or

(k) **Illegality**: it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any one or more of their respective obligations under any of the Bonds, the Deed of Guarantee or the Trust Deed; or

(l) **Unenforceability of Guarantee**: any part of the Guarantee is unenforceable or invalid or shall for any reason cease to be in full force and effect or is claimed to be unenforceable, invalid or not in full force and effect by the Issuer or the Guarantor.

In this Condition 8, "**Principal Subsidiary**" means any Subsidiary of the Guarantor:

(a) whose revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated revenue, as shown by its latest audited income statement are at least five per cent. of the consolidated revenue as shown by the latest audited consolidated income statement of the Guarantor; or

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

(c) whose operating profit or (in the case of a Subsidiary which itself has Subsidiaries) consolidated operating profit, as shown by its latest audited income statement are at least five per cent. of the consolidated operating profit as shown by the latest audited consolidated income statement of the Guarantor including, for the avoidance of doubt, the Guarantor and its consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; 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 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 cease to be a Principal Subsidiary at the date on which the first audited accounts (consolidated, if appropriate) of the Guarantor prepared as of a date later than such transfer are issued unless such Subsidiary would continue to be a Principal Subsidiary on the basis of such accounts by virtue of the provisions of (a), (b) or (c) above of this definition,

provided that, in relation to (a), (b) or (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 Guarantor relate, the reference to the then latest consolidated audited accounts of the Guarantor for the purposes of the calculation above shall, until consolidated audited accounts of the Guarantor for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are prepared, be deemed to be a reference to

the then latest consolidated audited accounts of the Guarantor adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;

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

(iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its total assets, revenue or operating profit (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 Guarantor; and

(iv) if at any relevant time in relation to any Subsidiary, no accounts are audited, its total assets, revenue or operating profit (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 Guarantor; and

10 PRESCRIPTION

Claims against the Issuer and/or the Guarantor 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 mutilated or defaced or is alleged to have been lost, stolen or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority rules, at the specified office of the Registrar 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 or the Registrar may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12 MEETINGS OF HOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND ENTITLEMENT OF TRUSTEE

(a) Meetings of holders

The Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any of the provisions of the Trust Deed, the Deed of Guarantee or the Agency Agreement. Such a meeting may be convened by the Trustee, the

Guarantor 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 or cancel the Deed of Guarantee or (v) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, 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 or whether they voted contrary to the majority.

The Trust Deed provides that a resolution 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 (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 evidenced by the Global Certificate, Extraordinary Resolutions may be passed by way of electronic consents through the relevant clearing system(s) by or on behalf of Bondholders holding not less than 90 per cent. in aggregate principal amount of the Bonds for the time being outstanding.

(b) Modification, Waiver and Authorisation

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, the Deed of Guarantee and/or the Agency Agreement 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.

13 ENFORCEMENT

At any time after the Bonds become due and payable the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the terms of the Trust Deed, the Deed of Guarantee and/or the Bonds, but it need not take any such proceedings unless

(a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Bondholders holding at least 25 per cent. in aggregate principal amount of the Bonds then outstanding (as defined in the Trust Deed), and

(b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

No Bondholder may proceed directly against the Issuer and/or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

14 TRUSTEE AND AGENTS

Under the Trust Deed, the Trustee is entitled to be indemnified and/or provided with security and/or pre-funded to its satisfaction and relieved from responsibility in certain circumstances and to be paid its fees, costs and expenses in priority to the claims of the Bondholders. In addition, the Trustee and each of the Agents is entitled to enter into business transactions with the Issuer or the Guarantor and any entity relating to the Issuer or the Guarantor without accounting for any profit.

In connection with the exercise of its functions, rights, powers and/or discretions (including but not limited to those referred to in Condition 12), the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer (save as provided in Condition 8), the Guarantor or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders or as a result of such Bondholders being connected in any way with a particular territory or taxing jurisdiction.

The Trustee and the Agents may rely without liability to Bondholders on any report, information, confirmation or certificate from or any opinion or advice of any accountants, auditors, lawyers, valuers, auctioneers, surveyors, brokers, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited

(by its terms or by any engagement letter relating thereto 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 on any such report, information, confirmation, certificate, opinion or advice, in which case such report, information, confirmation, certificate, opinion or advice shall be binding on the Bondholders, and if the same is provided by the Issuer or the Guarantor, the Issuer and the Guarantor. The Trustee and the Agents shall not be responsible or liable to the Issuer, the Guarantor, the Bondholders or any other person for any loss occasioned by acting on or refraining from acting on any such report, information, confirmation, certificate, opinion or advice.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision or giving any such direction, to seek directions or clarification of directions from the Bondholders by way of Extraordinary Resolution, and the Trustee shall not be responsible for any loss or liability incurred by the Issuer, the Guarantor, the Bondholders or any other person as a result of any delay in it exercising such discretion or power, taking such action, making such decision or giving such direction as a result of seeking such direction or clarification of directions from the Bondholders or in the event that no direction or clarification is given to the Trustee by the Bondholders.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer or Guarantor and any other person appointed by the Issuer or Guarantor in relation to the Bonds of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer or Guarantor to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Bondholder, the Issuer, the Guarantor or any other person for any action taken by the Trustee or such Agent in accordance with the instructions, direction or request of the requisite proportion of Bondholders. The Trustee shall be entitled to rely on any instruction, direction, request or resolution of Bondholders given by Bondholders holding the requisite principal amount of Bonds outstanding (as defined in the Trust Deed) or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed.

The Trustee and the Agents shall have no obligation to monitor or take steps to ascertain whether an Event of Default or a Potential Event of Default or a Relevant Event has occurred, and shall not be liable to the Bondholders or any other person for not doing so.

Each Bondholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer and the Guarantor, 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.

In acting under the Agency Agreement and in connection with the Bonds, the Agents act solely as agents of the Issuer, the Guarantor or, in the limited circumstances set out in the Trust Deed, the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Bondholders.

The initial Agents and their initial specified offices are listed below. The Issuer and the Guarantor reserve the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar or principal paying agent and additional or successor paying agents and transfer agents; provided, however, that the Issuer shall at all times maintain a principal paying agent and a registrar.

Notice of any change in any of the Agents or in their specified offices shall promptly be given to the Bondholders in accordance with Condition 16.

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 respects (or in all respects save for the issue date, the first payment of interest on them and the deadlines for making and completing the NDRC Post-issue Filing and the SAFE Registration and for making the subsequent notifications to the Trustee and the Bondholders) and so that the same shall be consolidated and form a single series with the outstanding Bonds. Any further securities shall be constituted by a deed supplemental to the Trust Deed and be guaranteed by the Guarantor pursuant to a deed supplemental to the Deed of Guarantee.

16 NOTICES

All notices to the Bondholders shall be mailed to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses in the Register. Any notice shall be deemed to have been given on the fourth day after being mailed. 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.

So long as the Bonds are evidenced by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream and/or an Alternative Clearing System, notices to the holders of the Bonds shall be validly given by the delivery of the relevant notice to Euroclear and/or Clearstream and/or the Alternative Clearing System, as applicable, for communication by it to entitled accountholders, in substitution for notification as required by the Conditions.

17 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999 except and to the extent (if any) that it is expressly provided in these Conditions, the Deed of Guarantee or the Trust Deed for the Act to apply to any of the terms herein or therein, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

18 GOVERNING LAW AND JURISDICTION

(a) Governing Law

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

(b) Jurisdiction

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

(c) Agent for Service of Process

Each of the Issuer and the Guarantor has irrevocably appointed Yi Bright (Hong Kong) Group Limited (沂晟(香港)集團有限公司) at Room 1216, Lippo Sun Plaza, 28 Canton Road, Tsim Sha Tsui, Kowloon, 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, each of the Issuer and the Guarantor has 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 (at the expense of the Issuer or the Guarantor) such an agent by written notice to the Issuer and/or the Guarantor. Nothing herein shall affect the right to serve process in any other manner permitted by law.

(d) Waiver of Immunity

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

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

The Global Certificate contains provisions which apply to the Bonds 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 evidenced 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.

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.

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

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

In addition, the Global Certificate will contain provisions which modify the 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 Bonds 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.

CALCULATION OF INTEREST

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

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 or such Alternative Clearing System, for communication by it to accountholders entitled to an interest in the Bonds in substitution for notification as required by the Conditions.

MEETINGS

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

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

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.

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 within the time limits set out in and containing the information required by the Conditions.

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 respective Subsidiaries will be effected by a reduction in the principal amount of the Bonds evidenced by the Global Certificate in the register of Bondholders.

TRUSTEE'S POWERS

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obligated 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.

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, being the gross proceeds less the fees and commissions and other estimated payable in connection with the offering of the Bonds, will be approximately U.S.$297.3 million. The net proceeds will be used for the Group's onshore projects and general corporate purposes.

CAPITALISATION AND INDEBTEDNESS OF THE GUARANTOR

The following table sets forth the consolidated total indebtedness (both current and non-current portions), total equity and total capitalisation of the Guarantor as at 31 December 2020 (i) on an actual basis and (ii) on an adjusted basis to give effect to the issue of the Bonds before deducting the underwriting fees and commissions and other estimated expenses payable in connection with this offering. The summary consolidated financial information below should be read in conjunction with the Guarantor's consolidated financial statements and the notes to those statements included elsewhere in this Offering Circular.

	As at 31 December 2020			
	Actual		As adjusted	
	(RMB'000)	(U.S.$'000)[1]	(RMB'000)	(U.S.$'000)[1]
	(audited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
Current indebtedness:				
Short-term loans	1,302,072.5	199,551.3	1,302,072.5	199,551.3
Non-current liabilities maturing within one year	1,293,278.9	198,203.7	1,293,278.9	198,203.7
Total current indebtedness	**2,595,351.4**	**397,755.0**	**2,595,351.4**	**397,755.0**
Non-current indebtedness:				
Long-term loans	5,327,088.8	816,412.1	5,327,088.8	816,412.1
Bonds payable	7,773,536.3	1,191,346.6	7,773,536.3	1,191,346.6
Long-term payables[2]	720,048.4	110,352.2	720,048.4	110,352.2
Bonds to be issued[3]	—	—	1,957,500.0	300,000.0
Total non-current indebtedness	**13,820,673.5**	**2,118,110.9**	**15,778,173.5**	**2,418,110.9**
Total indebtedness[4]	**16,416,024.9**	**2,515,865.9**	**18,373,524.9**	**2,815,865.9**
Total equity	**36,204,602.7**	**5,548,598.1**	**36,204,602.7**	**5,548,598.1**
Total capitalisation[5]	**52,620,627.6**	**8,064,464.0**	**54,578,127.6**	**8,364,464.0**

Notes:

(1) For convenience only, all translations from Renminbi into U.S. dollars are made at the rate of RMB6.5250 to U.S.$1.00, based on the noon buying rate as set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve Bank System on 31 December 2020.

(2) This amount represents only the long-term payables of finance lease and trust loans.

(3) Represents the aggregate principal amount of the Bonds to be issued, before deducting the underwriting fees and commissions and other estimated expenses payable in connection with this offering.

(4) Represents the sum of current indebtedness and non-current indebtedness.

(5) Total capitalisation represents the sum of total indebtedness and total equity.

In April 2021, the Company issued three-year medium term notes with a principal amount of RMB500.0 million and a coupon rate of 3.80 per cent. As at the date of this Offering Circular, the entire principal amount of such medium term notes remains outstanding.

As at 31 March 2021, monetary funds of the Group decreased 11.5 per cent. to RMB5,786.1 million as compared with that as at 31 December 2020, primarily due to the increase of project investment under the Group's real estate development and transportation businesses. As at 31 March 2021, notes payable of the Group increased 55.7 per cent. to RMB1,448.2 million as compared with that as at 31 December 2020, primarily due to the increase of project investment settled by notes. As at 31 March 2021, advance from customers of the Group increased 18.9 per cent. to RMB4,790.3 million as compared with that as at 31 December 2020, primarily due to the increase of advance payments from the Group's real estate development projects.

Except as disclosed above and otherwise disclosed in this Offering Circular, there has been no material change in the consolidated capitalisation and indebtedness of the Guarantor since 31 December 2020.

DESCRIPTION OF THE ISSUER

OVERVIEW

The Issuer is a BVI business company incorporated under the BVI Business Companies Act, 2004 of the British Virgin Islands (BVI Company Number: 2024815). It was incorporated in the British Virgin Islands on 25 October 2019. The Issuer is an indirect wholly-owned subsidiary of the Company. The registered office of the Issuer is at Intershore Chambers, Road Town, Tortola, British Virgin Islands, the office of the registered agent, Intershore Consult (BVI) Ltd.

BUSINESS ACTIVITY

The Issuer was established with full capacity to carry on or undertake any business or activity, do any act or enter into any transaction and has full rights, powers and privileges for the above purposes pursuant to the objects and powers set out in its memorandum of association. As at the date of this Offering Circular, the Issuer does not carry and has not carried on any business other than entering into arrangements for the issue of the Bonds and the Issuer has no debt outstanding and has no contingent liabilities apart from the 3.0 per cent. guaranteed bonds in the aggregate principal amount of U.S.$300,000,000 due 2023. As at the date of this Offering Circular, the Issuer has no subsidiaries and no material assets or liabilities.

SOLE DIRECTOR

The sole director of the Issuer is Li Yan. The sole director of the Issuer does not hold any shares or options to acquire shares of the Issuer. As at the date of this Offering Circular, the Issuer does not have any employees.

SHARE CAPITAL

The Issuer is authorised under its memorandum of association to issue a maximum of 50,000 shares with a par value of USD1.00 each of a single class. As at the date of this Offering Circular, one (1) share has been issued and credited as fully paid. No part of the equity securities of the Issuer is listed or dealt on any stock exchange and no listing of or permission to deal in such securities is being or proposed to be sought.

FINANCIAL STATEMENTS

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

LEGAL PROCEEDINGS

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

DESCRIPTION OF THE GUARANTOR AND THE GROUP

OVERVIEW

The Group is the largest government investment and financing platform in Linyi by assets and revenues and is owned by Linyi SASAC. Since its establishment in 2013, the Group has been the core operating entity carrying out municipal development activities and providing public services in Linyi, including municipal construction, real estate development, transportation, green energy, wood products manufacturing and affordable housing construction. Leveraging on the development of Linyi, strong shareholder's support and its diversified businesses, the Group has undertaken and completed a large number of municipal development projects and played an important role in the development of Linyi.

The Group's principal business segments are as follows:

- *Municipal Construction.* Municipal construction business is the primary business of the Group. The Group is the core municipal construction entity in Linyi, whose business includes the investment, construction and development of municipal infrastructure projects in Linyi. The Group's municipal construction business includes infrastructure construction, shantytown redevelopment and land sales. In particular, the Group undertakes the construction of the Linyi High Speed Railway Area (臨沂高鐵片區), which was designated as the top priority project in Linyi by the Linyi Municipal Government. During the years ended 31 December 2018, 2019 and 2020, the Group had completed 81 infrastructure construction projects with a total investment amount of approximately RMB7,906.4 million. As at 31 December 2020, the Group had 32 infrastructure construction projects under construction with a total estimated investment of approximately RMB17,777.4 million and 12 infrastructure construction projects under planning with a total estimated investment of RMB15,900.0 million. For the years ended 31 December 2018, 2019 and 2020, operating income generated from the Group's municipal construction business was RMB892.0 million, nil and nil, respectively, representing 20.3 per cent., nil and nil, respectively, of the Group's total operating income for the same periods. For the years ended 31 December 2019 and 2020, operating income generated from the Group's municipal construction business was nil primarily due to the inherent time lag between investment and revenue recognition of construction projects and change of business model.

- *Real Estate Development.* The Group's real estate business includes the investment, construction and development of commercial real estate projects. All of the Group's real estate projects under construction are located in the core area of Linyi, including Linyi city, Fei County (費縣) and Yinan County (沂南縣). During the years ended 31 December 2018, 2019 and 2020, the Group had completed three commercial real estate projects with a total investment of approximately RMB2,318.0 million. As at 31 December 2020, the Group had six commercial real estate projects under construction

with a total estimated investment of approximately RMB9,663.0 million and three commercial real estate projects under planning with a total estimated investment of RMB6,298.2 million. The Group also possesses a large volume of land reserves at premium locations, including the Northern City New District in Linyi (臨沂市北城新區), Linyi Economic and Technological Development Zone (臨沂市經濟技術開發區) and Linyi High-tech Zone (臨沂市高新區). As at 31 December 2020, the Group's land reserves amounted to a total GFA of approximately 5.37 sq.km. For the years ended 31 December 2018, 2019 and 2020, operating income generated from the Group's real estate development business was RMB719.9 million, RMB851.2 million and RMB1,267.7 million, respectively, representing 16.4 per cent., 18.5 per cent. and 23.8 per cent., respectively, of the Group's total operating income for the same periods.

- *Transportation.* The Group is the sole operating entity conducting the transportation business in Linyi. The Group operates its transportation business through certain of its subsidiaries, including Linyi Railway Construction Investment Group Co., Ltd. (臨沂鐵路建設投資集團有限公司), Linyi Public Transportation Group Co., Ltd. (臨沂公共交通集團有限公司), Linyi Transportation Investment Group Co., Ltd. (臨沂交通運輸投資集團有限公司). The transportation business segment mainly consists of three sub-segments, namely, railway construction investment, city bus transportation service and intercity passenger transportation service. The Group generates operating income from its transportation business mainly through fees collected for the city bus transportation service and the intercity passenger transportation service that the Group provides and government subsidies. For the years ended 31 December 2018, 2019 and 2020, operating income generated from the Group's transportation business was RMB1,223.7 million, RMB1,289.8 million and RMB841.0 million, representing 27.8 per cent., 28.1 per cent. and 15.8 per cent., respectively, of the Group's total operating income for the same periods.

- *Green Energy.* The Group is one of the main entities providing green energy service in Linyi. The Group's green energy business involves the provision of heating service and electricity service, of which heating service is the primary source of revenue. The Group generates operating income from its green energy business mainly through utility fees collected for the electricity power and heating that the Group provides. For the years ended 31 December 2018, 2019 and 2020, operating income generated from the Group's green energy business was approximately RMB1,029.3 million, RMB860.7 million and RMB813.1 million, representing 23.4 per cent.,18.7 per cent. and 15.3 per cent., respectively, of the Group's total operating income for the same periods.

- *Wood Products Manufacturing.* The Group's wood products manufacturing business involves the research and development, manufacture and sales of wooden furniture and home decoration materials. The Group's wooden furniture includes door, cupboard, cabinet, closet, doorframe and wallboard, which are custom-made for high-end rental apartments developed and managed by leading real estate developers in China. The

Group's home decoration materials mainly include different types of fibreboard, such as particleboard and oriented strand board, as well as decorative panel and impregnated paper. For the years ended 31 December 2018, 2019 and 2020, operating income generated from the Group's wood products manufacturing business was RMB254.6 million, RMB1,085.2 million and RMB1,391.6 million, respectively, representing 5.8 per cent., 23.6 per cent. and 26.1 per cent., respectively, of the Group's total operating income for the same periods.

- *Affordable Housing Construction*. The Group's affordable housing construction business primarily involves providing affordable housing for local residents resettled for the development of the Linyi High Speed Railway Area. The Group conducts its affordable housing construction business through its wholly-owned subsidiary, Linyi City Construction Group Co., Ltd. (臨沂城建建設集團有限公司). The Group generated profits from its affordable housing construction business mainly through the sales of commercial properties relating to such affordable housing projects. For the years ended 31 December 2018, 2019 and 2020, operating income generated from the Group's affordable housing construction business was nil, nil and RMB603.3 million, respectively, representing nil, nil and 11.3 per cent., respectively, of the Group's total operating income for the same periods.

In addition to its primary business segments, the Group also participates in other operating activities to supplement its primary operating activities, namely cultural tourism, medical and health care, new energy industry, commercial factoring, prefabricated building manufacturing, and resources development.

OVERVIEW OF LINYI

Linyi, as a prefecture-level city in the southeast of Shandong Province, consists of three districts and nine counties, one national economic and technology development area, one national high-tech zone and one national-level comprehensive free trade zone (綜合保税區).

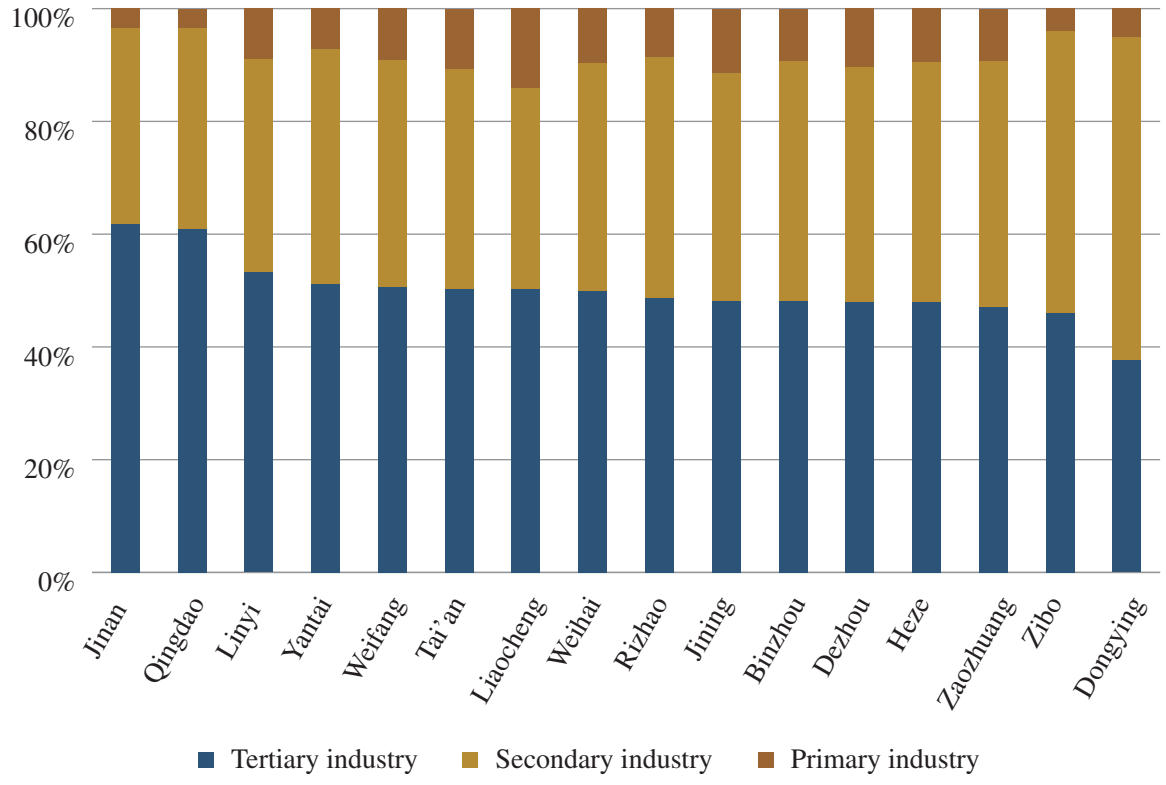
Linyi enjoys an excellent location. Situated at the intersection of the Eurasia Land Bridge's bridgehead (歐亞大陸橋橋頭堡), the Yangtze River Delta Economic Area (長三角經濟圈) and the Bohai Economic Rim (環渤海經濟圈), Linyi is an essential central city in southern Shandong Province. With convenient and advanced transportation network connecting to major cities in China, including waterway traffic facilities, multiple railways and highways as well as flight routes, Linyi serves as a comprehensive transportation hub of Shandong Province.

For waterborne transport, Linyi locates 300 km. from the Qingdao Port and merely 100 km. from three major ports, namely Rizhao (日照), Lanshan (嵐山) and Lianyungang (連雲港), therefore enjoys economic benefits from the near-by harbours. For rail transport, five railway lines run across Linyi, making Linyi one of the 50 railway transportation hubs in China. Moreover, the Lunan High Speed Railway (魯南高鐵) came into service at the end of 2019, and several railway

lines including the Beijing — Shanghai High Speed Railway Second Route (京滬高鐵二線), Jilin (濟臨) and Linlian (臨連) high speed railway lines are planned to be developed. These railway lines constitute a comprehensive railway network connecting the entire Shandong Province. For land transport, the highways running through Linyi are connected to the national highway network. There are also six new expressways under construction. For air transport, Linyi Airport, as a National Second Class airport, hosts more than 40 flight routes which connect Linyi with other important cities.

Linyi is the second largest logistics hub for bulk commodities in China. Linyi accommodates more than 3,000 logistics enterprises and approximately 2,000 logistics routes, which serves more than 8,000 daily domestic freight vehicles hauling 200,000 tonnes of cargo. The logistic cost in Linyi is 30 per cent. lower than the national average cost. Linyi is granted to be the pilots for "International Market Purchase and Trade", "Touristic and Consumer Product Fast Clearance", "International Trade Comprehensive Reform" and entitled to privileges on other key policies. With the increase in international trade and electronic commerce, Linyi is becoming a popular international trade hub. Linyi's well-developed logistics industry also drives the development of its tertiary industry. Success in logistics industry contributes to the development of Linyi's tertiary industry. In 2019, the tertiary industry in Linyi contributed 53.2 per cent. of total output, ranking third in Shandong Province. The following chart sets forth the output contributions of three major industries from each city in Shandong Province in 2019.

2019 Shangdong Province Output Contribution (by city)



Source: Economy and Social Development Report of Shandong Province

Linyi has a well-established industry chain owing to the synergistic development of traditional and emerging industries. Advanced traditional industries, such as food, medical, wood, metallurgy, chemical engineering and cultural tourism, along with the rapidly developing emerging industries, such as high-end equipment manufacturing, modern services, commercial logistics and new energies, have presented valuable business opportunities and attracted strong capital inflow to Linyi.

Linyi also benefits from its abundant mineral and cultural tourism resources. Linyi has a large variety of mineral resources and mineral reserves, including diamond (金剛石), quartz (石英砂), gypsum (石膏) and granite (花崗岩), ranking first in Shandong Province. For natural resources, Linyi has plentiful water resources in its four major river systems, namely Yi River (沂河), Shu River (沭河), Central Canal (中運河) and Bin River (濱河), representing a quarter of Shandong Province's water reserve. For cultural tourism resources, Linyi is a famous tourist city with long history and serves as one of the famous old revolutionary base areas, which has a number of valuable historical sites and red culture tourism attractions.

COMPETITIVE STRENGTHS

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

Well-positioned to leverage the excellent location of Linyi to achieve business growth

The Group focuses on the development of Linyi, a prefecture-level city and one of the five core cities in Shandong Province, and assumes important government functions including implementing policies on urban development and fostering industry development in Linyi. With the strategic importance, dynamic regional economy and strong business strengths, Linyi has experienced steady growth in public utilities and real estate development sectors.

Linyi enjoys an excellent location. Situated at the intersection of the Eurasia Land Bridge's bridgehead (歐亞大陸橋橋頭堡), the Yangtze River Delta Economic Area (長三角經濟圈) and the Bohai Economic Rim (環渤海經濟圈), Linyi is an essential central city in southern Shandong Province. With convenient and advanced transportation network connecting to major cities in China, including waterway traffic facilities, multiple railways and highways as well as flight routes, Linyi serves as an important national highway transport hub in China, bringing strong development potential for the Group. In particular, Linyi is proximate to four major ports, namely Qingdao (青島), Rizhao (日照), Lanshan (嵐山) and Lianyungang (連雲港), and thereby enjoys economic benefits from the near-by harbours.

In addition, Linyi is the one of the national logistic hubs and the second largest logistics hub for bulk commodities in China, which serves more than 8,000 daily domestic freight vehicles hauling 200,000 tonnes of cargo. With the increase in international trade and electronic commerce, Linyi is becoming a popular international trade hub. Linyi's well-developed logistics industry,

along with its existing railway, highway, port and aviation networks help create the synergies of manufacturing, talent acquisition, finance and trading sectors, which presents new business opportunities to the Group.

Recently, Linyi strategically focuses on the development of industries that have greater advance in technology, reputational value, innovation and profit margins. As the largest government investment and financing platform in Linyi by assets and revenues, the Group has expanded into business areas that align with Linyi's development, such as cultural tourism, medical and health care, wood products manufacturing, to achieve business growth. The Group believes that the excellent location of Linyi, together with its great development potentials have brought and will continue to bring significant business opportunities to the Group.

Strong support from the Group's shareholders

The Group has played an important role in the development of Linyi with the focus on municipal construction, real estate development, transportation, green energy, wood products manufacturing and affordable housing construction. Since its inception, the Group has received strong support to enhance its financial strength from its former sole shareholder, Linyi Municipal Bureau of Finance (臨沂市財政局), and successively, its current controlling shareholder, Linyi SASAC in various form, such as high-quality asset injection (優質資產劃撥) and capital injection. Such injections are generally granted in the form of land, real estate and equity interest. For example, from 2013 to 2018, the Linyi Municipal Government has injected Linyi Water Group Co., Ltd., Linyi Public Transportation Group Co., Ltd. and other assets of public interest into the Group. According to the Approval of Expanding the Business of Linyi City Construction Investment Group Co., Ltd. (《臨沂市人民政府關於支持臨沂市建設投資集團有限公司做大做強的批覆》臨政字[2019]76號) issued in 2019, the Linyi Municipal Government has approved the injection of a number of other state-owned high-quality assets to the Group, and contracted the Group for the construction of the North Station of Linyi High Speed Railway. In terms of capital injection, as at 31 December 2020, the Group has received an aggregate amount of approximately RMB2.5 billion monetary support via capital injection. The Group received capital injections of RMB1,350 million, RMB230 million and RMB420 million in 2013, 2014 and 2015, respectively. See "— *History and Development*" for more details. This allows the Group to invest in capital-intensive and large-scale projects. In addition, Linyi SASAC also provides various supports to infrastructure projects undertaken by the Group, including dividend distributions, tax exemption or reduction and other funding sources, which help improving project cash-flows and minimising risks. For the years ended 31 December 2018, 2019 and 2020, the Group had received government subsidies of approximately RMB187.0 million, RMB275.0 million and RMB419.9 million, respectively.

The strong and continued support from the Linyi SASAC greatly increased the business stability and comprehensive competitiveness of the Group, which in turn contributes to the future growth of the Group.

Crucial importance to the development of Linyi

Adhering to the vision of promoting both urban development and human well-being in Linyi, the Group has engaged in businesses that are fundamental to the economic development and well-being of Linyi. The Group's municipal construction business, real property development business, transportation business, green energy business, wood products manufacturing and affordable housing construction businesses are all crucial to the urban construction and fostering industry development in Linyi. In particular, the Group had undertaken a number of infrastructure landmarks in Linyi. The Group's representative infrastructure projects are:

- ***North Station of Linyi High Speed Railway (臨沂高鐵北站).*** The North Station of Linyi High Speed Railway involves the construction of a multi-functional comprehensive transportation hub comprising high-speed railway, intercity railway, subway, city bus and taxi services. The station connects to Lunan High Speed Railway, Jinghu High Speed Railway, Jilin High Speed Railway and Linlian High Speed Railway and a number of other intercity railways. The station commenced its trial operation on 26 November 2019.

- ***Linyi High Speed Railway Area (臨沂高鐵片區).*** Linyi High Speed Railway Area is located at the core area of northern Linyi. The project involves the upgrading of passenger facilities of the old railway station, such as rail terminals and station square, as well as the construction and development of nearby infrastructures and facilities, such as transportation facilities, municipal roads and ancillary infrastructures for the Lunan High Speed Railway and the North Station of Linyi High Speed Railway, river channel regulation, and community facilities such as hospitals and schools. The project has a total site area of approximately 23 sq.km. with a total estimated investment of approximately RMB50 billion. The project is recognised as the "No.1 Infrastructure Project" by the Linyi Municipal Government.

- ***Yimeng Revolutionary Memorial Hall (沂蒙革命紀念館).*** Yimeng Revolutionary Memorial Hall is one of the top ten urban projects in Linyi in 2013. It is one of the most important patriotism education bases in Linyi.

- ***National Forest Industry Technology Demonstration Park (國家林產工業科技示範園).*** The National Forest Industry Technology Demonstration Park provides integrated services with upstream and downstream infrastructure and facilities support to wood-related companies in Linyi.

In addition, the Group has also expanded into business areas that are encouraged by the government, such as medical and health care, culture and sports and entertainment. As the economy and urban construction of Linyi continue to grow, the Group expects a large and sustainable market for its key businesses.

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

The Group has a diversified business portfolio and asset base which provide it with steady revenue and cash flows from its businesses and enhance its risk resilience. The Group's municipal construction, real property development, transportation, green energy, wood products manufacturing and affordable housing construction businesses are its principal sources of revenue. The Group's other businesses including cultural tourism, medical and health care, new energy industry, commercial factoring, prefabricated building manufacturing, and resources development 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.

Sufficient capital from diversified financing channels

The Group funds its major businesses through various financing channels such as bank loans, debt securities and funds. Over the years, the Group has cultivated relationships with a number of reputable commercial banks and financial institutions in the PRC, including China Construction Bank, Bank of China, Industrial and Commercial Bank of China, China Merchants Bank, Industrial Bank, China CITIC Bank, China Zheshang Bank, China Minsheng Bank and Bank of Qingdao, providing a solid foundation for the Group to access capital. The Group was assigned a corporate credit rating of "AAA" by Oriental Jincheng International Credit Assessment Co., Ltd. (東方金誠國際信用評估有限公司). As at 31 December 2020, the Group had obtained credit facilities of approximately RMB18.8 billion, among which approximately RMB11.9 billion remained undrawn. The Group also leverages its excellent financial performance and credibility to access direct financing from the capital markets, issuing debt securities on both exchange and interbank markets within the PRC. As at 31 December 2020, bonds accounted for 47.35 per cent. of the total indebtedness of the Group. The Group carefully manages the maturity of its indebtedness to ensure its liquidity and sustainable funding. As at 31 December 2020, indebtedness due within one year (including short-term loans and non-current liabilities maturing within one year) represented 7.88 per cent. of the Group's total indebtedness. The Group believes that it will continue to have access to sufficient capital to support its business operations and expansions in the future.

Robust risk management system

The Group adheres to a prudent risk management strategy, namely "Three Importance and One Greatness (三重一大)", representing important decisions, important projects and arrangements, important nominations and utilisation of large sum of funds, through an integrated

internal risk management system. The internal risk management system focuses on three major segments, namely legal risk management (法律風險管理), anti-money laundering management (反洗錢管理) and anti-corruption and misappropriate corporate fund management (反腐敗與挪用公款管理), which serve different functions in managing and overseeing the Group's daily operations.

Sound corporate governance with experienced senior management team

The Group has established a sound corporate governance structure. The Group has an internal management framework to oversee different aspects of the Group's daily operations. As the controlling shareholder of the Group, Linyi SASAC participates in and closely monitors the Group's decision-making process for key projects, reviews the Group's development strategy and investment plans, appoints and conducts annual appraisals on the senior management personnel and a majority of the directors and supervisors of the Group. The Group's senior management and Linyi SASAC regularly have in-depth discussions regarding key investment projects, and essential appraisal procedures are conducted before investment decisions are made. The Group has adopted a commercially driven approach to managing its business operations.

The directors and senior management personnel of the Group have extensive experience in the operation and management of relevant industries of the Group's businesses and are supported by quality employees. See "— *Directors, Supervisors and Senior Management*" for more details. Over the years, the Company has maintained a skilled and well-trained employee team. As at 31 December 2020, the Company had 3,591 full-time employees, 831 of which hold a bachelor's degree or above. With an experienced management team and quality employees, the Group has been able to achieve efficient management.

BUSINESS STRATEGIES

Through establishing development platforms for various competitive industries, the Group aims to maintain its prominent position in Linyi while at the same time diversifying its business portfolio. With the vision to promote the development of Linyi, the Group intends to focus the following business strategies:

Sustainable business development driven by the "Three Double-Engines" strategy

The Company plans to achieve a sustainable business development by implementing the "Three Double-Engines" strategy. The "Three Double-Engines" strategy refers to the balance between business diversification and service professionalism, public welfare and economic return, and organic business operation and capital gain from financial investment.

As the largest government investment and financing platform in Linyi by assets and revenues, the Group's businesses are fundamental to the economic development and well-being of Linyi. The Group will continue to play an important role in serving national and regional development strategies and promote both human well-being and market development in Linyi to achieve business growth.

The Group is fully committed to its responsibilities as a state-owned assets management platform, and will put its three missions as top priority

The Group is a stated-owned operating platform owned by Linyi SASAC, and assumes responsibilities in city development and citizen welfare. The Group's missions are to serve the role as a policy implementation platform of the Linyi government, to contribute value to the state-owned assets reform and to upgrade the industries of Linyi.

Further diversify the business portfolio and invest in the Value Chain

The Group plans to continue grow into a state-owned conglomerate with a diversified business portfolio that enjoys synergies within its businesses. To achieve this goal, the Group has gradually formed its unique business strategies over the years featuring one capital chain, four supply chains and eight industrial chains (collectively, the "**Value Chain**"). The Group will continue to implement such strategy to further strengthen its comparative advantage in its supply chains and industrial chains, inject vitality into its principal business segments, enhance its core competitiveness and promote the intelligent and green industrial transformation for high-end and high value-added development.

In particular, the business plan and business goal of each Value Chain of the Group are as follows:

Value Chain	Sector	Business Plan and Business Goal
Industrial Chains	Municipal construction	Explore the "development investment + construction management" business model and expand the municipal construction business with multiple business model variations such as EPC + O and EPC + I.
	Municipal facilities operation	Operate municipal facilities and provide quality public transportation services.

Value Chain	Sector	Business Plan and Business Goal
	Wood products manufacturing	Increase domestic share of the Group's wood products through enhanced core competitiveness.
	Green energy	Build business momentum and create green brand image by focusing on energy markets such as thermal power, minerals, petrochemicals and photovoltaics.
	Cultural tourism	Promote cultural tourism business by integrating and leveraging on the natural resources and cultural heritage in Mount Meng (蒙山) area in Linyi City.
	Medical and health care	Cultivate medical and health care business through collaborations with hospitals, medical and health care centres, and medical and health care industrial parks.
	Education	Construct and operate school campuses in Linyi High Speed Railway Area, which will cover all levels of education such as preschool education, compulsory education, secondary education and higher education.
	Agriculture	Develop agricultural business featuring efficient agriculture, organic agriculture, ecological agriculture and smart agriculture.
Capital Chain	Financial investment	Diversify financing channels and establish a capital operation platform, which improves internal capital utilisation and supports the Group's business expansion.

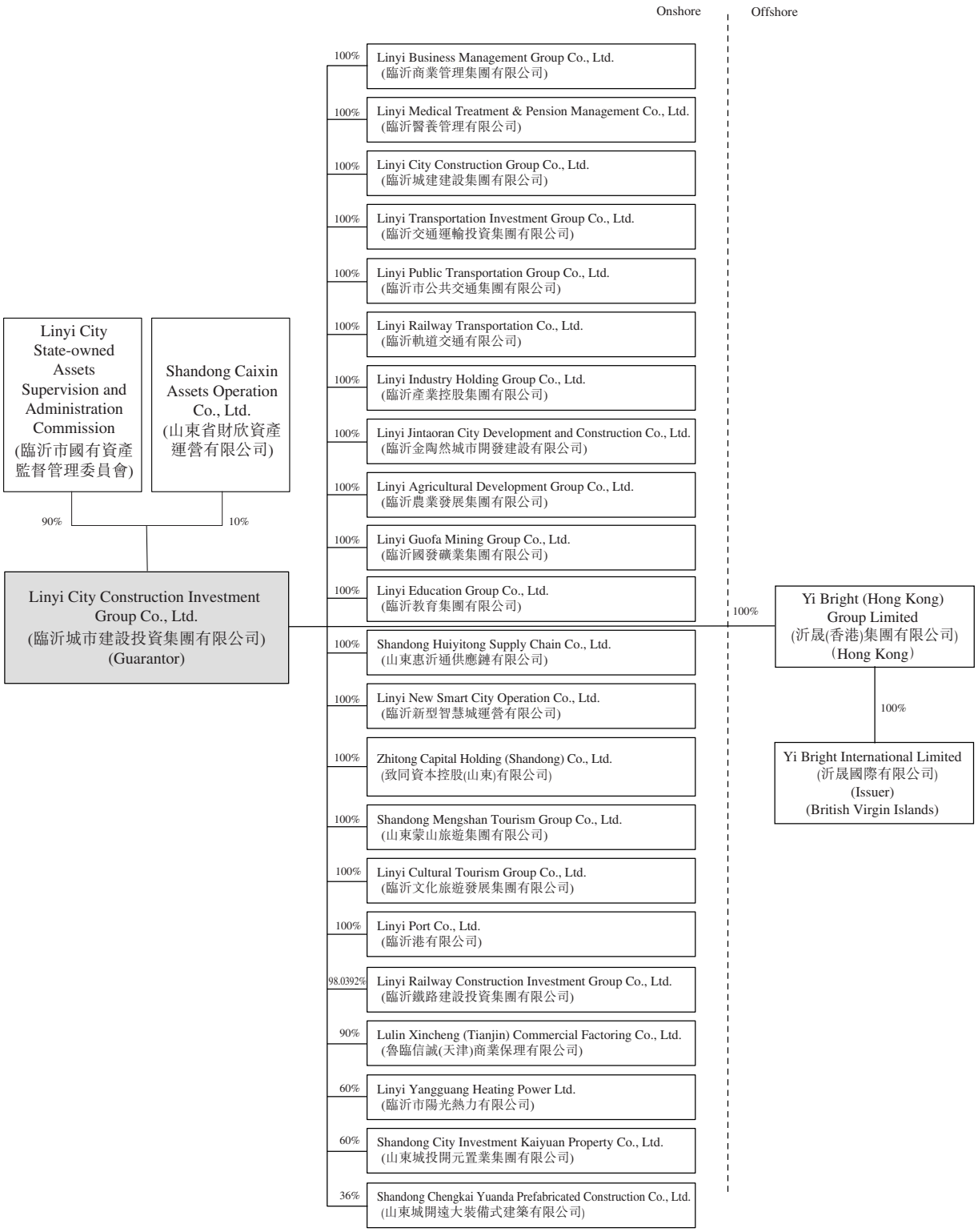
Value Chain	Sector	Business Plan and Business Goal
Supply Chains	Supply of goods	Promote the standardization and transparency in the procurement process and reduce the overall cost of goods.
	Supply of services	Integrate the Group's upstream and downstream resources in marketing, property, commence, security and hotel management and provide value-added services to maximise probability.
	Supply of information technology	Focus on the construction and operation of smart city and build capacity to provide full life cycle information technology services.
	Supply of industrial investment	Invest in the development of industrial parks, including national forest products parks, new building materials industrial parks, Tianhe Industrial Park, medical and health care industrial parks.

Continue to acquire and integrate other platforms from the Linyi SASAC, and to improve management efficiency by creating synergies

The Group will continue to grow its balance sheet by acquiring high-quality assets or operating platforms from the Linyi SASAC, so as to streamline its operations and to further increase its capability in terms of corporate management and internal control. The Group is committed to improving management efficiency and achieving intellectual management of the Group's assets. The Group believes the further diversification of its businesses will create synergies between different segments and enhance risk resistance, which will be helpful to support the industry upgrading strategy of Linyi.

CORPORATE STRUCTURE

The following chart presents a simplified corporate structure of the Group as at the date of this Offering Circular:



HISTORY AND DEVELOPMENT

In May 2013, the Company's predecessor, Linyi City Construction Investment Co., Ltd. (臨沂城市建設投資有限公司), was established with the Linyi Municipal Bureau of Finance (臨沂市財政局) as its sole shareholder. The Company was renamed as Linyi City Construction Investment Group Co., Ltd. (臨沂城市建設投資集團有限公司) in June 2013. As at the date of this Offering Circular, the Company has a registered capital of RMB2.0 billion. The following table sets forth the key events in the course of development of the Company and the Group:

Year	Milestone Event
May 2013	The Company's predecessor, Linyi City Construction Investment Co., Ltd. (臨沂城市建設投資有限公司) was established with an initial registered capital of RMB2.0 billion. The Linyi Municipal Bureau of Finance made a capital injection amounting to RMB600.0 million to Linyi City Construction Investment Co., Ltd.
June 2013	The Company changed its name to Linyi City Construction Investment Group Co., Ltd. (臨沂城市建設投資集團有限公司).
	The Company's subsidiary, Linyi City Investment Property Co., Ltd. (臨沂城投地產有限公司) was established.
August 2013	The Company's paid-in capital was increased to RMB1,350.0 million through capital injection by the Linyi Municipal Bureau of Finance.
	The Company's subsidiary, Shandong City Investment Kaiyuan Property Co., Ltd. (山東城投開元置業集團有限公司) was established. The Company started to develop real property business.
May 2014	The Company's paid-in capital was increased to approximately RMB1,483.3 million through capital injection by the Linyi Municipal Bureau of Finance.
July 2014	The Company's paid-in capital was increased to approximately RMB1,526.3 million through capital injection by the Linyi Municipal Bureau of Finance.
November 2014	The Company and Shandong Kaiyuan Wood Industry Co., Ltd. (山東凱源木業有限公司) jointly made capital contribution to form Shandong QUKA Decoration New Materials Co., Ltd. (山東俏家裝飾新材料有限公司), which produces particleboard.
December 2014	The Company's paid-in capital was increased to approximately RMB1,580.0 million through capital injection by the Linyi Municipal Bureau of Finance.
January 2015	The Company's subsidiary, Linyi Yangguang Heating Power Ltd. (臨沂陽光熱力有限公司) was established. The Company started to develop its heating and electricity business.

Year	Milestone Event
April 2015	The Company's paid-in capital was increased to approximately RMB2.0 billion through capital injection by the Linyi Municipal Bureau of Finance.
September 2016	The Company made capital contributions of RMB3,298.7 million to Lu Nan High-speed Railway Co., Ltd. (魯南高速鐵路有限公司) and participated in the construction and operation of Rilan High Speed Railway (日蘭高速鐵路).
November 2017	Linyi West Heating Supply Centre Project (臨沂西部供熱中心項目), constructed by the Group, was the only project in Shandong Province that was awarded the National Construction Work (Luban) (2017-2018年度中國建設工程魯班獎) for 2017-2018.
December 2017.	The North Station of Linyi High Speed Railway (臨沂高鐵北站) Project that the Company contracted to build kicked off comprehensively.
January 2018	The Company's subsidiary, Lulin Xincheng (Tianjin) Commercial Factoring Co., Ltd. (魯臨信誠(天津)商業保理有限公司) was established. The Company started to develop its factoring business.
August 2018	With the approval of the Linyi Municipal Government, the Linyi Municipal Bureau of Finance transferred 100 per cent. of its equity interests in the Company to Linyi SASAC, which became the sole equity holder of the Company.
December 2019.	Linyi SASAC transferred 100 per cent. of its equity interests in Linyi Guofa Mining Group Co, Ltd. (臨沂國發礦業集團有限公司) to the Company.
March 2020	The Company's subsidiary, Linyi New Smart City Operation Co., Ltd. (臨沂新型智慧城運營有限公司) was established. The Company started to integrate information and intelligent digital business.
September 2020	Shandong Huiyitong Supply Chain Co., Ltd. (山東惠沂通供應鏈有限公司) was established. The Company started to develop centralized procurement and expand education and agricultural sectors.
December 2020.	Zhitong Capital Holding (Shandong) Co., Ltd. (致同資本控股(山東)有限公司) was established. The Company started to strengthen capital operation.
February 2021.	Linyi Business Management Group Co., Ltd. (臨沂商業管理集團有限公司) was established.
April 2021	Linyi SASAC transferred 10 per cent. of its equity interests in the Company to Shandong Caixin Assets Operation Co., Ltd. (山東省財欣資產運營有限公司).

RELATIONSHIP WITH THE LINYI SASAC

The Company is a state-owned enterprise owned by Linyi SASAC, which is part of the Linyi Municipal Government. As a leading state-owned enterprise based in Linyi, the Group has extensive connections with the Linyi Municipal Government and other entities directly or indirectly controlled by it. The Group has been commissioned by the Linyi Municipal Government and other local governmental entities and agencies to participate in a great number of public projects, such as the construction and development of municipal infrastructures in Linyi.

Notwithstanding the Company's extensive connections with the Linyi Municipal Government and other entities controlled by it, the various social and community functions performed by the Company and the financial support provided by the Linyi Municipal Government to the Company, the Company is not part of the government. It is operationally and financially separated from the Linyi Municipal Government. Its functions and departments are separate from those of the government and do not share any premises with the Linyi Municipal Government. Even though the senior management personnel and a majority of the board of directors of the Company are appointed by Linyi SASAC, they are not government officers and do not have any employment outside of the Group. The Company has its own budget and financial reporting system and its assets and liabilities are separate from those of the Linyi Municipal Government. The Linyi Municipal Government as the ultimate equity holder of the Company is only responsible for the liability of the Company up to the limit of its equity contribution to the Company. Neither the Linyi Municipal Government nor any other PRC governmental entity has any payment or other obligations under the Bonds or the Trust Deed and they will not provide guarantee of any kind for the Bonds. The Bondholders do not have any recourse against the Linyi Municipal Government or any other PRC governmental entity in respect of any obligation arising out of or in connection with the Bonds or the Trust Deed. The Bonds are solely to be repaid by the Company and the obligations of the Company under the Bonds or the Trust Deed shall solely be fulfilled by the Company as an independent legal person. This position has been reinforced by the MOF Circular 23 and the Joint Circular 706. However, neither of these Circulars prohibits the PRC government from providing support (in various forms including capital injection and subsidies, but excluding injecting any kinds of public assets and land reserves as the Group's assets) to the Group in its ordinary course of business in compliance with PRC laws and regulations. The detailed description of the connections between the Company and the Linyi Municipal Government in this Offering Circular does not imply in any way any explicit or implicit credit support of the Linyi Municipal Government in respect of the Bonds, the repayment of which remains the sole responsibility of the Company. See also the risk factors entitled "*A reduction or discontinuance of government support could materially and adversely affect the Group's business, financial condition and results of operations*" and "*Linyi SASAC and Linyi Municipal Government may exert significant influence on the Group, and could cause the Group to make decisions or modify the scope of its operations, or impose new obligations on the Group, which may not be in the Group's best interests or may not maximise the Group's profits*" in the section entitled "*Risk Factors — Risks relating to the Group's Business*".

DESCRIPTION OF THE GROUP'S BUSINESS

Overview

The Group is the largest government investment and financing platform in Linyi by assets and revenues. Since its establishment in May 2013, the Group has been focusing on municipal development in Linyi and developed a diversified business portfolio in recent years. Over the years, the Group has expanded its business in municipal construction, real estate development, transportation, green energy, wood products manufacturing and affordable housing construction in Linyi. In addition, the Group also engages in cultural tourism, medical and health care, new energy industry, commercial factoring, prefabricated building manufacturing, and resources development businesses to supplement its main business segments.

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

	Years ended 31 December					
	2018		2019		2020	
	Amount (RMB in millions)	*% of total*	*Amount (RMB in millions)*	*% of total*	*Amount (RMB in millions)*	*% of total*
Municipal Construction	892.0	20.3	—	—	—	—
Real Estate Development	719.9	16.4	851.2	18.5	1,267.7	23.8
Transportation	1,233.7	27.8	1,289.8	28.1	841.0	15.8
Green Energy	1,029.3	23.4	860.7	18.7	813.1	15.3
Wood Products Manufacturing	254.6	5.8	1,085.2	23.6	1,391.6	26.1
Water Supply [(1)]	115.4	2.6	—	—	—	—
Affordable Housing Construction	—	—	—	—	603.3	11.3
Other Businesses [(2)]	161.3	3.7	505.0	11.0	408.2	7.7
Total operating income	**4,396.1**	**100.0**	**4,591.9**	**100.0**	**5,324.8**	**100.0**

(1) Pursuant to the *Notice on the Transfer of Certain State-owned Property Rights to Linyi City Development Group Co., Ltd.* issued by Linyi SASAC on 2 December 2019, the Group transferred 100 per cent. of its equity interests in Linyi Water Group Co., Ltd. to Linyi City Development Group Co., Ltd. on 23 December 2019. The Group ceased to operate its water supply business following the share transfer.

(2) The Group's other businesses including cultural tourism, medical and health care, new energy industry, commercial factoring, prefabricated building manufacturing, and resources development.

For the years ended 31 December 2018, 2019 and 2020, total operating income from the Group's business operation was RMB4,396.1 million, RMB4,591.9 million and RMB5,324.8 million, respectively. As at 31 December 2018, 2019 and 2020, total assets of the Group were approximately RMB50.3 billion, RMB59.7 billion and RMB71.7 billion, respectively.

Municipal Construction

Overview

The Group is the core municipal construction entity in Linyi primarily focusing on the investment, construction and development of municipal infrastructure projects in Linyi. The Group's municipal construction business includes infrastructure construction, shantytown redevelopment and land sales. The Group conducts its municipal construction business mainly through its subsidiaries, namely Linyi Public Housing Management Co., Ltd., Linyi Industry Holding Group Co., Ltd. and Linyi Train Station Construction and Development Co., Ltd.

For the years ended 31 December 2018, 2019 and 2020, operating income generated from the Group's municipal construction business was RMB892.0 million, nil and nil, respectively, representing 20.3 per cent., nil and nil, respectively, of the Group's total operating income for the same periods. For the years ended 31 December 2019 and 2020, operating income generated from the Group's municipal construction business was nil primarily due to the inherent time lag between investment and revenue recognition of construction projects.

Infrastructure Construction

Overview

Over the years, the Group has undertaken and completed a number of major infrastructure construction projects in Linyi, including the Linyi High Speed Railway Area (臨沂高鐵片區), Yimeng Revolutionary Memorial Hall (沂蒙革命紀念館), Linyi Yi River West Outer Ring Overpass (臨沂市沂河西外環立交橋) and Taoran Street Yi River Bridge Project (陶然路沂河大橋項目). Specifically, the Linyi High Speed Railway Area (臨沂高鐵片區) construction project was designated as the top priority project in Linyi by the Linyi Municipal Government, where the Group has undertaken multiple infrastructure construction projects, including among others, the construction of Linyi North Station Integrated Transportation Hub (臨沂北站綜合交通樞紐工程) and its ancillary projects, municipal roads within the area and their ancillary projects, as well as the construction of schools, communities, fitness centres and hospitals. During the years ended 31 December 2018, 2019 and 2020, the Group had completed 81 infrastructure construction projects with a total investment amount of approximately RMB7,906.4 million. As at 31 December 2020, the Group had 32 infrastructure construction projects under construction with a total estimated investment of approximately RMB17,777.4 million. As at 31 December 2020, the Group had 12 infrastructure construction projects under planning with a total estimated investment of RMB15,900.0 million.

Business Model

The Group's infrastructure construction projects are conducted primarily through private funding method.

Under the private funding method, the Group is responsible for the financing of the municipal infrastructure projects, which is performed through the use of self-raised funds and external funds. Upon completion of the construction, the Group will continue to operate the municipal infrastructure projects.

Prior to 2019, the Group's infrastructure construction projects were primarily conducted through the agent construction method. Under the agent construction method, details of the infrastructure construction projects (such as the scope of work and the calculation of payment amount) are typically set out in an agent construction agreement between the Group and the Linyi Municipal Bureau of Finance, on behalf of the Linyi Municipal Government. The Group is typically responsible for the financing of the municipal infrastructure projects, which is performed through the use of self-raised funds and external funds. Upon completion of the construction, the Group will hand over the entire project to the party designated by the Linyi Municipal Government. In accordance with the agent construction agreement, the Group will, for each infrastructure construction project, be entitled to a sum amount of the project cost incurred plus a premium of a certain percentage of the project cost incurred. The Group has ceased to conduct its infrastructure construction projects under this method.

Project Description

- Completed Projects

During the years ended 31 December 2018, 2019 and 2020, the Group had completed 81 infrastructure construction projects with a total investment amount of approximately RMB7,906.4 million. The particulars of the ten largest completed infrastructure construction projects in terms of total investment amount are set forth below:

Project	**Year of Commencement**	**Year of Completion**	**Total Investment[(1)]**
			(RMB in millions)
East Outer Ring Project (東外環工程).	2014	2018	1,663.0
Jiangquan Overpass (江泉高架).	2014	2018	1,000.0
Linyi No. 1 Middle School North Campus (臨沂一中北校區)	2014	2018	619.0
Nanjing Road Yi River Bridge (南京路沂河橋)	2014	2018	610.0
Xi'an Road Beng River Bridge Project (西安路祊河橋工程)	2014	2018	506.0

Project	Year of Commencement	Year of Completion	Total Investment[1]
			(RMB in millions)
S341 Taoping Line West Extension Project (S341濤坪線西延工程)	2014	2020	461.7
Yihe River Landscape Greening Improvement Project (沂河景觀綠化提升工程)	2014	2020	325.7
Kailuo Bridge (開羅大橋)	2014	2018	260.0
New Campus of Linyi Sports School (臨沂市體育運動學校新校區)	2014	2020	249.5
2014 Linyi Central District Drainage Project Phase I (2014年臨沂中心城區排水工程一期)	2014	2020	188.7
Total			**5,883.6**

(1) Represents the actual amount that has been invested, which is based on the Group's internal record.

• Projects under Construction

As at 31 December 2020, the Group had 32 infrastructure construction projects under construction with a total estimated investment of approximately RMB17,777.4 million. The particulars of the ten largest infrastructure construction projects under construction in terms of total estimated investment amount are set forth below:

Project	Year of Commencement	Expected Year of Completion	Total Estimated Investment[1]
			(RMB in millions)
Linyi Olympic Sports Centre (臨沂奧體中心)	2020	2023	7,661.6
Taoran Road Express Road Construction Project (陶然路快速路建設工程)	2020	2021	3,294.0
High-speed Rail Area Road Infrastructure Project (高鐵片區道路基礎設施項目)	2019	2022	2,272.0
Linyi Health Care Centre (臨沂康養護理中心)	2020	2022	1,225.6
Linyi City Yimeng Road Underpasses Yanshi Railway Flyover Project (臨沂市沂蒙路下穿兗石鐵路立交橋工程)	2020	2021	690.0
CCCC Construction Technology Industrial Park (中交建築科技產業園)	2020	2021	400.0
Linyi Station Passenger Transport Facilities Renovation Project (臨沂站客運設施改造項目)	2017	2021	377.4

Project	Year of Commencement	Expected Year of Completion	Total Estimated Investment[1]
			(RMB in millions)
Linyi High-speed Railway Area Urban Drainage Project (臨沂市高鐵片區城市排水工程)	2020	2021	200.0
Linyi High-speed Railway Area Power Relocation Project (臨沂市高鐵片區電力遷改項目)	2020	2022	161.0
Linyi Chengnan District Cultural and Sports Centre (臨沂城南片區文化體育中心)	2020	2021	160.0
Total			**16,441.6**

(1) Represents the estimated total cost to be incurred for the project. The actual cost incurred upon completion may differ from the estimation.

• Projects under Planning

As at 31 December 2020, the Group had 12 infrastructure construction projects under planning with a total estimated investment of RMB15,900.0 million. The particulars of the five largest infrastructure projects under planning in terms of total estimated investment amount are set forth below:

Project	Expected Year of Commencement	Expected Year of Completion	Total Estimated Investment[1]
			(RMB in millions)
Yihe Road Quick Reconstruction Project (沂河路快速化改造工程)	2021	2020	4,427.3
Linyi Urban Investment Business School (臨沂城投商學院)	2021	2023	3,000.0
Building Materials Industrial Park (建材產業園)	2021	2024	1,800.0
Linyi North Station Building, Second Channel of Beijing-Shanghai Expressway (京滬高速二通道臨沂北站站房)	2022	2025	1,800.0
Tianhe Industrial Park (天河產業園)	2021	2023	1,500.0
Total			**12,527.3**

(1) Represents the estimated total cost to be incurred for the project. The actual cost incurred upon completion may differ from the estimation.

Shantytown Redevelopment

Overview

The Group has also engaged in shantytown redevelopment business under its municipal construction business. During the years ended 31 December 2018, 2019 and 2020, the Group had completed two shantytown redevelopment projects with a total investment of approximately RMB13.7 billion.

Business Model

The Group's shantytown redevelopment projects are conducted under the general contracting model, where details of the shantytown redevelopment projects (such as the scope of work and the calculation of payment amount) are typically set out in a general contracting agreement or a contracting service agreement between the Group and the Linyi Municipal Government or other relevant governmental agencies. The Group is responsible for financing, constructing and delivering projects to the Linyi Municipal Government within an agreed timetable in accordance with prescribed specifications. Upon completion, inspection and acceptance of the shantytown redevelopment project by the Linyi Municipal Government, the Group will be entitled to a sum amount of the project cost incurred plus a premium thereon at a pre-fixed rate. Such payable amount will be paid by the Linyi Municipal Government in instalments, usually with over a period of five years.

Project Description

During the years ended 31 December 2018, 2019 and 2020, the Group had completed two shantytown redevelopment projects with a total investment of approximately RMB13.7 billion. The particulars of the project are set forth below:

Project	**Year of Commencement**	**Year of Completion**	**Total Investment[(1)]**
			(RMB in millions)
Northern City New District Phase II Area Development Project (北城新區二期片區開發項目)	2014	2018	9,694.0
Train Station Area Development Project (火車站片區開發項目)	2014	2018	3,956.0
Total			**13,650.0**

(1) Represents the actual amount that has been invested, which is based on the Group's internal record.

Land Sales

The Group also engaged in land sales business under its municipal construction business. Since 2018, the Group no longer conducts land sales business.

Real Estate Development

Overview

The Group's real estate business includes the investment, construction and development of commercial real estate projects. The Group conducts its real estate development business through its wholly-owned subsidiary, Linyi City Investment Property Co., Ltd, and its holding subsidiary, Shandong City Investment Kaiyuan Property Co., Ltd. All of the Group's real estate projects under construction are located in the core area of Linyi, including Linyi city, Fei County (費縣) and Yinan County (沂南縣). During the years ended 31 December 2018, 2019 and 2020, the Group had completed three commercial real estate projects with a total investment of approximately RMB2,318.0 million. As at 31 December 2020, the Group had six commercial real estate projects under construction with a total estimated investment of approximately RMB9,663.0 million and three commercial real estate projects under planning with a total estimated investment of RMB6,298.2 million. The Group also possesses a large volume of land reserves with premium locations, including the Northern City New District in Linyi (臨沂市北城新區), Linyi Economic and Technological Development Zone (臨沂市經濟技術開發區) and Linyi High-tech Zone (臨沂市高新區). As at 31 December 2020, the Group's land reserves amounted to a total GFA of approximately 5.37 sq.km. For the years ended 31 December 2018, 2019 and 2020, operating income generated from the Group's real estate development business was RMB719.9 million, RMB851.2 million and RMB1,267.7 million, respectively, representing 16.4 per cent., 18.5 per cent. and 23.8 per cent., respectively, of the Group's total operating income for the same periods.

Business Model

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

- *Land Acquisition:* The Group acquires the land use rights for residential property development through public tenders, auctions or listings-for-sale on the land exchanges.

- *Project Financing:* The Group finances its property development projects by relying primarily on internal funds, internally generated cash flows (including proceeds from the pre-sale and sale of properties), project loans and other financing facilities from banks and proceeds from debt issuances in onshore capital markets.

- *Project Planning and Design:* The Group is responsible for forming the development plan of each project and for communicating with third-party architectural and interior design institutions who the Group engages to design its property development projects.

- *Construction:* The Group normally outsources its project construction work to independent construction companies, which are normally selected through a statutory tender process. When selecting contractors, the Group considers construction contractors' reputation, track records in similar projects, creditworthiness, technical capabilities, proposed construction blueprint and price. The construction companies carry out various types of work, including foundation digging, construction, equipment installation, internal decoration and various engineering work. The construction contracts which the Group enters into with construction companies normally contain warranties with respect to quality and timely completion of the construction projects. In the event of a delay in construction or unsatisfactory workmanship, the Group may require the construction companies to rectify the defects at their expense or to pay compensation.

- *Project Supervision and Quality Control:* The Group has quality control procedures in place in its various functional divisions and established stringent internal control guidelines which apply to the quality of materials used in its property development projects.

- *Pre-sale:* The Group normally pre-sells properties prior to completion of its construction. Under applicable PRC laws, the Group must comply with certain conditions to obtain the pre-sale permit (商品房預售許可證) for a particular property, including but not limited to: (a) the land premium must have been fully paid and the relevant land use rights certificates must have been obtained; (b) the construction land planning permit, construction works planning permit and the construction works commencement permit must have been obtained; (c) the capital injected into the development of a property for pre-sale must not be less than 25 per cent. of the total amount invested in the project and the progress; (d) the expected completion date and the delivery date of the construction work must have been confirmed; and (e) pre-sale permits must have been obtained from the county-level or above construction bureau or property administration authority. While the pre-sale of properties generates positive cash flow in the period in which it is made, the Group must place such proceeds in escrow accounts. Before the completion of the pre-sold properties, the proceeds in escrow accounts may only be used to purchase construction materials and equipment, make interim construction payments and pay taxes, subject to prior approval from the relevant local authorities. No sales revenue is recognised in respect of such property until the relevant property is delivered to the purchaser.

- *Delivery of Properties:* The timetable for delivery is set forth in the purchase agreements entered into with the purchasers of the Group's properties. Once property project or project phase has passed the requisite inspections and obtained the certificate of completion, the Group will notify its purchasers in respect of delivery.

- *Payment Arrangements:* Purchasers, including purchasing pre-sale properties, normally purchase the Group's properties through lump sum payments or through mortgage loans. If a purchaser chooses to pay by lump sum payment, such purchaser is required to fully settle the purchase price shortly after the date of the execution of the purchase agreement. If a purchaser chooses to pay by mortgage payment, such purchaser is required to pay a deposit upon signing of a preliminary purchase agreement. If the purchaser later decides not to enter into a formal purchase agreement, they will forfeit such deposit.

Project Description

- *Completed Projects*

During the years ended 31 December 2018, 2019 and 2020, the Group had completed three commercial real estate projects with a total investment of approximately RMB2,318.0 million. The particulars of the projects are set forth below:

Project	Year of Commencement	Year of Completion	Total GFA	Saleable GFA	Total Investment[1]	Payment Schedule in Next Three Years		
						2021	2022	2023
			(sq.m.)			*(RMB in millions)*		
City Development Shoufu (城開首府)	2016	2020	388,900	307,900	1,618.0	100.0	111.8	111.8
City Development East Bank (excluding No. 15 Commercial Building) (城開東岸 (不含15號商務樓))	2015	2018	238,000	207,000	700.0	20.0	0.0	0.0
Linshu Garden Phase III (臨沭花園小區三期)	2017	2020	60,900	N/A	N/A	N/A	N/A	N/A
Total			**687,800**	**514,900**	**2,318.0**	**120.0**	**111.8**	**111.8**

(1) Represents the actual amount that has been invested, which is based on the Group's internal record.

• *Projects under Construction*

As at 31 December 2020, the Group had six commercial real estate projects under construction with a total estimated investment of approximately RMB9,663.0 million. The particulars of the projects are set forth below:

Project	Year of Commencement	Expected Year of Completion	Total GFA	Saleable GFA	Total Estimated Investment[1]	Payment Schedule in Next Three Years		
						2021	2022	2023
			(sq.m.)			*(RMB in millions)*		
City Investment Liuqingxiyue (城投 — 柳青璽悅)	2018	2022	377,400	307,468	2,375.0	249.0	213.0	—
City Development Yufu (城開禦府)	2018	2021	310,000	229,300	1,403.0	400.0	425.7	294.2
City Development Shangfu (城開上府)	2019	2022	173,000	146,400	874.0	500.0	348.4	0.0
City Development Yuefu (城開悅府)	2019	2022	73,000	62,100	300.0	80.0	140.2	188.0
Home-based Eldercare Centre — Treatment and Pension Company (居家養老中心 — 醫養公司)	2019	2023	204,800	141,612	1,959.0	351.0	357.0	151.0
Innovation Industrial Park — Railway Station Company (創意產業園 — 火車站公司)	2019	2023	295,200	190,364	2,752.0	706.0	673.0	116.0
Total			**1,433,400**	**1,077,244**	**9,663.0**	**2,286.0**	**2,157.3**	**749.2**

(1) Represents the estimated total cost to be incurred for the project. The actual cost incurred upon completion may differ from the estimation.

• *Projects under Planning*

As at 31 December 2020, the Group had three commercial real estate projects under planning with a total estimated investment of RMB6,298.2 million. The particulars of the project are set forth below:

Project	Expected Year of Commencement	Expected Year of Completion	Total Estimated Investment[(1)]
			(RMB in millions)
Economic Development Zone Wangqiao Lot (City Investment Bishuiyinshan Project) (經開區王橋地塊(城投 — 碧水銀杉項目))	2021	2025	2,104.1
B42 Project (Meidi City Project) (B42項目(美的城項目))	2021	2024	2,587.2
B69 Project (Future Ark) (B69項目(未來方舟項目))	2022	2025	1,606.9
Total			**6,298.2**

(1) Represents the estimated total cost to be incurred for the project. The actual cost incurred upon completion may differ from the estimation.

Transportation

Overview

The Group is the sole operating entity conducting the transportation business in Linyi. The Group operates its transportation business through certain of its subsidiaries, including Linyi Railway Construction Investment Group Co., Ltd., Linyi Public Transportation Group Co., Ltd. and Linyi Transportation Investment Group Co., Ltd. The Group's transportation segment mainly consists of three sub-segments, namely, railway construction investment, city bus transportation service and intercity passenger transportation service. The Group also participates in other operating activities to supplement its transportation business, including toll bridge operations and vehicle inspection operations. The Group generates operating income from its transportation business mainly through fees collected for the city bus transportation service and the intercity bus transportation service.

For the years ended 31 December 2018, 2019 and 2020, operating income generated from the Group's transportation business was RMB1,223.7 million, RMB1,289,8 million and RMB841.0 million, representing 27.8 per cent., 28.1 per cent. and 15.8 per cent., respectively, of the Group's total operating income for the same periods.

Railway Construction Investment

Overview

The Group undertakes the investment and construction of the railway and the comprehensive development of the railway district (鐵路片區) through its subsidiary Linyi Railway Construction Investment Group Co., Ltd. by entering into a joint venture with China State Railway Group Co., Ltd. (中國國家鐵路集團有限公司) and Shandong Railway Construction Investment Co., Ltd. (山東鐵路建設投資有限公司). The Group is mainly responsible for the construction and operation of Rilan High Speed Railway and the comprehensive development of the railway district of Rilan High Speed Railway, Linyi section (日蘭高速鐵路臨沂段).

Business Model

The source of funding for the Group's railway construction investment business includes dividend distributions by Lunan High Speed Railway Co., Ltd. (魯南高速鐵路有限公司), in which Linyi Railway Construction Investment Group Co., Ltd., a subsidiary of the Company, holds 9.92 per cent. equity interests, the Group's self-fund and external fund borrowing from financial institutions. The Group also established a high speed railway fund to support the comprehensive development of the railway district and the resettlement of local residents in areas affected by the construction of the high speed railway in Linyi. The Group outsources most of the construction work to third-party contractors. The Group is generally responsible for the financing of the construction of the railway and railway district in Linyi and monitors the construction progress by third-party contractors. Such contractors may engage subcontractors for specific processes and manages the construction progress and the subcontractors to ensure the completion of the construction project in a timely and efficient manner as well as according to pre-agreed price and scope of work as set out in the outsourcing contracts with the Group.

Projects Description

As at 31 December 2020, the Group had one railway construction project under planning. The table below sets forth details of such project as at 31 December 2020.

Project	**Expected Year of Commencement**	**Expected Year of Completion**
Beijing — Shanghai High Speed Railway Second Route (Station Building, Station Square and Other Ancillary Infrastructure) (京滬高鐵二線 (站房、站前廣場及其他配套))	2022	2023

City Bus Transportation Service

Overview

The Group operates its city bus transportation service through its wholly-owned subsidiary, Linyi Public Transportation Group Co., Ltd., which is the sole public transportation operator within Linyi undertaking the city bus transportation and the vehicle examination services. The Group provides city bus transportation service in Linyi. For the three years ended 31 December 2018, 2019 and 2020, the Group operated 108, 109 and 118 city bus routes with a fleet of 2,385, 2,248 and 1,975 buses in operation, respectively. For the years ended 31 December 2018, 2019 and 2020, the Group's vehicles operated a total of approximately 72.7 million km., 73.2 million km. and 56.0 million km., respectively.

The following table sets forth details of the Group's city bus transportation operation for the periods indicated:

	For the years ended 31 December		
Project	**2018**	**2019**	**2020**
Number of routes	108	109	118
Kilometres operated (million km.)	72.7	73.2	56.0
Number of passengers carried (million)	84.6	91.5	44.7
Number of buses operated	2,385	2,248	1,975

Business Model

The Group's operating income generated from its city bus transportation business are mainly bus fares charged on passengers and government subsidies. Bus fares in Linyi are valorised by the government pricing for public products and stipulated to be RMB2.0 per person (one-way). Passengers can also pay bus fares through pre-charged IC cards, which allow regular passengers and primary and secondary school students to receive a 15 per cent. discount and a 50 per cent. discount, respectively, on an ordinary one-way ticket fare. Senior citizens aged 60 or above, disabled veterans and passengers are free of charge when taking city buses. The Group also receives annual government subsidies from the Linyi Municipal Government for its operation of city bus transportation service in Linyi.

Intercity Passenger Transportation Service

Overview

The Group is the sole intercity passenger transportation service provider in Linyi. It conducts its intercity passenger transportation business through its wholly-owned subsidiary Linyi Transportation and Logistics Investment Group Co., Ltd., which mainly engages in the operation of intra-city, intercity and inter-province passenger transportation service and bus stations in Linyi

and nearby counties. The Group operates its intercity passenger transportation service in the downtown area of Linyi and nearby counties including Tancheng County (郯城縣), Cangshan County (蒼山縣), Pingyi County (平邑縣) and Yishui County (沂水縣). The Group also engaged in the operation of taxi and car rental business, the sale of gas and auto repair business in Linyi to supplement its intercity passenger transportation business. As at 31 December 2020, the Group operated a total of 318 passenger vehicle routes with a fleet of 583 passenger vehicles. The following table sets out the details of the Group's intercity passenger transportation operation for the periods indicated:

	For the years ended 31 December		
	2018	**2019**	**2020**
Number of routes	325	323	318
Number of passenger vehicles	998	691	583
Number of freight vehicles	26	13	11
Annual number of passengers carried (thousand)	10,591	10,088	2,775
Daily number of passengers carried (thousand)	29	28	8

Business Model

The Group's operating income generated from its intercity passenger transportation service from the operations of passenger transportation services and from annual government subsidies. While the Group was granted the rights to operate intercity passenger transportation routes by the relevant local government, it outsources the operation of the intercity passenger transportation routes to other passenger transportation operators by entering into a service agreement with them, where details of the service to be rendered (such as the types of vehicles to be used, operation details of the routes and the calculation of payment amount) are set out.

Others

Vehicle Inspection Operations

The Group conducts its vehicle inspection operations through its wholly-owned subsidiaries Linyi Motor Vehicle Inspection Co., Ltd., which was designated as the entity responsible for the comprehensive motor vehicle inspection, motor vehicle safety inspection and motor vehicle emission inspection.

Green Energy

Overview

The Group is one of the main entities providing green energy service in Linyi. The Group's green energy business involves the provision of heating service and electricity service, of which heating service is the primary source of revenue. The Group mainly engages in the investment, development and operation of Linyi West Heating Supply Centre Project Phase I (臨沂西部供熱中心項目一期) (the "**Heating Project**") through its subsidiary, namely Linyi City Yangguang Heating Power Ltd. The implementation of the Heating Project was authorised by the Linyi Municipal Government aiming to provide central heating through the heating network (供暖管網) in the western new city of Linyi (臨沂市西部新城) and to alleviate problems relating to residential heating, energy waste and air pollution. The construction of the Heating Project commenced in March 2015 and was completed in January 2016 with a total investment of approximately RMB900.0 million. The Group also engages in electricity power generation. For the years ended 31 December 2018, 2019 and 2020, the Group generated 0.697 TWh, 0.615 TWh and 0.599 TWh of electricity, respectively, and generated 13.0 million GJ, 12.2 million GJ and 10.9 million GJ of heating power, respectively.

For the years ended 31 December 2018, 2019 and 2020, operating income generated from the Group's green energy service was approximately RMB1,029.3 million, RMB860.7 million and RMB813.1 million, representing 23.4 per cent., 18.7 per cent. and 15.3 per cent., respectively, of the Group's total operating income for the same periods.

The table below sets forth certain operational data about the Group's green energy service for the periods indicated:

	For the years ended 31 December		
	2018	**2019**	**2020**
Heating			
Volume generated (GJ)	13,050,000.0	12,234,300.0	10,892,800.0
Electricity			
Volume generated (TWh)	0.697	0.615	0.599
On-grid volume (TWh)	0.560	0.495	0.487
Volume sold (TWh)	0.554	0.502	0.489

Business Model

The Group primarily generates its operating income from utility fees of the green energy service that the Group provides. As at 31 December 2020, the heating fees charged by the Group are RMB180.0 per tonne for service at night and RMB200.0 per tonne for service during daytimes, both of which are collected through pre-charged billing systems. The electricity fees are collected monthly at RMB0.3999 per KWh on average. The major cost of the Group's green energy service

is the purchase of coal, which is a solid fuel burnt by coal-fired power plants to generate electricity. Coal for the Group's coal-fired plants is primarily sourced from third-party coal suppliers in local area, with which the Group has entered into coal supply agreements to ensure stable supply of the fuel.

Wood Products Manufacturing

Overview

The Group engages in wood products manufacturing business through its joint venture companies, Shandong TSRS Home Science & Technique Co., Ltd. (山東泰森日盛家居科技有限公司) and Shandong QUKA Decoration New Decoration Materials Co., Ltd., in which the Group's holds 43.7 per cent. and 46 per cent. equity interests, respectively. The Group's wood products manufacturing business involves the research and development, manufacture and sales of wooden furniture and home decoration materials.

For the years ended 31 December 2018, 2019 and 2020, operating income generated from the Group's wood products manufacturing business was RMB254.6 million, RMB1,085.2 million and RMB1,391.6 million, respectively, representing 5.8 per cent., 23.6 per cent. and 26.1 per cent., respectively, of the Group's total operating income for the same periods. The increase in operating income generated from the Group's wood products manufacturing business in 2019 was primarily attributable to the establishment of a new production base by Shandong TSRA Home Science & Technique Co., Ltd. and Shandong QUKA Decoration New Decoration Materials Co., Ltd. in 2019, which increased the Group's production capacity.

Wooden Furniture

The Group's wooden furniture includes door, cupboard, cabinet, closet, doorframe and wallboard, which are custom-made for high-end rental apartments developed and managed by leading real estate developers in China. As at 31 December 2020, the Group set up two production bases for wooden furniture, with an annual production capacity of approximately two million doors, 400 thousand cupboards and closets and 100,000 sq.m. of wallboard. As at the same date, the Group had operated 35 furniture outlets, which were located in major cities across China, including Beijing, Shanghai, Guangzhou and Shenzhen.

Home Decoration Materials

The Group's home decoration materials mainly include different types of fibreboard, such as particleboard and oriented strand board, as well as decorative panel and impregnated paper. The Group is a leading manufacturer of fibreboard in China. In particular, the Group is the only manufacturer which produces eco-friendly fibreboard in Linyi. As at 31 December 2020, the Group set up one production base for home decoration materials, with an annual production capacity of approximately 200 thousand cubic metre.

Affordable Housing Construction

Overview

The Group's affordable housing construction business primarily involves providing affordable housing for local residents resettled for the development of the Linyi High Speed Railway Area. The Group conducts its affordable housing construction business through its wholly-owned subsidiary, Linyi Train Station Construction and Development Co., Ltd. (臨沂火車站建設開發有限公司). During the years ended 31 December 2018, 2019 and 2020, the Group had completed one affordable housing construction project with a total investment of approximately RMB638.0 million. As at 31 December 2020, the Group had one affordable housing construction project under construction with a total estimated investment of approximately RMB1,377.0 million and 12 affordable housing construction projects under planning with a total estimated investment of RMB16,833.0 million. For the years ended 31 December 2018, 2019 and 2020, operating income generated from the Group's affordable housing construction business was nil, nil and RMB603.3 million, respectively, representing nil, nil and 11.3 per cent., respectively, of the Group's total operating income for the same periods.

Business Model

The Group's affordable housing construction projects are developed for the resettlement of local residents affected by the development of the Linyi High Speed Railway Area. The Group is responsible for the financing of the projects, which is performed through the use of self-raised funds and external funds. The Group is also responsible for the design, construction, inspection and delivery of the projects in accordance with the construction plans, requirements and procedures formulated by the relevant government entity. Upon completion and satisfactory inspection of an affordable housing construction project, the relevant government entity arranges for payment of the investment costs incurred by the Group. The Group is entitled to certain area attached to such affordable housing, which can be used for the development of commercial properties to be sold by the Group.

Project Description

- *Completed Projects*

During the years ended 31 December 2018, 2019 and 2020, the Group had completed one affordable housing construction project with a total investment amount of approximately RMB638.0 million. The particulars of the completed affordable housing construction project are set forth below:

Project	Year of Commencement	Year of Completion	Total Investment[1]
			(RMB in millions)
Futun Jiayuan (傅屯嘉園)	2015	2020	638.0
Total			**638.0**

(1) Represents the actual amount that has been invested, which is based on the Group's internal record.

- *Projects under Construction*

As at 31 December 2020, the Group had one affordable housing construction project under construction with a total estimated investment of approximately RMB1,377.0 million. The particulars of the affordable housing construction project under construction in terms of total estimated investment amount are set forth below:

Project	Year of Commencement	Expected Year of Completion	Total Estimated Investment[1]
			(RMB in millions)
Xiaohe Garden Area A (J08) (孝河花園A區(J08))	2021	2024	1,377.0
Total			**1,377.0**

(1) Represents the estimated total cost to be incurred for the project. The actual cost incurred upon completion may differ from the estimation.

- *Projects under Planning*

As at 31 December 2020, the Group had 12 affordable housing construction projects under planning with a total estimated investment of RMB16,833.0 million. The particulars of the five largest affordable housing construction projects under planning in terms of total estimated investment amount are set forth below:

Project	Expected Year of Commencement	Expected Year of Completion	Total Estimated Investment[(1)]
			(RMB in millions)
High-speed Rail Project (L01) (高鐵還建項目L01)	2021	2024	2,271.0
High-speed Rail Project (K01) (高鐵還建項目K01)	2021	2024	1,756.0
High-speed Rail Project (J07) (高鐵還建項目J07)	2021	2024	1,674.0
High-speed Rail Project (J10) (高鐵還建項目J10)	2021	2024	1,650.0
High-speed Rail Project (J03) (高鐵還建項目J03)	2021	2025	1,557.0

(1) Represents the estimated total cost to be incurred for the project. The actual cost incurred upon completion may differ from the estimation.

Other Businesses

In addition to its main business segments, the Group also participated in other businesses including cultural tourism, medical and health care, new energy industry, commercial factoring, prefabricated building manufacturing, and resources development to supplement its primary operating activities.

For the years ended 31 December 2018, 2019 and 2020, operating income generated from the Group's other businesses was RMB161.3 million, RMB505.0 million and RMB1,011.5 million, respectively, representing 3.7 per cent., 11.0 per cent. and 19.0 per cent., respectively, of the Group's total operating income for the same periods.

Cultural Tourism

The Group's cultural tourism business involves the integration and development of cultural tourism resources in Linyi, as well as the investment and operation of key cultural tourism projects. The Group engages in cultural tourism business primarily through its subsidiaries, namely Linyi Cultural Tourism Group, Co., Ltd. (臨沂文化旅遊發展集團有限公司) ("**Cultural Tourism Group**"), Shandong Mengshan Tourism Group Co., Ltd. (山東蒙山旅遊集團有限公司) ("**Mengshan Tourism Group**") and Linyi Xingmeng Tourism Development Group Co., Ltd. (臨沂興蒙旅遊開發集團有限公司) ("**Xingmeng**"). Cultural Tourism Group is primarily engaged in providing cultural immersion and education, hotel operation, advertising design and production, cultural and creative product design and sales, and television production. Mengshan Tourism Group largely focuses on the operation of scenic spots. Xingmeng is mainly engaged in the operation and asset management of cultural tourism related projects.

Medical and Health Care

The Group engages in medical and health care business through its subsidiary Linyi Medical Treatment & Pension Management Co., Ltd. (臨沂醫養管理有限公司). Leveraging on the beneficial initiative that the medical and health care industry is designated as one of the key industries in the "Ten Excellent Industries Plan" (十優產業倍增計畫) by the Linyi municipal government, the Group provides elder care service (養老護理) and maternal and child health care service (母嬰護理) and operates high-end physical examination centre (高端體檢中心) by collaborating with the Linyi Municipal People's Hospital (臨沂市人民醫院), Yaduo (Shanghai) Health Management Co., Ltd. (雅朵(上海)健康管理有限公司) and Renhong Health Industry Group Co., Ltd. (仁宏健康產業集團有限公司), respectively.

New Energy Industry

The Group engages in new energy industry through its subsidiary Linyi City Investment Linuo New Energy Co., Ltd. (臨沂城投力諾新能源有限公司) ("**Linuo**"). Leveraging on the capital and technology advantages of Linyi City Investment Group and Linuo, the Group carries out its new energy business by developing distributed photovoltaic power generation (分散式光伏發電) and operating community energy station (社區能源站) and park energy station (園區能源站). The Group has entered into a strategic cooperation agreement with China Tower Corporation Limited (中國鐵塔股份有限公司) ("**China Tower**") by setting up solar photovoltaic power stations with a total electricity generation capacity of 100MW on the roofs of China Tower's communication stations in Shandong Province.

Commercial Factoring

The Group engages in the commercial factoring business through its subsidiary Lulin Xincheng (Tianjin) Commercial Factoring Co., Ltd., which mainly provides factoring services to other sub-segments of the Group, such as wood products manufacturing business, new energy industry and other businesses.

Prefabricated Building Manufacturing

The Group engages in prefabricated building manufacturing business through its subsidiary Shandong Chengkai Yuanda Prefabricated Construction Co., Ltd. (山東城開遠大裝配式建築有限公司). The Group's prefabricated building manufacturing business involves the construction of prefabricated products, including workshops, display rooms, office buildings, dormitories, canteens and other ancillary facilities.

Resources Development

The Group engages in prefabricated building manufacturing business through its subsidiaries Linyi Guofa Mining Group Co., Ltd. (臨沂國發礦業集團有限公司) and Lanling Guofa Mining Co., Ltd. (蘭陵國發礦業有限公司). The Group's resources development business involves the development, mining and processing of mineral resources and limestone.

ENVIRONMENT MATTERS

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

INSURANCE

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

EMPLOYEES

As at 31 December 2020, the Company had 3,591 full-time employees, 831 of which hold bachelor's degree or above. In accordance with the applicable regulations of local governments in regions where the Group has business operations, the Group makes contributions to the pension contribution plan, medical insurance, unemployment insurance, maternity insurance and personal injury insurance. The amount of contributions is based on the specified percentages of employees' aggregate salaries as required by relevant PRC authorities. The Group also makes contributions to an employee housing fund according to applicable PRC regulations. In addition to statutory contributions, the Group provides annual bonuses to employees. The Group enters into an employment contract with each of its employees in accordance with applicable PRC laws. Such contracts include provisions on wages, vacation, employee benefits, training programmes, health and safety, confidentiality obligations and grounds for termination.

LEGAL PROCEEDINGS

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

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

DIRECTORS

The board of directors of the Company consists of seven directors, including one chairman and six directors. The board of directors determines major matters of the Company, and is primarily responsible for, among others, carrying out the shareholder's resolutions, determining operation and investment plans; formulating annual budget plans, profit sharing plans and deficit covering plans, plans for increase or decrease of registered capital and issuance of medium and long-term bonds; drafting plan on merges, spinoffs, changes of corporate forms, winding up and dissolution of the Company; determining internal management structure of the Company and the establishment and dissolution of subsidiaries; appointing, removing and determining the remuneration of senior management; determining the management system of risk assessment, financial control and internal audit; and other responsibilities granted by the Company's shareholder. Each of the directors is appointed for a term of three years, which is renewable upon re-election and re-appointment.

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

Name	Age	Position/Title
Mr. GUAN Enli (管恩犁)	58	Chairman of the board of directors
Mr. XUAN Ruili (玄瑞利)	59	Director and general manager
Mr. WANG Xinhua (王新華)	51	Director and deputy general manager
Mr. LIU Ruifeng (劉瑞峰)	41	Director
Mr. WU Chuanqiang (武傳強)	45	Director
Mr. WANG Fei (王飛)	35	Director and deputy general manager
Mr. LI Jiaxin (李佳昕)	49	Director

Mr. GUAN Enli (管恩犁), aged 58, has been the chairman of the board of directors of the Company since December 2013. He is also the secretary of the Party Committee of the Company. Mr. Guan previously served as a teacher of the training courses for cadres in the Linyi Municipal Bureau of Finance, a section chief of the Economic Development Section of the Linyi Municipal Bureau of Finance (臨沂市財政局經濟建設科), a deputy researcher of the Linyi Municipal Bureau of Finance, a director of the Non-Tax Revenue Management Division of the Linyi Municipal

Bureau of Finance (臨沂市財政局非税收收入徵收管理處), and a director of the Linyi Municipal Investment and Financing Management Centre (臨沂市政府投資融資管理中心). Mr. Guan obtained a diploma degree.

Mr. XUAN Ruili (玄瑞利), aged 59, has been a director of the Company since January 2017. He is also the general manager of the Company and a deputy secretary of the Party Committee of the Company. Mr. Xuan previously served as a deputy section chief of the Credit Section of the People's Bank of China, Linmu Branch (臨沐縣人民銀行信貸科), an employee director and a manager of the Financing Department of Linyi Investment Development Co., Ltd. (臨沂市投資發展有限責任公司) (formerly known as Linyi Investment Company (臨沂市投資公司)), a deputy general manager of Shandong Mengshan Travel Group Co., Ltd. (山東蒙山旅遊集團有限公司), a deputy general manager of Linyi City Development Group Co., Ltd. (臨沂城市發展集團有限公司) (formerly known as Linyi City Development Asset Management and Development Co., Ltd. (臨沂城市資產經營開發有限公司)), and a deputy general manager of the Company. Mr. Xuan obtained a bachelor's degree.

Mr. WANG Xinhua (王新華), aged 51, has been a director of the Company since January 2017. He is also a deputy general manager of the Company. Mr. Wang previously served as a secretary, a platoon leader and a company commander of the Tank Brigade of Group 26 of the Jinan Military District (濟南軍區26集團軍坦克旅), a staff officer of the Combat Training Section of the Infantry Division 138 Armoured Regiment (步兵138師裝甲團作訓股), a unit chief of the Communication Section of the Infantry Division 138 Armoured Regiment (步兵138師裝甲團通訊股), a staff officer of the Military Section of the Linyi Military Sub-District Luozhuang District Armed Forces Department (臨沂軍分區羅莊區武裝部軍事科), a section chief of the Political Section of the Linyi Military Sub-District Luozhuang District Armed Forces Department (臨沂軍分區羅莊區武裝部政工科), an officer of the Linyi Municipal Bureau of Finance and a deputy director of the Government Service Centre of the Linyi Municipal Bureau of Finance (臨沂市財政局機關服務中心), a section chief of the Inspection Section of the Linyi Municipal Administrative Affairs and Charge Management Division (臨沂市行政事業性收費管理處稽查科), and a section chief of the Fund Management Section of the Non-Tax Revenue Management Division of the Linyi Municipal Bureau of Finance (臨沂市非税收收入徵收管理處基金管理科). Mr. Wang obtained a bachelor's degree.

Mr. LIU Ruifeng (劉瑞峰), aged 41, has been a director of the Company since August 2018. Mr. Liu previously served as an officer of the Cangshan County Labour Bureau (蒼山縣人事局), an officer of the Linyi Municipal Human Resources and Social Security Bureau (臨沂市人社局), a section chief of the Salary and Welfare Section of the Linyi Municipal Human Resources and Social Security Bureau (臨沂市人社局工資福利科), and the secretary of the Party Committee of Linyi City Yangguang Heating Power Ltd. (臨沂市陽關熱力有限公司). Mr. Liu obtained a master's degree.

Mr. WU Chuanqiang (武傳強), aged 45, has been a director of the Company since January 2017. Mr. Wu previously served as a mayor assistant of the Shandong Province Mengyin County Tanbu Town Government (山東省蒙陰縣坦埠鎮政府), an officer of the Party Publicity Department of the Committee of the Shandong Province Mengyin County (山東省蒙陰縣委宣傳部), an officer and a deputy director of the Labour Section of the Linyi Municipal Bureau of Finance (臨沂市財政局人事科), and an officer of the Party and Mass Work Department of the Linyi Municipal Bureau of Finance (臨沂市財政局機關黨務工作者). Mr. Wu obtained a bachelor's degree.

Mr. WANG Fei (王飛), aged 35, has been a director of the Company since January 2017. He is also a deputy general manager of the Company. Mr. Wang previously served as an officer of the Personnel Section of the Linyi Municipal Planning Bureau (臨沂市規劃局編制科), an officer of Linyi Municipal Planning Bureau, Luozhuang Branch (臨沂市規劃局羅莊分局), a deputy section chief of the General Section of the Linyi Municipal Urban Planning Exhibition Hall (臨沂市城市規劃展覽館綜合科), and a deputy section-level officer of the Linyi Municipal Government Investment and Financing Management Centre (臨沂市政府投資融資管理中心). Mr. Wang obtained a master's degree in engineer.

Mr. LI Jiaxin (李佳昕), aged 49, has been a director of the Company since January 2017. Mr. Li previously served as a financial officer of Shandong Mengda Industrial Corporation (山東蒙達實業總公司), a manager of the Finance Department of Shandong Mengshan Travel Group Co., Ltd. (山東蒙山旅遊集團有限公司財務部), a manager of the Investment Development Department of Shandong Mengshan Travel Group Co., Ltd. (山東蒙山旅遊集團有限公司投資開發部), a deputy manager of the Investment and Financing Department of the Company. Mr. Li obtained a bachelor's degree.

SUPERVISORS

The board of supervisors consists of six supervisors. The board of supervisors is responsible for monitoring the Company's financial matters; overseeing the actions of the board of directors and the senior management in performing their duties and making recommendations to remove or dismiss directors and senior management who are in contravention of laws, administrative regulations or the Company's articles of association; demanding the directors and senior management to correct their improper conducts when their conducts harm the interests of the Company; and other responsibilities stipulated in relevant laws and regulations. Each of the supervisors is appointed for a term of three years, which is renewable upon re-election and re-appointment.

The following table sets forth the Company's board of supervisors as of the date of this Offering Circular:

Name	Age	Position/Title
Mr. DONG Wenbin (董文彬)	53	Chairman of the board of supervisors
Mr. SUN Kai (孫凱)	52	Supervisor
Mr. CHEN Jilun (陳吉倫)	50	Supervisor
Mr. CHEN Lidong (陳立棟)	59	Supervisor
Ms. CHEN Wenxue (陳文學)	36	Employee supervisor
Mr. GAO Meng (高猛)	39	Employee supervisor

Mr. DONG Wenbin (董文彬), aged 53, has been the chairman of the board of supervisors of the Company since December 2019. He is also a member of the Company's Party Committee (黨委). Mr. Dong previously served as the secretary of the Company's Discipline Inspection Commission (紀律檢查委員會), a deputy director of Linyi Municipal Junior Financial Management Office (臨沂市基層財政管理處), the director of the Information Centre (資訊中心) of Linyi Municipal Financial Bureau (臨沂市財政局), a deputy director of the General Office (辦公室) of Linyi Municipal Financial Bureau and an officer of the General Office Linyi Area (Municipal) Financial Bureau (臨沂地區(市)財政局). Mr. Dong obtained a bachelor's degree.

Mr. SUN Kai (孫凱), aged 52, has been a supervisor of the Company since January 2017. Mr. Sun previously served as an officer of the Material Section of the State-owned 8051 Plant (國營8051廠財務科), a section chief of the Finance Section, a manager of the Finance Department and a manager of the Strategy Development Department of Shandong Tianyuan Construction Group Co., Ltd. (天元建設集團有限公司). Mr. Sun obtained a bachelor's degree.

Mr. CHEN Jilun (陳吉倫), aged 50, has been a supervisor of the Company since January 2017. Mr. Chen previously served as a technician of the Manufacture Section of the Linyi Municipal Real Estate Management Division (臨沂市房產管理處生產科), a technician of the Engineering Department of Linyi Real Estate General Development Company (臨沂市房地產綜合開發公司工程部), a section chief of the Manufacture Section of Linyi Min'an Real Estate Development Company (臨沂民安房地產開發公司生產科), a manager of the Engineering Department of Linyi Real Property Group General Company (臨沂市房地產集團總公司工程部), a director, the director of engineering, a deputy general engineer and a deputy general manager of Shandong Kaiyuan Property Group Co., Ltd. (山東開元置業集團有限公司) (formerly known as Shandong Kaiyuan Property Development Co., Ltd. (山東開元置業發展有限公司)). He is also

currently the general manager of Shandong City Investment Kaiyuan Property Group Co., Ltd. (山東城投開元置業集團有限公司) (formerly known as Linyi City Investment Kaiyuan Property Co., Ltd. (臨沂市城投開元置業有限公司)). Mr. Chen obtained a bachelor's degree.

Mr. CHEN Lidong (陳立棟), aged 59, has been a supervisor of the Company since December 2017. Mr. Chen previously served as the chief accountant of Linyi Region Local Products Company (臨沂地區土產公司), the head of the Finance Division of Linyi Dongrun Industry and Trade Co., Ltd. (臨沂東潤工貿有限公司), a deputy general manager of Aode Group Co., Ltd. (奧德集團有限公司) (formerly known as Linyi Aode Fuel Gas Co., Ltd. (山東奧德燃氣有限公司)). Mr. Chen obtained a bachelor's degree.

Ms. CHEN Wenxue (陳文學), aged 36, has been an employee supervisor of the Company since January 2017. She is also a deputy manager of the Engineering Project Department of the Company. Ms. Chen previously served at Shandong Tianhengxin LLP (山東天恆信事務所) and the Investment Evaluation Centre of the Linyi Municipal Bureau of Finance (臨沂市財政局投資評審中心). Ms. Chen obtained a bachelor's degree.

Mr. GAO Meng (高猛), age 39, has been an employee supervisor of the Company since January 2017. He is also a deputy manager of the General Department of the Company. Mr. Gao previously served at Linyi Hengyuan Thermal Co., Ltd. (臨沂恆源熱力有限公司), the Linyi Municipal State-owned Assets Supervision and Administration Commission (臨沂市國資委) and Xianghe Village Heat Source Plant of Linyi Hengyuan Thermal Co., Ltd. (臨沂市恆源熱力有限公司響河屯熱源廠). Mr. Gao obtained a bachelor's degree.

SENIOR MANAGEMENT

The Group's senior management is appointed by and reports to the board of directors. The following table sets forth the Company's senior management as of the date of this Offering Circular:

Name	Age	Position/Title
Mr. XUAN Ruili (玄瑞利)	59	General manager
Mr. WANG Xinhua (王新華)	51	Deputy general manager
Mr. BAI Jie (柏傑)	41	Deputy general manager
Ms. LU Ronghua (鹿榮華)	41	Deputy general manager
Mr. WANG Fei (王飛)	35	Deputy general manager
Mr. ZHANG Lei (張磊)	39	Chief financial officer
Mr. SUN Mingming (孫明明)	33	General counsel

Mr. XUAN Ruili (玄瑞利), aged 59, has been the general manager of the Company since January 2017. See *"— Directors."*

Mr. WANG Xinhua (王新華), aged 51, has been a deputy general manager of the Company since January 2017. See *"— Directors."*

Mr. BAI Jie (柏傑), aged 41, has been a deputy general manager of the Company since December 2019. Mr. Bai previously served as the head of the Administration and Finance Division (行政財務科) and the Administration and Duty Division (行政值班科) of the General Office of the CPC Linyi Municipal Committee (臨沂市委辦公室), a director of Linyi Municipal Confidential Technology Inspection Service Centre (臨沂市保密技術檢查服務中心), a deputy head of the Administration and Duty Division of the General Office of the CPC Linyi Municipal Committee, an officer of the Supervision Office (督查室) of the General Office of the CPC Linyi Municipal Committee and an officer of Linyi Municipal Water Infrastructure Bureau (臨沂市水利局). Mr. Bai obtained a master's degree.

Ms. LU Ronghua (鹿榮華), aged 41, has been a deputy general manager of the Company since September 2020. She is also a of the Company's Party Committee (黨委). Ms. Lu previously served as a deputy officer of Linyi Municipal Environment Sanitation Management Office (臨沂市環衛處辦公室), the section chief of the Operation Management Section of Linyi Municipal Environment Sanitation Department (臨沂市環衛處設施運行監管科), as well as the head of the Tourism Board (旅遊局), the head of Human Resources and Social Security Board (人力資源和社會保障局), the head of Organization Department of the Party Working Committee (黨工委組織部部) and the head of the Department of Party and Masses' Affairs (黨群工作部) of Linyi Economic and Technological Development Zone. Ms. Lu obtained a bachelor's degree.

Mr. WANG Fei (王飛), aged 35, has been a deputy general manager of the Company since December 2019. See *"— Directors."*

Mr. ZHANG Lei (張磊), aged 39, has been the chief financial officer of the Company since November 2016. Mr. Zhang previously served as a staff of the finance department and a technician of the Linyi Municipal Government Investment and Financing Management Centre (臨沂市政府投融資管理中心), a staff of Linyi Yuan Zhen Certified Public Accountants Ltd. (臨沂元真有限責任會計師事務所), a staff of Shandong Hongcheng Certified Public Accountants Co., Ltd. (山東鴻誠會計師事務所有限公司) and a staff of the Finance Office (財政所) of Diantou Town, Linshu County (臨沭縣店頭鎮). Mr. Zhang is a senior accountant. He obtained a bachelor's degree.

Mr. Sun Mingming (孫明明), aged 33, has been the general counsel of the Company since May 2020. Mr. Sun also serves as the head of the Capital Operation Department (資本運營部) of the Company and the chairman of the board of directors and the general manager of Lulin Xincheng (Tianjin) Commercial Factoring Co., Ltd. (魯臨信誠(天津)商業保理有限公司). Mr. Sun previously served as a deputy head and a staff of the Capital Operation Department of the Company, a senior manager of the Institutional Business Department (機構業務部) of Guotai

Junan Securities Co., Ltd., Shandong Branch (國泰君安證券股份有限公司山東分公司) and a staff of the Materials Procurement Department (物資採購部) of Beijing Guodiantong Network Technology Co., Ltd. (北京國電通網絡技術有限公司). Mr. Sun obtained a master's degree.

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.

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

Pursuant to the current applicable foreign exchange regulations, provision of cross-border security (including the provision of security interests by way of mortgage or pledge and the provision of guarantee) as defined in the relevant PRC regulations by PRC non-financial institutions, is subject to registration, reports and other regulatory requirements of SAFE.

On 12 May 2014, SAFE issued the Provisions on Foreign Exchange Administration of Cross-border Security (跨境擔保外匯管理規定) and the Implementation Guidelines for the Foreign Exchange Administration of Cross-border Security (跨境擔保外匯管理操作指引) (collectively the "**SAFE Circular 29**"), which became effective on 1 June 2014. According to the SAFE Circular 29: (i) cross-border security refers to the security provided by a security provider to a creditor under a written and legally binding agreement or instrument under which the security provider undertakes to fulfil relevant payment obligations in accordance with the security agreement, which may result in cross-border receipt and payment of funds or cross-border transfer of asset ownership and other transactions of international receipt and payment. Based on the places of registration of the parties to the cross-border security transactions, cross-border security shall be divided into three types, namely "Neibaowaidai" (內保外貸), "Waibaoneidai" (外保內貸) and "Other forms of cross-border security" (其他形式的跨境擔保). In particular, Neibaowaidai refers

to the cross-border security transaction under which the security provider is registered in the PRC, while both the debtor and the creditor are registered outside the PRC; (ii) provision of guarantees by PRC non-financial institution for offshore bond issuance by offshore entities constitutes transaction of "Neibaowaidai", and the PRC non-financial institution as the guarantor shall, register such cross-border security with SAFE within 15 working days after the execution of the guarantee; (iii) the proceeds of loans or bonds under the "Neibaowaidai" structure shall be used for the relevant expenses in the normal course of business of the foreign debtor, and shall not be used to support the foreign debtor to engage in transactions other than the normal course of business, to arbitrage any trade with fictitious transaction background, to carry out other forms of speculative transactions, or to directly or indirectly remit proceeds back to PRC by way of security investment; (iv) the proceeds of loans or bonds under the "Neibaowaidai" structure shall not be repatriated onshore and used in the PRC; (v) where "Neibaowaidai" is provided to secure the repayment obligations of an offshore entity under its offshore bond issuance, the offshore issuer shall be directly or indirectly owned by the PRC domestic institutions and the proceeds from the offshore bond issuance shall be applied to the overseas investment projects which are associated with the PRC domestic institutions in terms of equity interest and the relevant overseas institutions or projects shall have obtained or completed approvals, registrations, records or confirmations from or with the relevant PRC domestic authorities in charge of administration of overseas investment; and (vi) in case of performance of the "Neibaowaidai" which has been duly registered with SAFE, the PRC non-financial institution as the guarantor, may make the payment in relation to the performance of the "Neibaowaidai" under the registered "Neibaowaidai" at its own discretion, and shall de-register the "Neibaowaidai" and perform registration formalities in relation to its creditor rights against the offshore debtor arising out of the performance of the "Neibaowaidai". On 26 January 2017, SAFE issued the Circular on Further Promoting the Reform of Foreign Exchange Administration and Improving the Genuineness and Compliance Review and Verification Process (關於進一步推進外匯管理改革完善真實合規性審核的通知) ("**SAFE Circular 3**"), which eases certain restrictions on the use of proceeds raised under a "Neibaowaidai" structure and generally allows the proceeds raised under a "Neibaowaidai" structure to be repatriated onshore and used in the PRC by way of loans and equity investments. The second series of the Policy Q&As in relation to the SAFE Circular 3 (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知(匯發[2017]3號)政策問答(第二期), "**Policy Q&As in relation to the Circular 3**") published by SAFE on its official website on 27 April 2017 further clarified that, for offshore bond issuance by offshore entities which is secured by PRC onshore guarantees, the restrictions on the use of proceeds as mentioned in sub-paragraph (iii) and sub-paragraph (v) above still apply despite of SAFE Circular 3. However, in practice, application or exemption of such restrictions on the use of proceeds as mentioned in sub-paragraph (v) above to a large extent remains subject to SAFE' discretion on a case by case basis.

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

REGULATION ON FISCAL DEBTS OF LOCAL GOVERNMENTS

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

In accordance with the old Budget Law which took effect in 1995 (the "**Old Budget Law**"), local governments shall not issue bonds directly. On 31 August 2014, National People's Congress adopted the newly amended Budget Law of the PRC (the "**New Budget Law**"), which became effective on 1 January 2015 and was further amended on 29 December 2018. The New Budget Law grants local governments the right to issue government bonds. On 21 September 2014, the State Council of the PRC released the Opinion on Enhancing the Administration of Fiscal Debts of Local Governments (關於加強地方政府性債務管理的意見) ("**Circular 43**"). Circular 43 aims at regulating the financing system of local governments and three channels are presented. In accordance with Circular 43, financing platforms shall no longer function as financing vehicles of the local governments nor incur new government debts. Public interest projects may be funded by the government through issuing government bonds and public interest projects with income generated may be operated independently by private investors or jointly by the government and private investors through the establishment of special purpose companies. Private investors or such special purpose companies shall invest in accordance with market-oriented principles and may be funded by, among other market-oriented approaches, bank loans, enterprise bonds, project revenue bonds and asset-backed securitisation. Private investors or the special purpose companies shall bear the obligation to pay off such debts and the government shall not be liable for any of the private investors' or special purpose companies' debts. Circular 43 also sets forth the general principles of dealing with existing debts of financing platforms. Based on the auditing results of such debts run by the local governments, the existing debts that should be repaid by the local governments shall be identified, reported to the State Council for approval, and then included in the budget plan of local governments. On 23 October 2014, the MOF promulgated the Methods to Clear up and Clarify the Existing Fiscal Debt of Local Governments and Integrate it into Budgetary Management (地方政府存量債務納入預算管理清理甄別辦法)

("**Circular 351**") based on Circular 43. Circular 351 further requires the local governments to clear up the existing debts of their respective financing platforms of the local governments and classify such existing fiscal debts of the local governments into government debts and non-government debts. Pursuant to the Circular of the General Office of the State Council on Forwarding the Opinions of MOF, PBOC and CBRC on Properly Solving the Problem of Follow-up Financing for Projects under Construction of Local Government Financing Platform Companies (國務院辦公廳轉發財政部、人民銀行、銀監會關於妥善解決地方政府融資平臺公司在建項目後續融資問題意見的通知) ("**Circular 40**") which was promulgated by General Office of the State Council of the PRC and became effective on 11 May 2015, local governments at all levels and banking financial institutions shall properly deal with follow-up financing issues for projects under construction of financing platform companies. Projects under construction refer to projects that have started construction upon the completion of examination, approval or filing procedures in accordance with relevant regulations by competent investment authorities before the date when the Circular 43 was promulgated. The key tasks of local governments and banking financial institutions are as follows: (a) supporting stock financing needs for projects under construction; (b) regulating increment financing for projects under construction; (c) administering in an effective and proper manner follow-up financing for projects under construction; and (d) improving supporting measures.

LAWS AND REGULATIONS RELATING TO PRIMARY LAND DEVELOPMENT AND INFRASTRUCTURE CONSTRUCTION

Bidding and Tendering Management

Bidding and tendering of various construction projects have been provided in the Bidding and Tendering Law of the People's Republic of China (中華人民共和國招標投標法) promulgated by SCNPC on 30 August 1999 and amended on 27 December 2017, Regulation on the Implementation of the Bidding and Tendering Law of the People's Republic of China (中華人民共和國招標投標法實施條例) promulgated by State Council on 20 December 2011 which became effective on 1 February 2012 and was amended on 1 March 2017 and 2 March 2019, Measures for the Construction Bidding and Tendering of Construction Projects (工程建設項目施工招標投標辦法) jointly promulgated by NDRC, Ministry of Construction of the PRC (the "**MOC**"), Ministry of Railways, Ministry of Transport of the PRC (the "**MOT**"), Ministry of Information Industry of the People's Republic of China, Ministry of Water Resources of the People's Republic of China, and Civil Aviation Administration of China in 8 March 2003 which became effective on 1 May 2003 and was amended in 2013, Administrative Measures for the Bidding and Tendering of Design of Construction Projects (建築工程設計招標投標管理辦法) issued by MOC on 24 January 2017 and became effective on 1 May 2017, Administrative Measures for the Bidding and Tendering of Housing Construction and Municipal Infrastructure Work (房屋建築和市政基礎設施工程施工招標投標管理辦法) issued by MOC on 1 June 2001 and became effective on the same date and was amended on 28 September 2018, and the Administrative Measures for the Bidding and Tendering of Highway Engineering Construction Projects (公路工程建設項目招標投標管理辦法) promulgated by MOT on 8 December 2015 which became effective on 1 February 2016.

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

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

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

Quality Management

Laws and regulations on project quality mainly include Construction Law of the People's Republic of China, Regulation on Quality Management of Construction Projects (建設工程質量管理條例) issued by the State Council on 30 January 2000 and became effective on the same date and was amended on 7 October 2017 and 23 April 2019, Administrative Measures for Quality Management of Construction Project Survey (建設工程勘察質量管理辦法) amended by MOC on 22 November 2007 and became effective on the same date, Administrative Measures for Completion Acceptance Record of Building Construction and Municipal Infrastructure Projects (房屋建築和市政基礎設施工程竣工驗收備案管理辦法) issued by Ministry of Housing and Urban-Rural Development of the PRC on 19 October 2009 and became effective on the same date, Measures for Quality Warranty of Building Construction Projects (房屋建築工程質量保修辦法)

issued by MOC on 30 June 2000 and became effective on the same date and Measures for Completion (Delivery) Acceptance of Highway Works (公路工程竣(交)工驗收辦法) promulgated by MOT on 15 March 2004 and became effective on 1 October 2004, and its Implement which is promulgated on 27 January and became effective on 1 May 2010. According to the Regulation on Quality Management of Construction Projects, all the building, surveying, designing, construction and supervision units shall be responsible for the quality of the construction projects. The competent administrative department of construction at or above county level is the competent authority for quality supervision and management of construction projects.

Environmental Protection Management

Major laws and regulations on environmental protection during the project construction process include the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法) amended by SCNPC on 24 April 2014 which became effective on 1 January 2015, Law on Environmental Impact Assessment of the People's Republic of China (中華人民共和國環境影響評價法), which was promulgated by SCNPC on 28 October 2002, became effective on 1 September 2003 and amended on 2 July 2016 and 29 December 2018, Administrative Regulations on Environmental Protection of Construction Projects (建設項目環境保護管理條例) issued by State Council on 29 November 1998 and became effective on the same date and was amended in 2017. In accordance with the provisions of the Administrative Regulations on Environmental Protection of Construction Projects and Administrative Measures for Environmental Protection Acceptance of Construction Projects upon Completion, the PRC government implements the system of environmental impact assessment on construction projects. After the completion of a construction project, the competent administrative department of environmental protection will undergo environmental protection acceptance process and assess whether the construction project has met the requirements for environmental protection.

ENVIRONMENTAL PROTECTION

China has promulgated a series of laws and regulations which establish national and local legal frameworks for environmental protection. These laws and regulations include standards applicable to emission controls, discharges of wastes and pollutants to the environment, generation, handling, storage, transportation, treatment and disposal of waste materials by production facilities, land rehabilitation and reforestation.

The PRC Environmental Protection Law requires that enterprises, public institutions, and other business operators that discharge pollutants shall adopt measures to prevent and control pollution and damage to environment caused by waste gas, waste water, waste residue, medical wastes, dust, malodorous gases, radioactive substances, noise, vibration, optical radiation, electromagnetic radiation, and other substances generated in their production, construction, and other activities. Pollutant discharging entities under intensified supervision shall instal and use monitoring equipment in accordance with the relevant provisions of the state and the monitoring norms, ensure the normal functioning of monitoring equipment, and preserve the original

monitoring records. On 24 April 2014, the Standing Committee of National People's Congress passed the Amended Environmental Protection Law, pursuant to which, effective 1 January 2015, more responsibility has been imposed on local governments and unlimited fines will be imposed on polluters. In addition, projects without environmental evaluation in accordance with relevant laws are not allowed to commence construction.

On 10 September 2013, the State Council issued the Action Plan for Prevention and Control of Atmospheric Pollution (the "**Action Plan**"), pursuant to which the PRC government plans to devote more efforts to prevent and control atmospheric pollution. On 17 September 2013, the State Council further issued the Rules for the Implementation for the Action Plan for Prevention and Control of Atmospheric Pollution in Beijing-Tianjin-Hebei metropolitan region, pursuant to which the PRC government aims to reduce atmospheric pollution and improve air quality.

According to the Law on Prevention and Control of Water Pollution of the PRC, and the Administrative Regulations on the Levy and Use of Discharge Fees, any new construction projects which directly or indirectly discharge pollutants to water, such as coal mines and coking plants, must conduct an environmental impact assessment. Every new production facility must be equipped with wastewater processing facilities which must be put in use together with the production facilities. Construction projects that discharge pollutants into water shall pay a pollutant discharge fee in accordance with state regulations.

On 26 October 2018, the Law on Prevention and Control of Atmospheric Pollution (the "**Atmospheric Pollution Law**") was amended and promulgated by the Standing Committee of National People's Congress of the PRC, which was implemented on the same date. The Atmospheric Pollution Law has, among other things, set standards, plan and timeline to reach the atmospheric pollution control targets, provide detailed regulations on major pollution sources and impose stringent requirements to control the pollution from coal-fire, automobile, vessel and volatile organic compounds.

The rehabilitation of mining sites is another priority of the PRC government. Under the Law of Land Administration of the PRC as amended on 26 August 2019 which became effective on 1 January 2020, the Regulation on Land Reclamation effected on 5 March 2011 and the Implementation Measures on the Regulation on Land Reclamation effected on 1 March 2013 and amended on 24 July 2019. The rehabilitated land must meet rehabilitation standards, as required by law from time to time, and may only be subsequently used upon examination and approval by the land authorities.

In addition to the PRC environmental laws and regulations, China is a signatory to the 1992 United Nations Framework Convention on Climate Change and the 1998 Kyoto Protocol, which propose emission targets to reduce greenhouse gas emissions. The Kyoto Protocol came into force in 2005. At present, the Kyoto Protocol has not set any specific emission targets for certain countries, including China.

REGULATIONS ON EMPLOYMENT RELATIONSHIPS

Labour Laws

Pursuant to the PRC Labour Law (勞動法) which was promulgated on 5 July 1994 and newly amended on 29 December 2018 and the Labour Contract Law (勞動合同法) which was promulgated on 29 June 2007 and became effective on 1 January 2008 and which was further amended on 28 December 2012, if an employment relationship is established between an entity and its employees, written labour contracts shall be signed. The relevant laws stipulate the maximum number of working hours per day and per week, respectively. Furthermore, the relevant laws also set forth the minimum wages. The entities shall establish and develop systems for occupational safety and sanitation, implement the rules and standards of the State on occupational safety and sanitation, educate employees on occupational safety and sanitation, prevent accidents at work and reduce occupational hazards.

Social Security Laws

Under applicable PRC laws, rules and regulations, including the Social Security Law of the PRC (社會保險法) which became effective on 1 July 2011 and was amended on 29 December 2018, the Interim Measures Concerning the Maternity Insurance of Enterprises Employees (企業職工生育保險試行辦法) which became effective on 1 January 1995, the Interim Regulations on the Collection and Payment of Social Security Funds (社會保險費徵繳暫行條例) which was promulgated and became effective on 22 January 1999 and was amended on 24 March 2019, the Regulation on Work-Related Injury Insurance (工傷保險條例), which was promulgated on 27 April 2003 and which was further amended on 20 December 2010, and the Regulations on the Administration of Housing Accumulation Funds (住房公積金管理條例) which was promulgated on 3 April 1999 and further amended on 24 March 2002 and 24 March 2019, employers are required to make contribution to the basic pension insurance fund, unemployment insurance, basic medical insurance fund, work-related injury insurance fund, maternity leave insurance fund and housing accumulation funds for their employees.

If the employer fails to make social security registration and refuses to rectify within the prescribed time limits, in addition to a standard penalty of anywhere between CNY500 to CNY3,000 imposed directly on the responsible persons which are directly in charge and involved, the employer will also be subject to a penalty which is calculated based on one to three times of the outstanding social security contributions.

REGULATIONS REGARDING OVERSEAS INVESTMENT, FINANCING AND ACQUISITION ACTIVITIES

NDRC Supervision

On December 26, 2017, NDRC issued the Administrative Measures for the Outbound Investment of Enterprises (《企業境外投資管理辦法》), or the Measures, effective from 1 March 2018. Under the Measures, sensitive outbound investment projects carried out by PRC enterprises either directly or through overseas enterprises under their control shall be approved by NDRC, and non-sensitive outbound investment projects directly carried out by PRC enterprises shall be filed with NDRC or its local branch at provincial level. In the case of large-amount non-sensitive outbound investment projects with an investment amount of USD300 million or above carried out by PRC enterprises through overseas enterprises under their control, such PRC enterprises shall, before the implementation of the projects, submit a report describing the details about such large-amount non-sensitive projects to NDRC. Where PRC-resident natural persons make outbound investments through overseas enterprises under their control, the Measures shall apply mutatis mutandis.

Subsequently on 31 January 2018, NDRC issued the Catalogue of Sensitive Outbound Investment Industry (2018 Version) (《境外投資敏感行業目錄(2018年版)》) effective from 1 March 2018 under which enterprises shall be restricted from making outbound investments in certain industries, including without limitation real estate and hotels.

MOFCOM Supervision

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

An enterprise that intends to invest in a sensitive country or region or a sensitive industry shall apply for the verification by MOFCOM. "Sensitive countries and regions" refer to those countries without a diplomatic relationship with the PRC, or subject to the UNSC sanctions or otherwise under the list of verified countries and regions published by MOFCOM from time to time. "Sensitive industries" refer to those industries involving the products and technologies which are restricted from being exported, or affecting the interests of more than one country (or region). In accordance with the New Overseas Investment Rules, a central enterprise shall apply to MOFCOM for verification and MOFCOM shall, within 20 working days after accepting such

application, decide whether or not the verification is granted. For a local enterprise, it shall apply through the provincial department of commerce to MOFCOM for such verification. The provincial department of commerce shall give a preliminary opinion within 15 working days after accepting such local enterprise's application, and submit all application documents to MOFCOM. MOFCOM shall decide whether or not to grant the verification within 15 working days of receipt of such preliminary opinion from the provincial department of commerce. Upon verification, the Enterprise Overseas Investment Certificate shall be issued to the investing enterprise by MOFCOM.

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

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

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

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

Foreign Exchange Administration

According to Circular of the State Administration of Foreign Exchange on Further Improving and Revising the Foreign Exchange Control Policy on Direct Investment (國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知), corporations, enterprises or other economic organisations (domestic investors) that have been permitted to make outbound investment shall go through the procedures of registration to the Foreign Exchange Bureau (外匯管理機構). The Foreign Exchange Bureau shall issue the Foreign Exchange Registration Certificate (外匯登記證)

for overseas direct investment or an IC card to the domestic institution. The domestic institution shall go through the formalities for outward remittance of funds for overseas direct investment at a designated foreign exchange bank by presenting the approval document issued by the department in charge of overseas direct investment and the Foreign Exchange Registration Certificate for overseas direct investment. The scope of foreign exchange funds for overseas direct investment of domestic institutions includes their own foreign exchange funds, domestic loans in foreign currencies in compliance with relevant provisions, foreign exchange purchased with Renminbi, material objects, intangible assets and other foreign exchange funds approved by the Foreign Exchange Bureaus for overseas direct investment. The profits gained from overseas direct investment of domestic institutions may be deposited in overseas banks and used for overseas direct investment.

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

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of the Bonds is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any 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.

BRITISH VIRGIN ISLANDS

The Issuer is exempt from all provisions of the Income Tax Ordinance of the British Virgin Islands. Payments of principal, premium or interest in respect of the Bonds to persons who are not resident in the British Virgin Islands are not subject to British Virgin Islands tax or withholding tax.

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

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

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

PRC

Enterprise Income Tax

Pursuant to the EIT Law and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose "de facto management body" are within the territory of PRC are treated as PRC tax resident enterprises for the purpose of the EIT Law and must pay PRC enterprise income tax at the rate of 25 per cent. in respect of their taxable income. Although the rules are not entirely clear, dividends

from a PRC tax resident enterprise should be excluded from the taxable income of a recipient that is also a PRC tax resident enterprise. If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management body" of the Issuer is within the territory of PRC, the Issuer may be treated as a PRC tax resident enterprise for the purpose of the EIT Law, and the Issuer may be subject to PRC enterprise income tax at the rate of 25 per cent. on its taxable income.

As at the date of this Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. However, there can be no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future. Pursuant to the EIT Law and its implementation regulations, any non-resident enterprise without an establishment within the PRC or whose income has no connection to its establishment inside the PRC must pay enterprise income tax on income sourced within the PRC, and such income tax must be withheld at source by the PRC payer. Accordingly, if the Issuer is treated as a PRC tax resident enterprise by the PRC tax authorities, the Issuer may be required to withhold income tax from the payments of interest in respect of the Bonds to any non-PRC Bondholder, and gain from the disposition of the Bonds may be subject to PRC tax, if the income or gain is treated as PRC-source. The tax rate is generally 10 per cent. for non-resident enterprise Bondholders and 20 per cent. in the case of non-resident individuals, subject to the provisions of an applicable tax treaty. The Issuer has agreed to pay additional amounts to Bondholders, subject to certain exceptions, so that they would receive the full amount of the scheduled payment, as further set out in the Conditions.

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

Value-add Tax

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

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

receiving the interest income thereon. Based on the definition of "loans" under Circular 36, the issuance of Bonds is likely to be treated as the holders of the Bonds providing loans to the Issuer, which thus shall be regarded as financial services subject to VAT. Further, the payments of the interest and other interest like earnings may be subject to VAT at the rate of 6 per cent. in the event that the Guarantor is required to discharge its obligations under the Guarantee.

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

Circular 36 has been issued quite recently, the above statement may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of Circular 36.

Pursuant to the EIT Law and the VAT reform detailed above, if the Issuer is regarded as a PRC tax resident enterprise, it shall withhold EIT (should such tax apply) from the payments of interest in respect of the Bonds for any non-PRC-resident Bondholder and the Issuer shall withhold VAT (should such tax apply) from the payments of interest in respect of the Bonds for any Bondholders located outside of the PRC. However, in the event that the Issuer is required to make such a deduction or withholding (whether by way of EIT, VAT or otherwise), the Issuer has agreed to pay such additional amounts as will result in receipt by the Bondholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required. For more information, see "*Terms and Conditions of the Bonds — Taxation*".

Stamp Duty

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

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

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

(a) interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong;

(b) 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;

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

(d) interest on the Bonds is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of Section 16(3) of the Inland Revenue Ordinance).

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 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 Inland Revenue Ordinance) 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 a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of the 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 the Bonds.

SUBSCRIPTION AND SALE

Subject to the terms and conditions contained in the subscription agreement with the Joint Lead Managers dated 28 June 2021 (the "**Subscription Agreement**"), the Issuer has agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have agreed to, severally but not jointly, subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Bonds indicated in the following table:

Joint Lead Managers	**Principal amount of Bonds to be subscribed**
	(U.S.$)
China International Capital Corporation Hong Kong Securities Limited	90,000,000
China Industrial Securities International Brokerage Limited	90,000,000
Bank of China Limited	90,000,000
China Zheshang Bank Co., Ltd. (Hong Kong Branch)	7,500,000
CNCB (Hong Kong) Capital Limited	7,500,000
Guotai Junan Securities (Hong Kong) Limited	7,500,000
Industrial and Commercial Bank of China (Asia) Limited	7,500,000
Total	**300,000,000**

The Subscription Agreement provides that the Joint Lead Managers and their respective 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 Joint Lead Managers are subject to certain conditions precedent, and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

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

In connection with the offering of the Bonds, the Joint Lead Managers and/or their respective affiliate(s) may act as investors 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 or the Guarantor 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 Joint Lead Managers and/or their respective 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 Joint Lead Managers or their respective 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 them 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, the Guarantor or the Joint Lead 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, the Guarantor or the Joint Lead Managers, in or from any country or jurisdiction, except in circumstances which will result in compliance with all applicable rules and regulations of any such country or jurisdiction and will not impose any obligations on the Issuer, the Guarantor or the

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

UNITED STATES

The Bonds and the Guarantee have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States, 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 Guarantee are being offered and sold outside of the United States in reliance on Regulation S under the Securities Act. In addition, until 40 days after the commencement of the offering of the Bonds and the Guarantee, an offer or sale of Bonds and the Guarantee within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

UNITED KINGDOM

Each of the Joint Lead 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 or the Guarantor; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

EEA

Each of the Joint Lead Managers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this Offering Circular in relation thereto to any retail investor in the EEA. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(b) a customer within the meaning of Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

HONG KONG

Each of the Joint Lead Managers has represented, warranted and undertaken 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 Joint Lead 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 Joint Lead Managers has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Joint Lead 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 the SFA) pursuant to Section

274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

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

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

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and 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) Regulation 2018.

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 Joint Lead 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.

THE BRITISH VIRGIN ISLANDS

Each of the Joint Lead Managers has represented, warranted and agreed that it has not made and will not make any invitation to the public in the British Virgin Islands or a natural person who is a British Virgin Islands resident or citizen to offer or sell the Bonds and the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the British Virgin Islands, except as otherwise permitted by British Virgin Islands law.

SUMMARY OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS

The consolidated financial statements of the Guarantor included in this Offering Circular were prepared and presented in accordance with PRC GAAP. PRC GAAP is 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 Guarantor. The Guarantor 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 Guarantor, other potentially significant accounting and disclosure differences may have been required that are not identified below. Additionally, no attempt has been made to identify possible future differences between PRC GAAP and IFRS as a result of prescribed changes in accounting standards. Regulatory bodies that promulgate PRC GAAP and IFRS have significant ongoing projects that could affect future comparisons or events that may occur in the future.

GOVERNMENT GRANT

Under PRC GAAP, the relocation compensation for public interests is required to be recognised as special payables. The income from compensation attributable to losses of fixed assets and intangible assets, related expenses, losses from production suspension incurred during the relocation and reconstruction period and purchases of assets after the relocation shall be transferred from special payables to deferred income and accounted for in accordance with the government grants standard. The surplus reached after deducting the amount transferred to deferred income shall be recognised in capital reserve.

Under IFRS, if an entity relocates for reasons of public interests, the compensation received shall be recognised in profit or loss.

REVERSAL OF AN IMPAIRMENT LOSS

Under PRC GAAP, once an impairment loss is recognised for a long-term asset (including investment property valued under cost model, long-term equity investments, fixed assets, intangible assets and goodwill, etc.), it shall not be reversed in any subsequent period.

Under IFRS, an impairment loss recognised in prior periods for an asset other than goodwill could be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount due to reversal should not be more than what the depreciated historical cost would have been if the impairment had not been recognised.

FIXED ASSETS AND INTANGIBLE ASSETS

Under PRC GAAP, only the cost model is allowed.

Under IFRS, an entity can choose either the cost model or the revaluation model as its accounting policy.

RELATED PARTY DISCLOSURES

Under PRC GAAP, the companies which are state-controlled and without other related party relationships are not treated as related parties.

Under IFRS, state-controlled companies are not treated as related parties.

GENERAL INFORMATION

1. **Clearing Systems**: The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code 235693038 and ISIN XS2356930383, respectively.

2. **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 sole director of the Issuer dated 16 June 2021. The Guarantor has obtained all necessary consents, approvals and authorisations in connection with the giving and performance of its obligations under the Guarantee, the Trust Deed and the Agency Agreement. The giving of the Guarantee was authorised by a resolution of the board of directors of the Guarantor dated 9 September 2019.

3. **No Material and Adverse Change**: Except as disclosed in this Offering Circular, 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, the Guarantor or the Group since 31 December 2020.

4. **Litigation**: None of the Issuer, the Guarantor or any other member of the Group is involved in any litigation or arbitration proceedings that the Issuer or the Guarantor believes are material in the context of the Bonds and the giving of the Guarantee, and so far as the Issuer and the Guarantor are aware, no such proceedings are pending or threatened.

5. **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 and, in the case of last three documents mentioned below, at the principal office of the Trustee (being at the Issue Date at One Canada Square, London, E14 5AL, United Kingdom) upon prior written request and satisfactory proof of holding and identity during normal business hours (being 9:00 a.m. to 3:00 p.m. Monday to Friday, except for public holidays) and the registered office of the Issuer:

   - the articles of association of each of the Issuer and the Guarantor;
   - Guarantor's audited consolidated financial statements as at and for the years ended 31 December 2019 and 2020;
   - the Trust Deed;
   - the Deed of Guarantee; and
   - the Agency Agreement.

6. **Financial Statements**: The Guarantor's audited consolidated financial statements as at and for the years ended 31 December 2019, which are included elsewhere in this Offering Circular have been audited by Jonten as stated in its reports dated 23 April 2020. The Guarantor's audited consolidated financial statements as at and for the year ended 31 December 2020, which are included elsewhere in this Offering Circular have been audited by Asia Pacific as stated in its report dated 28 April 2021.

7. **Listing of Bonds**: Application will be made to 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 7 July 2021.

8. **The Legal Entity Identifier**: The Legal Entity Identifier (LEI) code of the Issuer is 300300WJ3Y9W361V6456.

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AUDIT REPORT

Linyi City Construction Investment Group Co., Ltd. 2020 Annual Financial Statements Audit

China Audit Asia Pacific Certified Public Accountants (Limited Liability Partnership)

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Audit Report

China Audit Asia Pacific [2021] Audit No.020672

Board of Directors of Linyi City Construction Investment Group Co., Ltd.:

I. Auditing opinion

We have audited the financial statements of Linyi City Construction Investment Group Co., Ltd. (hereinafter referred to as "Linyi City Investment Group"), which comprise the consolidated and parent company balance sheet as of December 31, 2020, the related statements of income, changes in stockholders' equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Linyi City Investment Group as of December 31,2020, and the results of its operations and its cash flows for the year ended in accordance with the provisions of the Accounting Standards for Business Enterprises.

II. Basis for audit opinions

Our responsibility is to express an opinion on these financial statements based on China Registered Accountants Auditing Standards. The section of the audit report "CPA's responsibility for auditing financial statements" elaborates our responsibilities under these standards further. According to the code of professional ethics for Chinese certified public accountants, we are independent of Linyi City Investment Group and have fulfilled other responsibilities in terms of professional ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Responsibilities of the Management and the Governance to financial statements

The Management of Linyi City Investment Group (hereinafter referred to as the Management) takes responsibility for preparing the financial statements in accordance with the provisions of the accounting standards for enterprises to make them reflect fairly; this includes the design, implementation, and

maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

In the preparation of financial statements, the Management is responsible for evaluating Linyi City Investment Group's going-concern ability and applying the going-concern assumption unless the Management plans to liquidate Linyi City Investment Group, terminate its operations or have no other realistic choice.

The Management is responsible for supervising the financial reporting of Linyi City Investment Group.

IV. CPA's responsibility for the audit of financial statements

Our goal is to obtain reasonable assurance of whether the financial statements as a whole are free of material misstatement due to fraud or error, and to issue audit reports containing audit opinions. Reasonable assurance is a high-level assurance, but it does not guarantee that audits performed in accordance with auditing standards will always find out the existence of a major misstatement. Misstatement may be caused by fraud or error. If it is reasonably expected that misstatement, individually or collectively, may affect the economic decisions made by users of the financial statements based on the financial statements, the misstatement is usually considered significant.

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

(1) We identify and evaluate major misstatement risks in consolidated financial statements due to fraud or error, design and implement audit procedures to deal with these risks, and obtain sufficient and appropriate audit evidences as the basis for expressing audit opinions. Since fraud may involve collusion, forgery, intentional omission, misrepresentation or overriding internal control, the risk of failing to find a major misstatement due to fraud is higher than the risk of failing to find a major misstatement due to error.

(2) We understand the internal control related to auditing so as to design proper auditing procedures, but we are not to express opinions on the effectiveness of internal control.

(3) We evaluate the appropriateness of the accounting policies selected by the Management and the rationality of making accounting estimates and related disclosures.

(4) We draw a conclusion on the appropriateness of management's use of the sustainable operation hypothesis. At the same time, according to the audit evidence obtained, a conclusion can be drawn as to whether there is significant uncertainty in matters or situations that may lead to major doubts about Linyi City Investment Group's going-concern ability. If we come to the conclusion that there is significant uncertainty, the auditing standards require us to draw the attention of the users of the statements to the relevant disclosures in the financial statements in the auditing report. If the disclosure is not sufficient, we should express non-unqualified opinions. Our conclusion is based on the information available as of the date of the audit report. However, future events or circumstances may affect Linyi City Investment Group's going-concern ability.

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

(6) To express an audit opinion on consolidated financial statements, we obtain sufficient and appropriate audit evidences on the financial information of the entities or business activities in the Linyi City Investment Group. We are responsible for guiding, supervising and executing group audits, and assume full responsibility for audit opinions.

We communicate with the Management on the scope, timing and major audit findings of the planned audit, including the internal control deficiencies meriting attention and identified by us in the audit.

China Audit Asia Pacific Certified Public Accountants
(Limited Liability Partnership)

Chinese CPA: 曾云

Chinese CPA: 孙君亮

Beijing • China

April 28, 2021

Consolidated Balance Sheet

31-Dec-20

Prepared by: Linyi City Construction Investment Group Co., Ltd. Unit: RMB Yuan

Asset	Note	Dec.31 2020	Dec.31 2019
Current Asset:			
Monetary funds	Annotation1	6,540,129,459.82	3,371,095,794.35
Financial assets measured at fair value and whose changes are included in			
Derivative Financial Assets			
Note Receivables	Annotation2	140,917,864.73	134,319,006.72
Account Receivables	Annotation3	1,643,360,754.08	1,209,139,899.83
Pre-paid Accounts	Annotation4	298,080,896.86	294,623,861.38
Other Receivables	Annotation5	2,530,802,139.07	2,482,958,412.55
Inventory	Annotation6	27,262,718,832.21	27,794,424,771.86
Holding assets for sale			
Noncurrent Assets Maturing within One Year			
Other Current Assets	Annotation7	606,226,778.29	416,256,395.89
Total Current Assets		39, 022, 236, 725. 06	35, 702, 818, 142. 58
Noncurrent Assets:			
Available-for-Sale Financial Assets	Annotation8	631,280,111.36	627,275,496.66
Held-to-maturity Investment			
Long-term Receivables			
Long-term Equity Investment	Annotation9	837,716,300.86	767,809,644.30
Other Noncurrent Financing Assets	Annotation10	151,500,000.00	
Investment Real Estate	Annotation11	6,033,056,900.00	5,898,564,272.00
Fixed Assets	Annotation12	13,629,786,712.56	8,939,670,307.22
Construction in Progress	Annotation13	3,130,041,905.64	4,296,817,175.56
Productive Biological Assets	Annotation14	5,989,392.05	
Oil and Gas Assets			
Intangible Assets	Annotation15	4,829,890,357.75	2,941,693,296.18
Development Expenditure			
Goodwill	Annotation16		5,495,838.85
Long-term Deferred Expense	Annotation17	88,781,307.66	45,420,073.23
Deferred Tax Assets	Annotation18	57,449,337.04	21,544,943.72
Other Noncurrent Assets	Annotation19	3,265,901,252.28	491,015,145.73
Total Noncurrent Assets		32,661,393,577.20	24,035,306,193.45
Total Assets		71,683,630,302.25	59,738,124,336.03

Legal Representative: Person in Charge of Accounting Work: Person in Charge of Accounting Organization:

Consolidated Balance Sheet

31-Dec-20

Prepared by: Linyi City Construction Investment Group Co., Ltd.

Unit: RMB Yuan

Liabilities and Equity	Note	Dec.31 2020	Dec.31 2019
Current Liabilities:			
Short-term Loans	Annotation20	1,302,072,545.01	2,531,000,000.00
Financial liabilities measured at fair value and whose movements are included in current profits and losses			
Derivative Financial Liabilities			
Bonds Payable	Annotation21	930,210,881.38	1,299,850,365.51
Accounts Payable	Annotation22	4,114,462,410.30	961,904,408.81
Advance from Customers	Annotation23	4,028,923,228.77	2,538,387,169.04
Payroll Payable	Annotation24	278,083,630.55	218,085,367.04
Taxes Payables	Annotation25	544,430,578.34	249,586,125.87
Other Payables	Annotation26	4,804,552,904.59	3,761,232,397.86
Debt held for sale			
Noncurrent Liabilities Maturing within One Year	Annotation27	1,293,278,889.86	1,588,623,289.86
Other Current Liabilities	Annotation28	2,255,991.33	2,824,837.68
Toral Current Liabilities		17,298,271,060.13	13,151,493,961.67
Noncurrent Liabilities:			
Long-term Loans	Annotation29	5,327,088,774.23	5,840,802,849.23
Bonds Payable	Annotation30	7,773,536,315.29	1,971,951,067.92
Including: Preferred Shares			
Perpetual Debt			
Long-term Payables	Annotation31	2,668,265,014.27	588,906,976.67
Long-term Payroll Payables			
Estimated Liabilities			
Deferred Income	Annotation32	1,243,817,482.08	462,082,480.19
Deferred Tax Liabilities	Annotation18	1,168,049,004.79	1,065,635,633.53
Other Noncurrent Liabilities	Annotation33		13,070,000.00
Total Noncurrent Liabilities		18,180,756,590.66	9,942,449,007.54
Total Liabilities		35,479,027,650.79	23,093,942,969.21
Owner's Equity:			
Paid-in Capital	Annotation34	2,000,000,000.00	2,000,000,000.00
Other Equity Instruments			
Including: Preferred Shares			
Propetual Debt			
Capital Reserve	Annotation35	23,823,127,231.42	24,403,556,456.30
Less: Treasury Stock			
Other Comprehensive Income		3,388,828,290.12	3,388,828,290.12
Special Reserve	Annotation36	70,614,478.85	64,529,375.87
Surplus Rederve	Annotation37	400,940,435.55	395,125,712.02
Generic Risk Reserve		10,045,802.75	
Undistributed Profit	Annotation38	5,781,157,811.04	5,819,798,666.02
Total owner's equity attributable to parent company		35,474,714,049.73	36,071,838,500.33
Minority Equity		729,888,601.73	572,342,866.49
Total Owner's Equity		36,204,602,651.46	36,644,181,366.82
Total liabilities and owner's equity		71,683,630,302.25	59,738,124,336.03

Legal Representative: Person in Charge of Accounting Work: Person in Charge of Accounting Organization:

Consolidated Income Statement

Year 2020

Prepared by: Linyi City Construction Investment Group Co., Ltd. Unit: RMB Yuan

Item	Note	FY2020	FY2019
I. Operating Income		5,324,846,247.38	4,591,921,953.05
Including: Operating Income	Annotation39	5,324,846,247.38	4,591,921,953.05
II. Operating Cost		5,542,908,336.18	4,577,194,716.33
Including: Operating Cost	Annotation39	4,010,877,987.22	3,610,890,862.72
Taxes and Additions	Annotation4	158,501,298.88	101,076,497.58
Selling Expense	Annotation41	381,892,081.10	267,970,427.95
Management Expense	Annotation42	766,420,146.02	552,764,116.15
Research and Development Expenses		37,944,533.96	16,404,514.98
Finance Expense	Annotation43	187,272,289.00	28,088,296.95
Including:Interest expense		515,594,634.68	260,869,144.61
Interest income		301,019,141.39	245,560,501.09
Plus: other incomes	Annotation44	491,884,257.24	274,931,258.12
Return on Investment (loss marked with "-")	Annotation45	78,290,294.94	5,906,593.10
Including : Investment Income from Joint Ventures and Affiliates (loss marked with "-")			
Gains from Changes in Fair Value (loss marked with "-")	Annotation46	134,492,628.00	3,692,673,851.25
Assets Impairment Loss	Annotation47	-40,238,801.42	-31,003,340.28
Gains from disposal of assets (loss marked with "-")		-25,646.32	
III. Operating Profit (total loss marked with "-")		446,340,643.64	3,957,235,598.91
Plus: Non-operating Income	Annotation48	24,364,219.75	9,090,843.83
Less: Non-operating Expense	Annotation49	20,599,408.00	35,022,821.42
IV. Total Profit (net loss marked with "-")		450,105,455.39	3,931,303,621.32
Less: Income Tax Expense	Annotation50	262,727,448.58	1,064,408,139.83
V. Net Profit (net loss marked with "-")		187,378,006.81	2,866,895,481.49
(1) Classification by business continuity:			
Including:Net profit from continuing operations (Net loss is listed with "-")		187,378,006.81	2,866,895,481.49
Net profit from discontinued operations (net loss is listed with "-")			
(2) Classification by ownership:			
Including: Net profit attributable to shareholders of the parent company		6,652,620.55	2,733,006,257.14
Profits and losses of minority shareholders		180,725,386.26	133,889,224.35
VI. After-tax net amount of other comprehensive incomes			
Net after-tax other comprehensive income attributable to shareholders of the parent company			
Net after-tax other comprehensive income attributable to minority shareholders			
VII. Total comprehensive incomes		187,378,006.81	2,866,895,481.49
Net Profit belonging to Parent Company		6,652,620.55	2,733,006,257.14
Net Profit belonging to Minority Shareholders		180,725,386.26	133,889,224.35
VIII、Earnings Per Share			
1. Basic Earnings Per Share			
2. Diluted Earnings Per Share			

Legal Representative: Person in Charge of Accounting Work: Person in Charge of Accounting Organization:

Consolidated Cash Flow Statement

Year 2020

Prepared by: Linyi City Construction Investment Group Co., Ltd. Unit: RMB Yuan

Item	Note	FY2020	FY2019
I. Cash flow from operating activities:			
Cash from selling commodities or offering labor		7, 696, 007, 286. 67	4, 651, 788, 183. 84
Refund of tax and levies		75, 109, 823. 95	18, 355, 471. 37
Cash relating to other business activities		3, 706, 977, 172. 48	896, 905, 659. 59
Subtotal of cash inflow from operating activities		11, 478, 094, 283. 10	5, 567, 049, 314. 80
Cash paid for commodities or labor		5, 177, 085, 836. 45	4, 418, 056, 068. 29
Cash paid to and for employees		908, 852, 371. 11	864, 613, 464. 05
Taxes and fees paid		417, 307, 257. 12	243, 567, 756. 23
Other cash paid related to operating activities		868, 804, 866. 15	1, 327, 993, 782. 29
Subtotal of cash outflow from operating activities		7, 372, 050, 330. 83	6, 854, 231, 070. 86
Net amount of cash flow from operating activities		4, 106, 043, 952. 27	-1, 287, 181, 756. 06
II. Cash flow from investing activities:			
Cash from investment withdrawal		2, 000, 000. 00	55, 703, 381. 09
Cash from investment income		30, 461, 016. 08	10, 481, 843. 99
Net cash from disposal of fixed assets, intangible assets and other long-term assets		80, 648, 148. 29	3, 379, 367. 26
Net cash from disposal of subsidiary and other operating business unit		120, 832, 158. 28	-305, 365, 637. 80
Other cash received related to investing activities		768, 576, 393. 03	625, 437, 338. 07
Subtotal of cash inflow from investing activities		1, 002, 517, 715. 68	389, 636, 292. 61
Cash paid for buying fixed assets, intangible assets and other long-term assets		4, 389, 484, 287. 89	2, 178, 079, 067. 66
Cash paid for investment		151, 500, 000. 00	93, 391, 442. 80
Net cash paid by subsidiary or other operating business unit		315, 877, 493. 23	-12, 235, 538. 23
Other cash paid related to investing activities		105, 270, 000. 00	1, 120, 295, 616. 15
Subtotal of cash outflow from investing activities		4, 962, 131, 781. 12	3, 379, 530, 588. 38
Net amount of cash flow from investing activities		-3, 959, 614, 065. 44	-2, 989, 894, 295. 77
III. Cash flow from financing activities:			
Cash received from accepting investment		34, 188, 970. 41	679, 737, 711. 10
Including: Cash from minority stockholders by subsidiary corporation			
Cash received from borrowings		3, 693, 571, 345. 01	6, 234, 815, 445. 44
Cash received from issuing bonds		5, 840, 130, 759. 70	2, 000, 000, 000. 00
Other cash received related to financing activities		801, 560, 000. 00	258, 307, 770. 46
Subtotal of cash inflow from financing activities		10, 369, 451, 075. 12	9, 172, 860, 927. 00
Cash paid for debt		6, 224, 090, 846. 09	4, 328, 398, 231. 90
Cash paid for dividend, profit or interest		779, 749, 552. 13	556, 749, 814. 93
Including: Subsidy paid dividends, interest for minority			
Other cash paid related to financing activities		169, 913, 018. 91	68, 757, 059. 18
Subtotal of cash outflow from financing activities		7, 173, 753, 417. 13	4, 953, 905, 106. 01
Net amount of cash flow from financing activities		3, 195, 697, 657. 99	4, 218, 955, 820. 99
IV. Effect of fluctuations in exchange on cash and cash equivalents		69, 941, 793. 73	0. 00
V. Net increase of cash and cash equivalents		3, 412, 069, 338. 55	-58, 120, 230. 84
Plus: Balance of beginning cash and cash equivalents		2, 628, 977, 985. 92	2, 687, 098, 216. 76
VI. Closing balance of cash and cash equivalents		6, 041, 047, 324. 47	2, 628, 977, 985. 92

Legal Representative: Person in Charge of Accounting Work: Person in Charge of Accounting Organization:

Consolidated Statement of Changes in Shareholders' Equity

Year 2020

Prepared by: Linyi City Construction Investment Group Co., Ltd.

Unit: RMB Yuan

Item	FY2020													
	Shareholders' equity attributable to parent company												Minority equity	Total Shareholder's Equity
	Paid-in Capital	Other equity instruments			Capital Reserve	Less: Treasury Stock	Other comprehensive income	Special Reserve	Surplus Reserve	Undistributed Profit	Others	Subtotal		
		Preferred shares	Perpetual debt	Others										
I. Closing balance of last year	2,000,000,000.00				24,403,556,456.30		3,388,828,290.12	64,529,375.87	395,125,712.02	5,819,798,666.02		36,071,838,500.33	572,342,866.49	36,644,181,366.82
Plus: Adjustments for changes in accounting policy														
Corrections of accounting errors in prior periods														
Business Combinations under the same administration														
Others														
II. Beginning balance of current year	2,000,000,000.00				24,403,556,456.30		3,388,828,290.12	64,529,375.87	395,125,712.02	5,819,798,666.02		36,071,838,500.33	572,342,866.49	36,644,181,366.82
III. Increase or decrease amount of this year (decrease marked with "-")					-580,429,224.88			6,085,102.98	5,814,723.53	-38,640,854.98	10,045,802.75	-597,124,450.60	157,545,735.24	-439,578,715.36
(I) Total comprehensive incomes										6,652,620.55		6,652,620.55	180,725,386.26	187,378,006.81
(II) Capital invested and decreased by owners					-424,025,207.09							-424,025,207.09	24,820,348.98	-399,204,858.11
1. Ordinary shares input by owners					456,804,097.79							456,804,097.79	28,594,900.00	485,398,997.79
2. Capital invested by holders of other equity instruments														
3. Amount of share-based payment included in owner's equity														
4. Other					-880,829,304.88							-880,829,304.88	-3,774,551.02	-884,603,855.90
(III) Profit distribution									5,814,723.53	-45,293,475.53		-39,478,752.00	-48,000,000.00	-87,478,752.00
1. Withdrawal of surplus reserve									5,814,723.53	-5,814,723.53				
2. Distribution to owners										-39,478,752.00		-39,478,752.00		-39,478,752.00
3.Others													-48,000,000.00	-48,000,000.00
(IV) Internal carry-over of owner's equity														
1. Capital reserve transferred to paid-in capital														
2. Surplus reserve transferred to paid-in capital														
3. 3. Recovery of losses by surplus reserve														
4. Retained earnings carried forward from changes in defined benefit plans														
5. Others								6,085,102.98			10,045,802.75	16,130,905.73		16,130,905.73
(V) Special reserve								9,517,404.21			10,045,802.75	19,563,206.96		19,563,206.96
1. Withdrawal in current period								3,432,301.23				3,432,301.23		3,432,301.23
2. Use in current period					-156,404,017.79							-156,404,017.79		-156,404,017.79
(VI) Others														
IV. Closing balance of the current period	2,000,000,000.00				23,823,127,231.42		3,388,828,290.12	70,614,478.85	400,940,435.55	5,781,157,811.04	10,045,802.75	35,474,714,049.73	729,888,601.73	36,204,602,651.46

Legal Representative

Person in Charge of Accounting Work:

Person in Charge of Accounting Organization:

Consolidated Statement of Changes in Shareholders' Equity

Year 2020

Prepared by: Linyi City Construction Investment Group Co., Ltd.

Unit: RMB Yuan

Item	FY2019													
	Shareholders' equity attributable to parent company												Minority equity	Total Shareholder's Equity
	Paid-in Capital	Other equity instruments			Capital Reserve	Less: Treasury Stock	Other comprehensive income	Special Reserve	Surplus Reserve	Undistributed Profit	Others	Subtotal		
		Preferred shares	Perpetual debt	Others										
I. Closing balance of last year	2,000,000,000.00				22,787,817,543.67		3,388,828,290.12	5,482,139.27	223,542,590.98	3,279,161,625.52		31,684,832,189.56	257,297,680.65	31,942,129,870.21
Plus: Adjustments for changes in accounting policy														
Corrections of accounting errors in prior periods														
Business Combinations under the same administration														
Others														
II. Beginning balance of current year	2,000,000,000.00				22,787,817,543.67		3,388,828,290.12	5,482,139.27	223,542,590.98	3,279,161,625.52		31,684,832,189.56	257,297,680.65	31,942,129,870.21
III. Increase or decrease amount of this year (decrease marked with "-")					1,615,738,912.63			59,047,236.60	171,583,121.04	2,540,637,040.50		4,387,006,310.77	315,045,185.84	4,702,051,496.61
(I) Total comprehensive incomes										2,733,006,257.14		2,733,006,257.14	133,889,224.35	2,866,895,481.49
(II) Capital invested and decreased by owners					1,615,738,912.63							1,615,738,912.63	67,413,700.00	1,683,152,612.63
1. Ordinary shares input by owners													67,413,700.00	67,413,700.00
2. Capital invested by holders of other equity instruments														
3. Amount of share-based payment included in owner's equity														
4. Other					1,615,738,912.63							1,615,738,912.63		1,615,738,912.63
(III) Profit distribution									171,583,121.04	-192,369,216.64		-20,786,095.60	113,742,261.49	92,956,165.89
1. Withdrawal of surplus reserve									171,583,121.04	-171,583,121.04				
2. Distribution to owners										-20,786,095.60		-20,786,095.60		-20,786,095.60
3 Others													113,742,261.49	113,742,261.49
(IV) Internal carry-over of owner's equity														
1. Capital reserve transferred to paid-in capital														
2. Surplus reserve transferred to paid-in capital														
3. 3. Recovery of losses by surplus reserve														
4. Retained earnings carried forward from changes in defined benefit plans														
5. Others														
(V) Special reserve								59,047,236.60				59,047,236.60		59,047,236.60
1. Withdrawal in current period								59,047,236.60				59,047,236.60		59,047,236.60
2. Use in current period														
(VI) Others														
IV. Closing balance of the current period	2,000,000,000.00				24,403,556,456.30		3,388,828,290.12	64,529,375.87	395,125,712.02	5,819,798,666.02		36,071,838,500.33	572,342,866.49	36,644,181,366.82

Legal Representative: Person in Charge of Accounting Work: Person in Charge of Accounting Organization:

Parent Company Balance Sheet

31-Dec-20

Prepared by: Linyi City Construction Investment Group Co., Ltd. Unit: RMB Yuan

Asset	Note	Dec.31 2020	Dec.31 2019
Current Asset:			
Monetary funds		4, 138, 106, 242. 42	939, 478, 823. 62
Financial assets measured at fair value and whose changes are included in current profits and losses			
Derivative Financial Assets			
Note Receivables			
Account Receivables			
Pre-paid Accounts		3, 534, 891. 85	958, 797. 28
Other Receivables	Annotation1	12, 407, 604, 787. 96	10, 728, 560, 027. 96
Inventory		9, 199, 456, 353. 23	8, 672, 600, 533. 48
Holding assets for sale			
Noncurrent Assets Maturing within One Year			
Other Current Assets		22, 178. 81	613, 293. 25
Total Current Assets		25, 748, 724, 454. 27	20, 342, 211, 475. 59
Noncurrent Assets:			
Available-for-Sale Financial Assets		619, 632, 981. 36	616, 728, 366. 66
Held-to-maturity Investment			0. 00
Long-term Receivables			
Long-term Equity Investment	Annotation2	3, 294, 033, 882. 40	2, 447, 328, 467. 39
Investment Real Estate		4, 480, 747, 700. 00	4, 359, 506, 492. 00
Fixed Assets		8, 589, 514, 197. 01	6, 152, 499, 770. 78
Construction in Progress		10, 558, 763. 04	2, 258, 644, 261. 66
Productive Biological Assets			
Oil and Gas Assets			
Intangible Assets		2, 241, 401, 227. 42	2, 291, 083, 320. 57
Development Expenditure			
Goodwill			
Long-term Deferred Expense		472, 245. 67	604, 035. 15
Deferred Tax Assets			
Other Noncurrent Assets		184, 758, 563. 42	
Total Noncurrent Assets		19, 421, 119, 560. 32	18, 126, 394, 714. 21
Total Assets		45, 169, 844, 014. 59	38, 468, 606, 189. 80

Legal Representative: Person in Charge of Accounting Work: Person in Charge of Accounting Organization:

Parent Company Balance Sheet (Continued)

31-Dec-20

Prepared by: Linyi City Construction Investment Group Co., Ltd. Unit: RMB Yuan

Item	Note	Dec.31 2020	Dec.31 2019
Current Liabilities:			
Short-term Loans		620,000,000.00	1,700,000,000.00
Financial liabilities measured at fair value and whose movements			
Derivative Financial Liabilities			
Bonds Payable		568,998,589.51	237,815,207.45
Accounts Payable		92,013,768.30	144,532,273.93
Advance from Customers			
Payroll Payable		8,640,627.54	5,530,309.44
Taxes Payables		65,838,379.93	60,503,373.62
Other Payables		3,599,581,345.67	2,113,582,972.59
Debt held for sale			
Noncurrent Liabilities Maturing within One Year		550,000,000.00	1,310,000,000.00
Other Current Liabilities			
Toral Current Liabilities		5,505,072,710.95	5,571,964,137.03
Noncurrent Liabilities:			
Long-term Loans		1,045,000,000.00	585,000,000.00
Bonds Payable		5,833,405,555.59	1,971,951,067.92
Including: Preferred Shares			
Perpetual Debt			
Long-term Payables		2,000,000,000.00	
Long-term Payroll Payables			
Estimated Liabilities			
Deferred Income			800,000.00
Deferred Tax Liabilities		683,825,921.02	653,515,619.02
Other Noncurrent Liabilities			
Total Noncurrent Liabilities		9,562,231,476.61	3,211,266,686.94
Total Liabilities		15,067,304,187.56	8,783,230,823.97
Owner's Equity:			
Paid-in Capital		2,000,000,000.00	2,000,000,000.00
Other Equity Instruments			
Including: Preferred Shares			
Propetual Debt			
Capital Reserve		23,266,152,711.59	22,858,616,517.96
Less: Treasury Stock			
Other Comprehensive Income		1,115,200,845.12	1,115,200,845.12
Special Reserve			
Surplus Rederve		400,940,435.55	395,125,712.02
Undistributed Profit		3,320,245,834.77	3,316,432,290.73
Total Owner's Equity		30,102,539,827.03	29,685,375,365.83
Total liabilities and owner's equity		45,169,844,014.59	38,468,606,189.80

Legal Representative: Person in Charge of Accounting Work: Person in Charge of Accounting Organization:

Parent Company Income Statement

Year 2020

Prepared by: Linyi City Construction Investment Group Co., Ltd. Unit: RMB Yuan

Item	Note	FY2020	FY2019
I. Operating Income		8,814,174.88	235,894,189.45
Less: Operating Cost		938,563.14	224,736,388.24
Taxes and Additions		18,437,408.37	5,654,292.52
Selling Expense			
Management Expense		299,757,226.34	244,900,177.88
Research and Development Expenses			
Finance Expense		-185,213,168.06	-102,012,470.11
Including:Interest expense		288,861,688.34	104,744,702.42
Interest income		499,761,067.19	210,896,141.47
Plus: other incomes		938,749.33	
Return on Investment (loss marked with "-")		101,135,071.13	12,315,887.53
Including: Investment Income from Joint Ventures and Affiliates (loss marked with "-")			
Credit Impairment Loss (loss marked with "-")		121,241,208.00	2,454,396,492.00
Assets Impairment Loss		-2,332,224.62	54,710.53
Gains from disposal of assets (loss marked with "-")			
II. Operating Profit (total loss marked with "-")		95,876,948.93	2,329,382,890.98
Plus: Non-operating Income		118,730.14	113,316.88
Less: Non-operating Expense		7,538,141.73	65,874.42
III. Total Profit (net loss marked with "-")		88,457,537.34	2,329,430,333.44
Less: Income Tax Expense		30,310,302.00	613,599,123.00
IV. Net Profit (net loss marked with "-")		58,147,235.34	1,715,831,210.44
(1) Classification by business continuity:		58,147,235.34	1,715,831,210.44
(2) Classification by ownership:			
V. After-tax net amount of other comprehensive incomes			
VI. Total comprehensive incomes		58,147,235.34	1,715,831,210.44

Legal Representative: Person in Charge of Accounting Work: Person in Charge of Accounting Organization:

Parent Company Cash Flow Statement

Year 2020

Prepared by: Linyi City Construction Investment Group Co., Ltd. Unit: RMB Yuan

Item	Note	FY2020	FY2019
I. Cash flow from operating activities:			
Cash from selling commodities or offering labor		669, 903, 110. 18	238, 949, 778. 38
Refund of tax and fee received			
Other cash received related to operating activities		2, 037, 826, 379. 40	42, 858, 281. 48
Subtotal of cash inflow from operating activities		2, 707, 729, 489. 58	281, 808, 059. 86
Cash paid for commodities or labor		11, 624, 966. 19	70, 356, 895. 99
Cash paid to and for employees		28, 664, 049. 88	30, 436, 269. 26
Taxes and fees paid		24, 313, 925. 75	5, 102, 993. 24
Other cash paid related to operating activities		22, 466, 484. 02	572, 797, 819. 20
Subtotal of cash outflow from operating activities		87, 069, 425. 84	678, 693, 977. 69
Net amount of cash flow from operating activities		2, 620, 660, 063. 74	-396, 885, 917. 83
II. Cash flow from investing activities:			
Cash from investment withdrawal		92, 095, 385. 30	55, 703, 381. 09
Cash from investment income		445, 879, 285. 49	1, 800, 000. 00
Net cash from disposal of fixed assets, intangible assets and other long-term assets		13, 065, 338. 00	
Net cash from disposal of subsidiary and other operating business unit			
Other cash received related to investing activities		2, 244, 862, 822. 05	183, 121, 550. 07
Subtotal of cash inflow from investing activities		2, 795, 902, 830. 84	240, 624, 931. 16
Cash paid for buying fixed assets, intangible assets and other long-term assets		414, 658, 835. 39	229, 342, 790. 59
Cash paid for investment		462, 954, 200. 00	79, 000, 000. 00
Net cash paid by subsidiary or other operating business unit			
Other cash paid related to investing activities		4, 002, 425, 210. 36	3, 285, 522, 707. 25
Subtotal of cash outflow from investing activities		4, 880, 038, 245. 75	3, 593, 865, 497. 84
Net amount of cash flow from investing activities		-2, 084, 135, 414. 91	-3, 353, 240, 566. 68
III. Cash flow from financing activities:			
Cash received from accepting investment			602, 676, 011. 10
Cash received from borrowings		2, 120, 000, 000. 00	3, 379, 988, 345. 44
Cash received from issuing bonds		3, 900, 000, 000. 00	2, 000, 000, 000. 00
Other cash received related to financing activities		1, 314, 846, 007. 29	863, 361, 209. 12
Subtotal of cash inflow from financing activities		7, 334, 846, 007. 29	6, 846, 025, 565. 66
Cash paid for debt		3, 520, 000, 000. 00	2, 884, 988, 345. 44
Cash paid for dividend, profit or interest		396, 280, 661. 10	147, 452, 553. 58
Other cash paid related to financing activities		756, 462, 576. 22	19, 227, 753. 01
Subtotal of cash outflow from financing activities		4, 672, 743, 237. 32	3, 051, 668, 652. 03
Net amount of cash flow from financing activities		2, 662, 102, 769. 97	3, 794, 356, 913. 63
IV. Effect of fluctuations in exchange on cash and cash equivalents			
V. Net increase of cash and cash equivalents		3, 198, 627, 418. 80	44, 230, 429. 12
Plus: Balance of beginning cash and cash equivalents		939, 478, 823. 62	895, 248, 394. 50
VI. Closing balance of cash and cash equivalents		4, 138, 106, 242. 42	939, 478, 823. 62

Legal Representative: Person in Charge of Accounting Work: Person in Charge of Accounting Organization:

Parent Company Statement of Changes in Shareholders' Equity

Year 2020

Prepared by: Linyi City Construction Investment Group Co., Ltd.

Unit: RMB Yuan

Item	FY2020										
	Paid-in Capital	Other equity instruments			Capital Reserve	Less: Treasury Stock	Other comprehensive income	Special Reserve	Surplus Reserve	Undistributed Profit	Total Shareholder's Equity
		Preferred shares	Perpetual debt	Others							
I. Closing balance of last year	2,000,000,000.00				22,858,616,517.96		1,115,200,845.12		395,125,712.02	3,316,432,290.73	29,685,375,365.83
Plus: Adjustments for changes in accounting policy											
Corrections of accounting errors in prior periods											
Others											
II. Beginning balance of current year	2,000,000,000.00				22,858,616,517.96		1,115,200,845.12		395,125,712.02	3,316,432,290.73	29,685,375,365.83
III. Increase or decrease amount of this year (decrease marked with "-"					407,536,193.63				5,814,723.53	3,813,544.04	417,164,461.20
(I) Total comprehensive incomes										58,147,235.34	58,147,235.34
(II) Capital invested and decreased by owners					563,899,964.09					-9,040,215.77	554,859,748.32
1. Ordinary shares input by owners					736,026,689.73						736,026,689.73
2. Capital invested by holders of other equity instruments											
3. Amount of share-based payment included in owner's equity											
4. Other					-172,126,725.64					-9,040,215.77	-181,166,941.41
(III) Profit distribution									5,814,723.53	-45,293,475.53	-39,478,752.00
1. Withdrawal of surplus reserve									5,814,723.53	-5,814,723.53	
2. Distribution to owners										-39,478,752.00	-39,478,752.00
3.Others											
(IV) Internal carry-over of owner's equity											
1. Capital reserve transferred to paid-in capital											
2. Surplus reserve transferred to paid-in capital											
3. 3. Recovery of losses by surplus reserve											
4. Retained earnings carried forward from changes in defined benefit plans											
5. Others											
(V) Special reserve											
1. Withdrawal in current period											
2. Use in current period											
(VI) Others					-156,363,770.46						-156,363,770.46
IV. Closing balance of the current period	2,000,000,000.00				23,266,152,711.59		1,115,200,845.12		400,940,435.55	3,320,245,834.77	30,102,539,827.03

Legal Representative: Person in Charge of Accounting Work: Person in Charge of Accounting Organization:

Parent Company Statement of Changes in Shareholders' Equity

Year 2020

Prepared by: Linyi City Construction Investment Group Co., Ltd.

Unit: RMB Yuan

Item	FY2019										
	Paid-in Capital	Other equity instruments			Capital Reserve	Less: Treasury Stock	Other comprehensive income	Special Reserve	Surplus Reserve	Undistributed Profit	Total Shareholder's Equity
		Preferred shares	Perpetual debt	Others							
I. Closing balance of last year	2,000,000,000.00				22,181,095,549.96		1,115,200,845.12		223,542,590.98	1,792,970,296.93	27,312,809,282.99
Plus: Adjustments for changes in accounting policy											
Corrections of accounting errors in prior periods											
Others											
II. Beginning balance of current year	2,000,000,000.00				22,181,095,549.96		1,115,200,845.12		223,542,590.98	1,792,970,296.93	27,312,809,282.99
III. Increase or decrease amount of this year (decrease marked with "-"					677,520,968.00				171,583,121.04	1,523,461,993.80	2,372,566,082.84
(I) Total comprehensive incomes										1,715,831,210.44	1,715,831,210.44
(II) Capital invested and decreased by owners					677,520,968.00						677,520,968.00
1. Ordinary shares input by owners					653,900,968.00						653,900,968.00
2. Capital invested by holders of other equity instruments											
3. Amount of share-based payment included in owner's equity											
4. Other					23,620,000.00						23,620,000.00
(III) Profit distribution									171,583,121.04	-192,369,216.64	-20,786,095.60
1. Withdrawal of surplus reserve									171,583,121.04	-171,583,121.04	
2. Distribution to owners										-20,786,095.60	-20,786,095.60
3.Others											
(IV) Internal carry-over of owner's equity											
1. Capital reserve transferred to paid-in capital											
2. Surplus reserve transferred to paid-in capital											
3. 3. Recovery of losses by surplus reserve											
4. Retained earnings carried forward from changes in defined benefit plans											
5. Others											
(V) Special reserve											
1. Withdrawal in current period											
2. Use in current period											
(VI) Others											
IV. Closing balance of the current period	2,000,000,000.00				22,858,616,517.96		1,115,200,845.12		395,125,712.02	3,316,432,290.73	29,685,375,365.83

Legal Representative

Person in Charge of Accounting Work:

Person in Charge of Accounting Organization:

Linyi City Construction Investment Group Co., Ltd.

Notes to 2020 Annual Financial Statements

I. Corporate Profile

(1) Company overview

Linyi City Construction Investment Group Co., Ltd. ("the Company") is a wholly state-owned limited liability company established and funded by Linyi Municipal Finance Bureau and registered with Linyi City Administration for Industry and Commerce on May 28, 2013. The Company's registration number/unified social credit code is 91371300069962478F. The Company has a registered capital of 2 billion yuan, which is fully paid by Linyi Municipal Finance Bureau in installments.

On July 10, 2018, the People's Government of Linyi issued the *Reply on Free Transfer of State-owned Property Rights of Linyi Engineering Consulting Institute and 14 Other Municipal Enterprises*, [Lin Zheng Zi (2018) No.111], transferring the shares of the Company held by Linyi Municipal Finance Bureau to the State-owned Assets Supervision and Administration Commission of Linyi Municipal People's Government free of charge. After the transfer is completed, the state-owned assets supervision and administration commission of Linyi municipal people's government holds 100% equity in the Company.

As of December 31, 2020, the Company has a paid-in capital of 2 billion yuan.

Legal representative of the Company: Guan Enli.

Registered address of the Company: 29th floor, Linshang Building, No.37 Beijing Road, Lanshan District, Linyi City, Shandong Province.

(2) Scope of business

General projects: investment activities with self-owned funds; asset management services for investment with self-owned funds; household goods manufacturing; information system integration services; Internet of Things application services (except for projects that must be approved by law, carry out business independently with business licenses in accordance with the law).

Licensed projects: tourism business; various engineering construction activities; real estate development and operation (projects that are subject to approval in accordance with the law can only be carried out after approval by relevant departments, and the specific operation

projects shall be subject to the approval results) .

(3) Nature and main business activities of the Company

The Company is responsible for the overall development of urban and rural areas, the construction of urban infrastructure and major projects, as well as the investment, development, operation and management of state-owned assets such as various urban public resources. After years of development, its industries cover multiple sectors such as urban construction investment, state-owned operations, financial capital, real estate, green energy, cultural and sports tourism, medical and nursing education, information logistics, industrial parks, high-end wood industry, etc. The Company has gradually grown into a comprehensive investment holding group.

These financial statements have been approved by the Company's Board of Directors for reporting on April 28, 2021.

II. Basis of Preparation of Financial Statements

(1) Basis of preparation

The Company's financial statements are based on the assumption of going concern and actual transactions and events. It is prepared in accordance with the *Accounting Standards for Enterprises-Basic Standards* (issued in the No.33 Order of the Ministry of Finance and revised in the No.76 Order of the Ministry of Finance), 42 specific accounting standards, guidelines for the application of accounting standards for enterprises, explanations of accounting standards for enterprises and other relevant provisions (hereinafter collectively referred to as "Accounting Standards for Enterprises") issued and revised on February 15, 2006 and thereafter, as well as the disclosure provisions of the China Securities Regulatory Commission's *No.15 Rules for Reporting Information Disclosure by Companies Offering Securities to the Public No.15-General Provisions on Financial Reports* (revised in 2014).

According to the relevant provisions of the Accounting Standards for Enterprises, the Company's accounting is based on accrual basis. Except for some financial instruments, this financial statement is based on historical expenses. If the asset is impaired, the corresponding impairment reserve shall be accrued in accordance with relevant regulations.

(2) Going concern

Within 12 months from the end of the reporting period, the Company has not had any matters or circumstances causing serious doubts about the Company's going-concern ability.

III. Statement of Compliance with Corporate Accounting Standards

The financial statements prepared by the Company comply with the requirements of the Accounting Standards for Enterprises, and truly and completely reflect the financial position, operating results, cash flow and other relevant information of the Company.

IV. Significant Accounting Policies and Accounting Estimates

(1) Accounting period

One accounting year for the Company is from 1 January to 31 December under the Gregorian calendar.

The normal business cycle refers to the period from the purchase of assets for processing to the realization of cash or cash equivalents. The Company takes 12 months as a business cycle and uses it as the liquidity division standard for assets and liabilities.

(2) Recording currency

The Company adopts RMB as the base currency for bookkeeping.

(3) Cash basis and principle of costing

The Company adopts accrual accounting as cash basis, use historical cost as principle of costing

(4) Accounting methods for business combinations under the same control and those under different control

1. The terms, conditions and economic impact of various transactions in the process of realizing business combinations step by step meet one or more of the following conditions, and multiple transactions are treated as a package transaction for accounting:

1) These transactions were concluded at the same time or in consideration of mutual influence;

2) These transactions can be a complete commercial result only when taken as a whole;

3) The occurrence of one transaction depends on the occurrence of at least one other transaction;

4) A transaction is uneconomical on its own, but it is economical when considered together with other transactions.

2. Business combinations under the same control

1) Individual financial statements

If the company pays cash, transfers non-cash assets, undertakes debts or issues equity securities as the combination consideration, the initial investment cost of long-term equity

investment shall be based on the share of the book value of the merged party's owner's equity in the final controlling party's consolidated financial statements on the combining date. The difference between the initial investment cost of long-term equity investment and the payment of combination consideration shall offset against the capital reserve; if the capital reserve is insufficient to offset, retained earnings shall be adjusted. If there is contingent consideration and it is necessary to confirm the estimated liabilities or assets, the difference between the amount of the estimated liabilities or assets and the settlement amount of the subsequent contingent consideration shall offset the capital reserve (capital premium or equity premium); if the capital reserve is insufficient to offset, retained earnings shall be adjusted.

If the business combination is finally realized through multiple transactions and is a package transaction, each transaction shall be taken as a transaction for obtaining control rights for accounting; if it is not a package transaction, the capital reserve shall be adjusted based on the difference between the initial investment cost of the long-term equity investment and the book value of the long-term equity investment before the combination plus the book value of the newly paid consideration for the shares acquired on the combining date; if the capital reserve is insufficient to offset, the retained earnings shall be adjusted. For equity investments held before the combining date, other comprehensive income recognized by adopting the equity method of accounting or financial instrument recognition and measurement standards shall not be subject to accounting until the same basis as the direct disposal of relevant assets or liabilities by the invested entity is adopted for accounting when the investment is disposed of; other changes in owner's equity other than net profit and loss, other comprehensive income and profit distribution in the net assets of the invested entity recognized by the equity method will not be subject to accounting and will be included in current profits and losses when the investment is disposed of.

All directly related expenses incurred in the combination, including audit fees, assessment fees and legal service fees paid for the combination, are included in current profits and losses when incurred; transaction expenses directly related to the issuance of equity instruments as combination consideration offset the capital reserve; if the capital reserve is insufficient to offset, the surplus reserve and undistributed profit shall be offset in turn. Transaction expenses directly related to the issuance of debt instruments as combination consideration are taken as the initial recognition amount included in debt instruments.

If the combined party has consolidated financial statements, the initial investment cost of long-term equity investment shall be recognized based on the owner's equity attributable to the

parent company in the consolidated financial statements of the combined party on the combining date.

2) Consolidated financial statements

The assets and liabilities acquired by the combining party in the business combination shall be measured according to the book value of the owner's equity of the combined party on the combining date in the consolidated financial statements of the final controlling party.

If the business combination is finally realized through multiple transactions and is a package transaction, each transaction shall be treated as a transaction for obtaining control rights for accounting; if the transaction is not a package transaction, and the long-term equity investment held by the combining party before the combination is completed has been confirmed to be related to the profit and loss, other comprehensive income and other changes in owner's equity during the period between the acquisition date and the later of the day when the combining party and the merged party are under the same final control of the same party and the combining date, the initial retained income during the comparative statement period or current profits and losses are offset with them respectively.

If the accounting policies adopted by the parties to the combination are inconsistent with those of the Company, the Company shall make adjustments according to its accounting policies on the combining date, and shall recognize them on this basis in accordance with the provisions of the Accounting Standards for Enterprises.

3. Business combination not under same control

For business combination not under same control, the combination cost is the fair value of the assets, liabilities incurred or assumed by the Company to obtain control over the purchased party and equity instruments or debt instruments issued on the purchase date. Where future events that may affect the combination cost are agreed upon in the combination contract, if it is estimated that the future events are likely to occur and the amount of impact on the combination cost can be reliably measured on the purchase date, the combination cost shall also be included.

Intermediary expenses such as auditing, legal services, evaluation and consultation and other related management expenses incurred by the Company for the purpose of conducting business combination shall be included in current profits and losses when incurred; transaction expenses of equity instruments or debt instruments issued by the Company as combination consideration are included in the initial recognition amount of equity instruments or debt instruments.

The Company recognizes goodwill as the difference between the combination cost and the fair value share of the identifiable net assets of the purchased party during the combination. If the Company's combination cost is less than the fair value share of the identifiable net assets of the purchased party obtained in the combination, the difference between the combination cost and the fair value share of the identifiable net assets of the purchased party obtained in the combination after review shall be included in current profits and losses.

For business combinations that are realized step by step through multiple exchange transactions and are not under the same control, separate individual financial statements from consolidated financial statements for relevant accounting;

(1) In the individual financial statements, if the equity investment held before the combination date is accounted by the equity method, the sum of the book value of the equity investment held by the combined party before the purchase date and the newly increased investment cost on the purchase date shall be taken as the initial investment cost of the investment. Relevant other comprehensive income shall be accounted for on the same basis as the direct disposal of relevant assets or liabilities by the invested entity when the investment is disposed of; the owner's equity recognized due to changes in the owner's equity of the invested entity other than net profit and loss, other comprehensive income and profit distribution shall be transferred to the current profits and losses during the disposal period when the investment is disposed of.

If the equity investment held before the combining date is accounted by the standards of recognition and measurement of financial instruments, the sum of the fair value of the equity investment on the combining date and the added investment cost shall be taken as the initial investment cost on the merger date. The difference between the fair value and book value of the originally held equity and the accumulated fair value changes originally included in other comprehensive income shall all be transferred to the current investment incomes on the combining date.

(2) In the consolidated financial statements, the equity of the purchased party held before the purchase date shall be measured again according to the fair value of the equity on the purchase date, and the difference between the fair value and its book value shall be included in the current investment income; if the equity of the purchased party held before the purchase date involves other comprehensive income under the equity method, the other comprehensive income related to it shall be transferred to the current investment income on the purchase date.

(5) The preparation method of consolidated financial statements

The consolidation scope of the Company's consolidated financial statements is recognized on the basis of control, and all subsidiaries (including separate entities controlled by the parent company) are included in the consolidated financial statements.

The accounting policies and accounting periods adopted by all subsidiaries and included in the consolidated financial statements are consistent with the Company. If the accounting policies and accounting periods adopted by subsidiaries are inconsistent with the Company, necessary adjustments shall be made according to the Company's accounting policies and accounting periods when preparing the consolidated financial statements.

The consolidated financial statements are based on the financial statements of the Company and its subsidiaries and are prepared by the Company according to other relevant information.

The consolidated financial statements offset the impact of internal transactions between the Company and its subsidiaries and among subsidiaries on the consolidated balance sheet, consolidated income statement, consolidated cash flow statement and consolidated statement of changes in shareholders' equity.

If the current loss shared by the minority shareholders of a subsidiary exceeds the share of the minority shareholders in the initial owner's equity of the subsidiary, the balance shall still be offset against the minority shareholders' equity.

During the reporting period, if subsidiaries and businesses are added due to business combination under same control, the Beginning Balance of the consolidated balance sheet shall be adjusted; incomes, expenses and profits of subsidiaries and businesses from the beginning of the current period when subsidiaries and businesses are combined to the end of the reporting period are included in the consolidated income statement; the cash flows of subsidiaries and businesses from the beginning of the current period when subsidiaries and businesses are combined to the end of the reporting period are included in the consolidated cash flow statement.

During the reporting period, if subsidiaries and businesses are added due to business combination not under same control, the beginning amount of the consolidated balance sheet will not be adjusted; incomes, expenses and profits of subsidiaries and businesses from the date of purchase to the end of the reporting period are included in the consolidated income statement; the cash flow of the subsidiary and its business from the date of purchase to the end of the reporting period is included in the consolidated cash flow statement.

During the reporting period, when the Company disposes of subsidiaries and businesses,

the income, expenses and profits of the subsidiaries and its businesses from the beginning of the reporting period to the disposal date are included in the consolidated income statement; cash flows of the subsidiary and its business from the beginning of the reporting period to the disposal date are included in the consolidated cash flow statement.

If the Company loses control of its original subsidiary due to the disposal of some equity investments or other reasons, the remaining equity shall be re-measured in the consolidated financial statements according to its fair value at the date of loss of control. The difference between the sum of the consideration obtained from the disposal of equity and the fair value of the remaining equity and the share of the net assets of the original subsidiary that should be continuously calculated from the purchase date according to the original shareholding ratio is included in the current investment income when the control right is lost. Other comprehensive income related to the original subsidiary's equity investment shall be converted into the current investment income when the control right is lost.

(6) Classification of joint arrangements and accounting methods for joint operations

1. Classification of joint arrangements

The Company divides the joint arrangements into joint operation and joint venture according to the structure and legal form of the joint arrangement and the terms, other relevant facts and circumstances agreed in the joint venture arrangement,.

Joint arrangements not reached by a separate subject are classified as joint operation; joint arrangements reached through separate subjects are usually classified as joint ventures; however, the joint arrangements proved to meet any of the following conditions and comply with the provisions of relevant laws and regulations by conclusive evidence are classified as joint operations:

(1) The legal form of the joint arrangement shows that the parties to the joint arrangement have rights and obligations respectively to the relevant assets and liabilities in the arrangement.

(2) The contractual terms of the joint arrangement stipulate that the parties to the joint arrangement shall have rights and assume obligations respectively with respect to the relevant assets and liabilities in the arrangement.

(3) Other relevant facts and circumstances show that the parties to the joint arrangement have rights and obligations respectively with respect to the relevant assets and liabilities in the arrangement. For example, the parties to the joint arrangement enjoy almost all the outputs related to the joint arrangement, and the settlement of the liabilities in the arrangement continuously depends on the support of the parties to the joint arrangement.

2. Accounting methods for joint operation

The Company recognizes the following items related to the Company in the share of interests in joint operation and conducts accounting in accordance with the relevant accounting standards for enterprises:

(1) The Company recognizes the assets held separately and the assets held jointly according to their shares;

(2) The Company recognizes the liabilities borne separately and the liabilities jointly borne according to shares;

(3) The Company recognizes the income generated from the sale of shares of joint operating output;

(4) The Company recognizes the income from the sale of output from joint operations according to shares;

(5) The Company recognizes the expenses incurred separately and the expenses incurred in joint operation according to shares.

The Company invests in or sells assets and the like to the joint operation (except the assets constituting the business). Before the assets and the like are sold by the joint operation to a third party, only the part of the profits and losses arising from the transaction attributable to other participants in the joint operation is recognized. If the assets invested or sold meet the asset impairment losses stipulated in the No.8 *Accounting Standards for Business Enterprises-Asset Impairment*, the Company will recognize the losses in full.

The Company purchases assets and the like from joint operations (except for those that constitute businesses). Before selling the assets and the like to a third party, it only recognizes the portion of the profits and losses arising from the transactions that belongs to other participants in the joint operations. If the purchased assets suffer asset impairment losses that conform to the provisions of the *No.8 Accounting Standards for Business Enterprises-Asset Impairment*, the Company shall recognize such losses according to the shares it bears.

The Company does not have joint control over joint operation. If the Company has the assets related to the joint operation and bears the liabilities related to the joint operation, the accounting shall be carried out according to the above principles, otherwise, the accounting shall be carried out according to the provisions of the relevant accounting standards for enterprises.

(7) Recognition standards for cash and cash equivalents

Cash refers to the cash on hand held by the Company and the deposits that can be used for

payment at any time. Deposits that cannot be used for payment at any time are not included in cash.

Cash equivalents refer to the investments held by the Company with short term (which are due within three months from the date of purchase), strong liquidity, easy conversion into known amount of cash and little risk of value change.

(8) Foreign currency transaction and translation of foreign currency statements

1. Foreign currency transaction

When foreign currency transactions are initially recognized, the spot exchange rate on the transaction date shall be used as the conversion exchange rate to convert foreign currency into RMB for bookkeeping.

On the balance sheet date, foreign currency monetary items are converted at the spot exchange rate on the balance sheet date, and the resulting exchange differences are included in current profits and losses, except for the exchange differences arising from foreign currency special loans related to the acquisition and construction of assets eligible for capitalization and treated in accordance with the principle of capitalization of borrowing expenses. Foreign currency non-monetary items measured at historical cost shall still be converted at the spot exchange rate on the transaction date, and the amount in their recording currencies shall not be changed.

Foreign currency non-monetary items measured at fair value shall be converted at the spot exchange rate on the date when the fair value is recognized, and the resulting exchange difference shall be included in current profits and losses as profits and losses arising from changes in fair value. If it is an available-for-sale foreign currency non-monetary item, the resulting exchange difference is included in other comprehensive income.

2. Translation of foreign currency financial statements

Assets and liabilities in the balance sheet shall be converted at the spot exchange rate on the balance sheet date. Except for "undistributed profit" items, other items of owner's equity items are converted at the spot exchange rate at the time of occurrence. Income and expense items in the income statement shall be converted at the spot exchange rate on the transaction date. The translation difference of foreign currency financial statement generated by the above translation is included in other comprehensive income.

When disposing of overseas operations, the translation difference between the foreign currency financial statements listed in other comprehensive income in the balance sheet and related to the overseas operations shall be transferred from other comprehensive income to

current profits and losses of disposal; in case of partial disposal of overseas operations, the translation difference of the foreign currency financial statements of the disposal portion shall be calculated according to the proportion of disposal and transferred to current profits and losses of disposal.

(9) Financial instruments

Financial instruments include financial assets, financial liabilities and equity instruments.

1. Classification of financial instruments

According to the contract terms of the issued financial instruments and the economic essence reflected by them, rather than in legal form only, the management, based on the purpose of acquiring and holding financial assets and undertaking financial liabilities, classifies financial assets and financial liabilities into different categories: financial assets (or financial liabilities) that are measured at fair value and whose changes are included in current profits and losses; held-to-maturity investments; accounts receivable; available-for-sale financial assets; other financial liabilities, etc.

2. Recognition basis and measurement method of financial instruments

(1) Financial assets (financial liabilities) that are measured at fair value and whose changes are included in current profits and losses

Financial assets or financial liabilities that are measured at fair value and whose changes are included in current profits and losses include transactional financial assets or financial liabilities and financial assets or financial liabilities that are directly designated as measured at fair value and whose changes are included in current profits and losses.

Transactional financial assets or financial liabilities refer to financial assets or financial liabilities that meet one of the following conditions:

1) The purpose of obtaining the financial asset or financial liability is to sell, buy back or redeem it in a short period of time;

2) It is part of the identifiable portfolio of financial instruments under centralized management, and there is objective evidence suggesting that the Company has recently adopted a short-term profit-making method to manage the portfolio;

3) It is a derivative financial instrument, except derivatives designated as effective hedging instruments, derivatives under financial guarantee contracts, and derivatives linked to equity instrument investments that are not quoted in an active market and whose fair value cannot be reliably measured and must be settled through delivery of the equity instrument.

Financial assets or financial liabilities can be designated as financial assets or financial liabilities that are measured at fair value at the time of initial measurement and whose changes are included in profits or losses only when one of the following conditions is met:

1) This designation can eliminate or obviously reduce the inconsistent recognition or measurement of relevant profits or losses caused by different measurement bases of financial assets or financial liabilities;

2) The formal written documents of risk management or investment strategy have stated that the financial asset portfolio, the financial liability portfolio, or the financial asset and financial liability portfolio shall be managed and evaluated on the basis of fair value and reported to key management personnel;

3) Hybrid instruments containing one or more embedded derivatives, unless the embedded derivatives have made no significant change to the cash flow of the hybrid instruments, or the embedded derivatives should obviously not be separated from the relevant hybrid instruments;

4) Mixed instruments containing embedded derivatives that need to be separated but cannot be separately measured at the time of acquisition or on the subsequent balance sheet date.

For financial assets or financial liabilities that are measured at fair value and whose changes are included in current profits and losses, the Company takes the fair value (excluding declared but not yet paid cash dividends or interest on bonds whose interest payment period is due but not yet received) as the initial recognition amount when acquiring them, and the relevant transaction expenses are included in current profits and losses. Interest or cash dividends earned during the holding period are recognized as investment income, and changes in fair value are included in current profits and losses at the end of the period. At the time of disposal, the difference between the fair value and the initial recorded amount is recognized as investment income, and the profits and losses arising from changes in fair value are adjusted.

(2) Receivables

Receivables refer to creditor's rights receivable arising from the Company's external sales of goods or rendering of services and creditor's rights of other enterprises held by the Company (excluding debt instruments quoted in the active market), including receivables, other receivables, long-term receivables. They shall be initially recognized as the contract price or agreement price receivable from the buyer; if they are financing in nature, they shall be initially recognized according to their present value.

When receiving or disposing the receivables, the difference between the proceeds received

and the book value of the said receivables shall be included in current profits and losses.

(3) Held-to-maturity investment

Held-to-maturity investment refers to the non-derivative financial assets with fixed expiration date, fixed or recognizable collectable amount and with explicit intention and capability from the Company to hold till expiration date.

The Company's held-to-maturity investments are initially recognized at the time of acquisition based on the sum of fair value (excluding the interest on bonds that have reached the interest payment period but have not yet been received) and related transaction expenses. During the holding period, interest income is calculated and recognized according to amortized cost and actual interest rate, and is included in investment income. The effective interest rate is recognized upon obtaining, and shall remain unchanged during the expected period or applicable shorter period. When disposing the investment, the difference between the proceeds received and the book value of the said investment shall be included in investment income.

If the amount of held-to-maturity investments disposed of or reclassified as other types of financial asset is larger than the total amount of all held-to-maturity investments of the Company before sale or reclassification, the remaining held-to-maturity investments shall be reclassified as available-for-sale financial asset immediately after disposal or reclassification; on the date of reclassification, the difference between the book value of the said investments and their fair values are included in other comprehensive income, transferred out when the available-for-sale financial asset is impaired or derecognized, and included in current profits and losses. However, the following situations can be excluded:

1) The date of sale or reclassification is close to the maturity date or redemption date of the investment (e.g. within three months before maturity), and changes in market interest rate have no significant impact on the fair value of the investment.

2) According to the payment method agreed in the contract, the enterprise has recovered almost all the initial principal.

3) The sale or reclassification is caused by independent events beyond the control of the enterprise, which are not expected to occur again and are difficult to reasonably predict.

(4) Available-for-sale financial assets

Available-for-sale financial assets refer to non-derivative financial assets designated as available-for-sale upon initial recognition, as well as financial assets other than other types of financial assets.

For available-for-sale financial assets, the Company will initially recognize the sum of fair

value (net of declared but not yet paid cash dividends or interest on bonds that have reached the interest payment period but not yet received) and relevant transaction expenses when acquiring them. Interest or cash dividends calculated at the actual interest rate during the holding period are recognized as investment income. Profits or losses resulting from changes in the fair value of available-for-sale financial assets are directly included in other comprehensive income except impairment losses and exchange differences arising from foreign currency monetary financial assets. When disposing of available-for-sale financial assets, the difference between the proceeds and the book value of the financial assets shall be included in the investment profits and losses; meanwhile, the amount corresponding to the disposal portion of the accumulated fair value changes originally directly included in other comprehensive income shall be transferred out and included in the investment profits and losses.

The Company's investment in equity instrument that is not quoted in an active market and whose fair value cannot be reliably measured, as well as derivative financial assets linked to the equity instrument and that must be settled through delivery of the equity instrument, are measured at cost.

(5) Other financial liabilities

The initial recognition amount of the financial liability shall be the sum of its fair value and relevant transaction expenses. Amortized cost is adopted for subsequent measurement.

3. Confirmation basis and measurement method of financial asset transfer

When the Company transfers a financial asset, if it has transferred almost all risks and rewards in terms of the ownership of the financial asset to the transferee, the recognition of the financial asset shall be terminated; if almost all risks and rewards in terms of the ownership of the financial asset are retained, the recognition of the financial asset will not be terminated.

When judging whether the transfer of financial assets meets the above conditions for termination recognition of financial assets, the principle of substance over form shall be adopted. The Company divides the transfer of financial assets into overall transfer and partial transfer. If the overall transfer of financial assets meets the conditions for termination recognition, the difference between the following two amounts shall be included in current profits and losses:

(1) The book value of the transferred financial assets;

(2) The sum of the consideration received from transfer and the accumulated amount of changes in fair value originally directly included in the owner's equity (in case the transferred

financial asset is an available-for-sale financial asset).

If the partial transfer of financial assets meets the conditions for termination recognition, the book value of the transferred financial assets as a whole shall be apportioned between the derecognized portion and the non-derecognized portion according to their respective relative fair values, and the difference between the following two amounts shall be included in current profits and losses:

(1) The book value of the derecognized part;

(2) The sum of the consideration of the derecognized portion and the amount of the corresponding derecognized portion of the accumulated amount of changes in fair value directly included in the owner's equity (involving the case where the transferred financial asset is an available-for-sale financial asset).

If the transfer of a financial asset does not meet the conditions for termination recognition, the financial asset shall continue to be recognized and the consideration received shall be recognized as a financial liability.

4. Conditions for termination recognition of financial liabilities

If all or part of the current obligations of the financial liabilities have been discharged, the recognition of the financial liabilities or part thereof shall be terminated; if the Company signs an agreement with creditors to replace the existing financial liabilities by assuming new financial liabilities, and the contract terms of the new financial liabilities and the existing financial liabilities are substantially different, the existing financial liabilities shall be derecognized and the new financial liabilities shall be simultaneously recognized.

If any substantial modification is made to all or part of the contractual terms of the existing financial liabilities, the recognition of the existing financial liabilities or part thereof shall be terminated, and the financial liabilities after the modification shall be recognized as a new financial liability.

Where a financial liability is derecognized in whole or in part, the difference between the book value of the derecognized financial liability and the consideration paid (including transferred non-cash assets or assumed new financial liabilities) shall be included in current profits and losses.

Where the Company buys back part of its financial liabilities, it shall distribute, on the repurchase date, the book value of the whole financial liabilities in light of the comparatively fair value of the part that continues to be recognized and the part whose recognition has already been terminated. The difference between the book value which is distributed to the part whose

recognition has terminated and the considerations it has paid (including the non-cash assets it has transferred out and the new financial liabilities it has assumed) shall be included in current profits and losses.

5. Recognition method for fair value of financial assets and financial liabilities

If there is an active market for the Company's financial assets and financial liabilities measured at fair value, their fair values shall be recognized by the quoted price in the active market; financial assets or financial liabilities that do not exist in an active market shall be recognized by valuation techniques (including reference to prices used in recent market transactions by parties familiar with the situation and willing to trade, reference to current fair values of other financial instruments that are substantially the same, discounted cash flow method, option pricing model, etc.); for financial assets initially acquired or derived or financial liabilities assumed, their fair values shall be recognized on the basis of market transaction price.

6. Provision for impairment of financial assets (excluding receivables)

On the balance sheet date, the book value of financial assets other than those measured at fair value and whose changes are included in current profits and losses shall be checked. If there is objective evidence that the financial assets are impaired, provision for impairment shall be accrued.

Objective evidence of impairment of financial assets, including but not limited to:

(1) The issuer or debtor has serious financial difficulties;

(2) The debtor violates the contractual terms, such as default or overdue payment of interest or principal;

(3) Creditors make concessions to debtors with financial difficulties due to economic or legal considerations;

(4) The debtor is likely to close down or carry out other financial restructuring;

(5) The financial asset can no longer continue to be traded in the active market due to serious financial difficulties of the issuer;

(6) It is impossible to identify whether the cash flow of an asset in a group of financial assets has decreased, but it is found that the expected future cash flow of the said group of financial assets has indeed decreased and can be measured after overall evaluation based on public data, such as major deterioration of the debtor's ability to pay for the group of financial assets, or the increase of the unemployment rate in the country or region where the debtor is located, significant decrease of the price of collateral in the region where the debtor is located,

and the recession of the industry;

(7) Major adverse changes have taken place in the technology, market, economy or legal environment in which the issuer of the equity instrument operates, which may prevent investors of the equity instrument from recovering their investment expenses;

(8) The fair value of the equity instrument investment drops significantly or non-temporarily;

Specific impairment methods for financial assets are as follows:

(1) Provision for impairment of available-for-sale financial assets

On the balance sheet date, the Company adopts the method of individual identification to assess impairment losses of various available-for-sale financial assets. Wherein: objective evidence showing impairment of available-for-sale equity instrument investment includes serious or non-temporary decline in fair value of equity instrument investment; the specific quantification standard is: if the fair value of the equity instrument investment on the balance sheet date is lower than its cost by more than 50% (including 50%) or lower than its cost for more than one year (including one year), it indicates impairment; if the fair value of the equity instrument investment on the balance sheet date is lower than its cost by more than 20% (including 20%) but has not yet reached 50%, the Company will comprehensively consider other relevant factors such as price volatility to determine whether the equity instrument investment is impaired.

The "cost" mentioned in the preceding paragraph is recognized according to the initial acquisition cost of the available-for-sale equity instrument investment excluding the recovered principal, the amortized amount and the impairment loss originally included in profit or loss; the "fair value" is recognized according to the closing price of the stock exchange at the end of the period, unless there is a sell-off period for the available-for-sale equity instrument investment. For the available-for-sale equity instrument investment with limited selling period, it shall be recognized according to the closing price of the stock exchange at the end of the period after deducting the compensation amount required by market participants for assuming the risk that the equity instrument cannot be sold on the open market within the specified period.

Where an available-for-sale financial asset is impaired, even if the financial asset is not derecognized, the Company will transfer the accumulated losses arising from the reduction in fair value and originally directly included in other comprehensive income, out of other comprehensive income and include them into current profits and losses. The accumulative

losses that are transferred out shall be the balance obtained from the initially obtained expenses of the available-for-sale financial asset after deducting the principal taken back, the current fair value and the impairment-related losses originally included in current profits and losses.

For available-for-sale debt instrument with impairment losses recognized, if its fair values has increased in the subsequent accounting period and is objectively related to events occurring after the original impairment losses are recognized, the originally recognized impairment losses shall be reversed and included in current profits and losses; impairment losses incurred on available-for-sale equity instrument investments are reversed through equity when the value of the equity instrument rebounds; however, impairment losses incurred by equity instrument investments that are not quoted in an active market and whose fair value cannot be reliably measured, or derivative financial assets linked to the equity instrument and that must be settled through delivery of the equity instrument, cannot be reversed.

(2) Provision for impairment reserves of held-to-maturity investments

For held-to-maturity investments that have objective evidence of impairment, impairment losses shall be calculated and confirmed based on the difference between their book values and the present value of expected future cash flows; if there is evidence that their value has recovered after accrual, the originally recognized impairment loss can be reversed and included in the current profits and losses, but the reversed book value shall not exceed the amortized cost of the financial asset on the reversal date under the assumption that no provision is made for the impairment.

7. Offset of financial assets and financial liabilities

Financial assets and financial liabilities are shown separately in the balance sheet without offsetting each other. However, if the following conditions are met at the same time, the net amount after offset shall be listed in the balance sheet:

(1) The Company has the legal right to offset the recognized amount, and such legal right is currently enforceable;

(2) The Company plans to settle on a net basis, or realize the financial assets and settle the financial liabilities at the same time.

(11) Receivables

1. The Company's receivables (including accounts receivables and other receivables) shall be taken as the initial recorded amount according to the contract price or agreement price, and the bad debt losses shall be recognized according to the following standards: where the debtor

goes bankrupt and the receivables cannot be recovered after being paid off according to the legal liquidation procedures; or the receivables are truly irrecoverable because there is no legacy to pay off the receivables and no obligor after the debtor died; or the debtor fails to fulfill its debt-paying obligations within the time limit. These receivables are included in bad debt losses upon examination and approval by legal procedures.

2. The Company adopts the allowance method for bad debt losses. When bad debts occur, the originally drawn provision for bad debt is written off, and the difference that the bad debt reserve is insufficient to write off is included in current profits and losses.

3. The provision for bad debts shall be made by combining the balance percentage method, aging analysis method and individual identification method. The Company estimates the recoverability of receivables at the end of the year based on relevant information such as past experience, actual financial position and cash flows of the debtors. No provision for bad debts shall be made for receivables that are expected to have no recovery risk. Separate provision for bad debts shall be made for receivables that are obviously difficult to recover. For other receivables, according to the nature of the actual company and the type of customers, the balance percentage method or the aging analysis method shall be adopted. For the use of the balance percentage method, the bad debt provision shall be set aside at 0.5% of the end balance of the period .For the use of the aging analysis method, the specific withdrawal ratio shall be 1% of the balance if the age of the account is 0-6 months. If the age of the account is 7-12 months, 5% of the balance shall be deducted. If the age of the account is 1-2 years, 10% of the balance shall be set aside. If the age of the account is 2-3 years, 30% of the balance shall be set aside. If the age of the account is 3-4 years, 50% of the balance shall be deducted; If the age of the account is 4-5 years, 70% of the balance shall be set aside; If the age of account is more than 5 years, 100% of the balance shall be set and withdrawn.

(12) Inventory

1. Inventory classification: raw materials, packaging materials, inventory commodities, low-value consumables, self-made semi-finished products, in-process products, development expenses, commissioned processing materials, etc.

2. Inventory valuation: inventories are priced according to actual cost when they are acquired. Inventories produced and sold according to contract batch are priced according to batch when they are used and issued. Weighted average method is adopted when other inventories are used or delivered.

3. Inventory system: perpetual inventory system.

4. The low-value consumables and packaging materials shall be used by one-time amortization method.

5. Accounting method for provision of inventory depreciation: on the balance sheet date, the inventories are measured according to the lower of the book cost of inventories and the net realizable value, and provision for inventory depreciation is provided for the part of the book cost higher than the net realizable value.

(13) Long-term equity investment

The long-term equity investment referred to in this part refers to the long-term equity investment that the Company has control and joint control over or significant impact on the invested entity. The long-term equity investment that the Company does not have control and joint control over or significant impact on the invested entity is accounted for as available-for-sale financial assets or financial assets measured at fair value and whose changes are included in current profits and losses. See "Financial instruments" for its accounting policies.

Joint control refers to the joint control of the Company over an arrangement according to relevant agreements, and the relevant activities of the arrangement can only be decided after the participants sharing the control rights have agreed unanimously. Significant impact refers to the fact that the Company has the power to participate in the decision-making of the financial and operating policies of the invested entity, but does not have control or jointly control over the formulation of these policies together with other parties.

1. Recognition of investment cost

For the long-term equity investment obtained from business combination under same control, its initial investment cost shall be based on the share of the book value of the owner's equity of the combined party in the consolidated financial statements of the final controlling party on the combining date. The difference between the initial investment cost of long-term equity investment and the book value of cash paid, non-cash assets transferred and debts assumed is used to adjust the capital reserve; if the capital reserve is not enough to be offset, retained earnings shall be adjusted. If equity securities are issued as combination consideration, the initial investment cost of long-term equity investment shall be taken as the share of the book value of the combined party's shareholder's equity/owner's equity in the final controlling party's consolidated financial statements on the combination date, and the capital reserve shall be adjusted according to the difference between the initial investment cost of long-term equity investment and the total nominal value of the issued shares; if the capital reserve is insufficient

to offset, the retained earnings shall be adjusted (if multiple transactions are implemented to acquire the equity of the combined party under same control step by step, and a business combination under same control is finally formed, it is necessary to judge whether they are a "package deal" respectively: if they are a "package deal", each of them shall be treated as a transaction to obtain control. If they are not a "package deal", the initial investment cost of the long-term equity investment shall be taken as the share of the book value of the shareholder's equity/owner's equity of the combined party in the consolidated financial statements of the final controlling party on the combination date, and the capital reserve shall be adjusted according to the difference between the initial investment cost of the long-term equity investment and the sum of the book value of the long-term equity investment before the combination and the book value of the new consideration for the shares obtained on the combining date; if the capital reserve is insufficient to offset, the retained earnings shall be adjusted. For equity investments held before the combining date, other comprehensive income recognized for available-for-sale financial assets or accounted by the equity method will not be accounted for the time being).

For the long-term equity investment acquired from the business combination not under same control, the initial investment cost of the long-term equity investment shall be taken as the combination cost on the acquisition date. The combination cost includes the sum of the fair value of the assets paid by the acquirer, liabilities incurred or assumed, and equity securities issued (if multiple transactions are implemented to acquire the equity of the combined party under same control step by step, and a business combination under same control is finally formed, it is necessary to judge whether they are a "package deal" respectively: if they are a "package deal", each of them shall be treated as a transaction to obtain control. If they are not a "package deal", the sum of the book value of the equity investment originally held by the purchased party and the newly added investment cost shall be taken as the initial investment cost of the long-term equity investment calculated by the cost method instead. If the equity originally held is accounted by the equity method, other related comprehensive income will not be accounted for the time being. 5. Accounting method for provision of inventory depreciation: on the balance sheet date, the inventories are measured according to the lower of the book cost of inventories and the net realizable value, and provision for inventory depreciation is provided for the part of the book cost higher than the net realizable value.

Intermediary expenses such as auditing, legal services, evaluation and consultation and other related management expenses incurred by the combining party or the acquirer for the

business combination shall be included in current profits and losses when incurred.

The equity investments other than the long-term equity investments formed by business combinations are initially measured according to the cost. Depending on the way the long-term equity investments are obtained, the said cost is respectively recognized according to the actual cash purchase price paid by the Company, the fair value of equity securities issued by the Company, the value agreed in investment contracts or agreements, the fair value or original book value of assets exchanged in non-monetary asset exchange transactions and the fair value of the long-term equity investments themselves. Expenses, taxes and other necessary expenses directly related to obtaining long-term equity investment are also included in the investment cost. If additional investment can exert significant impact on the invested entity or implement joint control but does not constitute control, the long-term equity investment cost shall be the sum of the fair value of the original equity investment determined in accordance with *Accounting Standards for Enterprises No.22-Recognition and Measurement of Financial Instruments* and the additional investment cost.

2. Method of subsequent measurement and confirmation of profit and loss

For long-term equity investments that are jointly controlled by the invested entities (except those that constitute joint operators) or have significant impact, the equity method shall be adopted for accounting. In addition, the cost method is adopted in the Company's financial statements to account long-term equity investments that can control the invested entities.

(1) Long-term equity investment accounted by cost method

When the cost method is used for accounting, the long-term equity investment is priced according to the initial investment cost, and the cost of the long-term equity investment is adjusted by adding or recovering the investment. In addition to the actual price paid at the time of obtaining the investment or the declared but undistributed cash dividends or profits included in the consideration, the current investment income shall be recognized according to the cash dividends or profits declared and distributed by the invested entity.

(2) Long-term equity investment accounted for equity method

If the initial investment cost of the long-term equity investment is greater than the fair value share of the identifiable net assets of the invested entity when the equity method is used for accounting, the initial investment cost of the long-term equity investment shall not be adjusted; if the initial investment cost is less than the fair value share of the identifiable net assets of the invested entity, the difference shall be included in the current profits and losses, and the cost of long-term equity investment shall be adjusted at the same time.

When the equity method is used for accounting, the investment income and other comprehensive income shall be recognized respectively according to the share of the net profit and loss and other comprehensive income realized by the invested entity and that should be enjoyed or shared, and the book value of long-term equity investment shall be adjusted at the same time; the book value of long-term equity investment shall be reduced correspondingly according to the portion of profits or cash dividends declared and distributed by the invested entity; the book value of long-term equity investment shall be adjusted and included in the capital reserve for other changes in the owner's equity of the invested entity other than net profit and loss, other comprehensive income and profit distribution. When the share of net gains and losses of the invested entity is recognized, the net profit of the invested entity shall be adjusted and recognized based on the fair value of identifiable assets and others of the invested entity at acquisition. If the accounting policies and accounting periods adopted by the invested entity are inconsistent with the Company, the financial statements of the invested entity shall be adjusted in accordance with the Company's accounting policies and accounting periods, and the investment income and other comprehensive income shall be recognized accordingly. For transactions between the Company, associated enterprises and joint ventures, if the assets invested or sold do not constitute business, the unrealized profits and losses on internal transactions shall be offset by the portion attributable to the Company according to the proportion enjoyed, and the investment profits and losses shall be recognized on this basis. However, the unrealized internal transaction losses between the Company and the invested entity shall not be offset if they are impairment losses of the transferred assets. If the assets invested by the Company to a joint venture or an associated enterprise constitute business, and the investor has thus obtained long-term equity investment but has not obtained control, the fair value of the invested business shall be taken as the initial investment cost of the new long-term equity investment. The difference between the initial investment cost and the book value of the invested business shall be fully included in current profits and losses. If the assets sold by the Company to a joint venture or an associated enterprise constitute a business, the difference between the consideration obtained and the book value of the business shall be fully included in current profits and losses. If the assets purchased by the Company from affiliated enterprises and joint ventures constitute businesses, the accounting shall be carried out in accordance with the provisions of the *Accounting Standards for Enterprises No.20-Business Combination*, and the profits or losses related to the transaction shall be fully recognized.

The net loss from the investment in invested entity is recognized to the extent that the

book value of the long-term equity investment and other long-term interest in substance in the invested entity are written down to zero. In addition, if the Company has the obligation to bear additional losses to the invested entity, the estimated liabilities shall be recognized according to the estimated obligations and included in current investment losses. If the invested entity realizes net profit in the subsequent period, the Company will resume the recognition of the profit sharing amount after the profit sharing amount makes up for the unrecognized loss sharing amount.

(3) Acquisition of minority equity

In the preparation of consolidated financial statements, the capital reserve shall be adjusted for the difference between the long-term equity investment newly increased due to the purchase of minority equity and the net asset share continuously calculated by the subsidiary from the acquisition date (or the combining date) according to the newly increased shareholding ratio. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted.

(4) Disposal of long-term equity investment

In the consolidated financial statements, the parent company partially disposes of the long-term equity investment in the subsidiary company without losing control. The difference between the disposal price and the net assets of the subsidiary company corresponding to the disposal of the long-term equity investment is included in the shareholders' equity. If the parent company partially disposes of the long-term equity investment in the subsidiary company and causes loss of control over the subsidiary company, it shall be handled in accordance with the relevant accounting policies described in (6) "Method for Preparing Consolidated Financial Statements".

For the disposal of long-term equity investment under other circumstances, the difference between the book value of the disposed equity and the actual acquisition price shall be included in current profits and losses.

For long-term equity investments that are accounted by the equity method and whose remaining equity after disposal are still accounted by the equity method, other comprehensive income originally included in shareholders' equity shall be accounted on the same basis as the direct disposal of relevant assets or liabilities by the invested entity according to the corresponding proportion. The owners' equity recognized due to changes in owners' equity other than net profit and loss, other comprehensive income and profit distribution of the invested entity shall be transferred to current profits and losses in proportion.

For long-term equity investments that are accounted by the cost method and whose remaining equity is still accounted by the cost method after disposal, their other comprehensive incomes recognized by the equity method accounting or financial instrument recognition and measurement standards accounting before obtaining control over the invested entity shall be accounted for on the same basis as the direct disposal of related assets or liabilities by the invested entity, and shall be carried forward to the current profits and losses in proportion; changes in other owner's equity other than net profit and loss, other comprehensive income and profit distribution in the net assets of the invested entity recognized by the equity method are carried forward to the current profits and losses in proportion.

In case of loss of the control over the invested entity due to the disposal of some equity investments, if the remaining equity after disposal can exercise joint control over or exert significant impact on the invested entity during the preparation of individual financial statements, the accounting shall be based on the equity method, and the remaining equity shall be adjusted as if it had been acquired by the equity method; if the remaining equity after disposal cannot exercise joint control over or exert significant impact on the invested entity, it shall be subject to accounting in accordance with the relevant provisions of the recognition and measurement standards for financial instruments, and the difference between its fair value and book value on the date of loss of control shall be included in current profits and losses. For other comprehensive income recognized before the Company obtains control over the invested entity due to equity method accounting or financial instrument recognition and measurement standards accounting, the same basis as the direct disposal of related assets or liabilities by the invested entity shall be adopted for its accounting when the control over the invested entity is lost. Changes in other owner's equity other than net profit and loss, other comprehensive income and profit distribution in the net assets of the invested entity recognized due to equity method accounting shall be transferred to current profits and losses when the control over the invested entity is lost. Including, if the remaining equity after disposal is accounted by the equity method, other comprehensive income and other owner's equity shall be carried forward in proportion; if the remaining equity after disposal is subject to accounting according to the standards for recognition and measurement of financial instruments, other comprehensive income and other owner's equity shall be carried forward.

If the disposal of part of the equity investment causes the loss of joint control or significant impact on the invested entity, the remaining equity after disposal shall be accounted according to the recognition and measurement standards of financial instruments, and the

difference between the fair value and book value on the date of loss of joint control or significant impact shall be included in current profits and losses. Other comprehensive income of the original equity investment recognized by the equity method shall be accounted on the same basis as the invested entity's direct disposal of related assets or liabilities when the equity method is terminated. Owner's equity recognized due to changes in owner's equity other than net profit and loss, other comprehensive income and profit distribution shall all be transferred to the current investment income when the equity method is terminated.

When the equity investment in a subsidiary is disposed of step by step through multiple transactions until the control right is lost, if the above transactions are a package deal, each transaction shall be treated as a transaction that disposes of the equity investment in the subsidiary and loses the control right. The difference between each disposal price and the book value of the long-term equity investment corresponding to the disposed equity before the loss of the control right is recognized as other comprehensive income, and then transferred to current profits and losses of the loss of the control when the control is lost.

(14) Investment real estate

Investment real estate includes leased land use rights, land use rights that are held and ready to be transferred after appreciation, and leased buildings. When the company can obtain rental income or value-added income related to investment real estate and the cost of investment real estate can be measured reliably, the investment real estate is recognized according to its actual expenses of acquisition or construction.

In general, the Company adopts the cost model to carry out subsequent measurement on the subsequent expenses of investment real estate. For investment real estate, its depreciation or amortization shall be accrued according to the Company's accounting policies for fixed assets or intangible assets.

If there is conclusive evidence that the fair value of the relevant investment real estate of the Company can be obtained continuously and reliably, the fair value model shall be adopted for subsequent measurement of such investment real estate. If the fair value model is used for measurement, no depreciation or amortization shall be accrued for the investment real estate. The book value of the investment real estate shall be adjusted according to its fair value on the balance sheet date. The difference between its fair value and its original book value shall be included in current profits and losses.

When the Company changes the use of investment real estate to other users, such as self-use, the applicable investment real estate shall be transferred to other assets.

The fair value of investment real estate is the current fair market price recognized according to the principle of open market under the condition of the Company's going concern. It does not take into account the possible mortgage and guarantee matters and the additional price that special traders may pay. It also does not take into account the changes in the national macroeconomic policy and the impact of natural forces and other force majeure on the asset price.

(15) Fixed assets

1. Recognition of fixed assets: fixed assets refer to buildings, machinery and equipment, transportation tools and other business-related appliances held by the Company for the purpose of producing commodities, providing labor services, leasing or management with a service life of more than one year. They are recognized when related economic benefits are likely to flow into the enterprise and their expenses can be measured reliably.

2. Pricing of fixed assets: fixed assets are initially measured at cost.

Where the payment for a fixed asset is delayed beyond the normal credit conditions, which is equivalent to financing in nature, the cost of fixed assets shall be recognized on the basis of the present value of the purchase price. The difference between the actual price paid and the present value of the purchase price shall be included in current profits and losses in the credit period, except for those that should be capitalized.

3. Classification of fixed assets: houses and buildings, mechanical equipment, electronic equipment, means of transportation and other equipment.

4. Subsequent measurement of fixed assets: the Company accrues depreciation for all fixed assets, except for the fixed assets that have been fully depreciated and are used continuously.

According to the nature and use of fixed assets, the Company recognizes the service life and estimated net salvage value of fixed assets. At the end of the year, the Company also reviews the service life, estimated net salvage value and depreciation method of fixed assets.

Category, expected service life, expected net salvage value rate and annual depreciation rate of the Company's fixed assets are as follows:

Asset category	Estimated service life (years)	Estimated net residual value rate %	Annual depreciation rate %
Houses and buildings	20-40	5	4.75-2.375

Asset category	Estimated service life (years)	Estimated net residual value rate %	Annual depreciation rate %
Our Equipment	5-10	5	19.00-9.50
Electronic devices	5	5	19.00
Means of transportation	5	5	19.00
Other equipment	5	5	19.00

5. Recognition of impairment of fixed assets

On the balance sheet date, the Company judges whether there are signs of possible impairment of fixed assets according to the following situations:

(1) The market price of the asset has dropped significantly in the current period, and its decline is obviously higher than the expected decline due to the passage of time or normal use.

(2) The economic, technological or legal environment in which the Company operates and the market of the assets will undergo major changes in the current period or in the near future, thus adversely affecting the enterprise.

(3) The market interest rate or other market investment return rate has increased in the current period, thus affecting the discount rate of the Company in calculating the present value of the estimated future cash flow of the asset and resulting in a substantial decrease in the recoverable amount of the assets.

(4) There is evidence to prove that the assets have become outdated or their substances have been damaged.

(5) The assets have been or will be idle, terminated or planned to be disposed of in advance.

(6) Any evidence in the internal report of the Company shows that the economic performance of the assets has been or will be lower than the expected performance. For example, the net cash flow created by the assets or the operating profit (or loss) realized is lower (higher) than the excepted amount, etc.

(7) Other signs indicating that assets may have been impaired.

The recoverable amount is determined based on the higher of the net amount of the fair value of the fixed asset minus the disposal expenses and the present value of the estimated future cash flow of the asset.

The net amount of the fair value of the fixed assets minus the disposal expenses can be recognized according to the sales agreement price in the fair transaction minus the amount

directly attributable to the disposal expenses of the assets; if there is no sales agreement but the assets are traded in an active market, the net amount can be recognized according to the market price of the asset minus the disposal cost; in the absence of a sales agreement and an active market for the assets, the net amount of the fair value of the estimated assets minus the disposal expenses can be estimated by referring to the recent transaction prices or transaction results of similar assets in the same industry. If the Company is still unable to reliably estimate the fair value of the fixed assets minus the disposal expenses according to the above provisions, the present value of the estimated future cash flow of the assets shall be taken as their recoverable amount.

The present value of the estimated future cash flows of fixed assets is recognized by taking the market interest rate as the discount rate according to the estimated future cash flows generated during the continuous use and final disposal of these assets.

6. Recognition of financial leasing

Financial leasing is recognized when meeting one or more of the following conditions stipulated in the agreement signed by the Company for leasing fixed assets:

(1) At the expiration of the lease term, the ownership of the leased asset will be transferred to the Company; even if the ownership of the asset is not transferred, the lease term accounts for most of the useful life of the leased asset.

(2) The Company has the option to purchase leased assets, and the purchase price is expected to be far lower than the fair value of the leased assets when the option is exercised.

(3) The present value of the Company's minimum lease payment on the lease commencement date is almost equal to the fair value of the leased asset on the lease commencement date; the present value of the lessor's minimum lease receipts on the lease commencement date is almost equal to the fair value of the leased asset on the lease commencement date.

(4) The leased assets are of a specialized nature that only the Company can use them if no major modifications are made.

At the beginning of the lease period, the Company takes the lower of the fair value of the leased asset and the present value of the minimum lease payment as the entry value of the leased asset; the initial direct expenses incurred in the process of lease negotiation and lease contract signing and that can be attributed to the lease project, such as handling fees, attorney fees, travel expenses and stamp duty, are also included in the value of the fixed assets of the financial leasing.

If it reasonable to be certain that the ownership of the leased asset can be obtained upon the expiration of the lease period, depreciation shall be accrued within the service life of the leased asset; if it not reasonable to be certain that the ownership of the leased asset can be obtained upon the expiration of the lease period, depreciation shall be accrued within the shorter of the lease term and the useful life of the leased asset.

Please refer to (19) "Impairment of Long-term Assets" for detailed methods of impairment test and impairment provision for fixed assets.

(16) Construction in progress

Cost of construction in progress is recognized based on the actual construction cost, including all expenditures incurred for construction projects, capitalized borrowing expenses for the construction in progress before it has reached the working condition for its intended use, and other related expenses during the construction period. A project under construction is transferred to fixed asset when it has reached the working condition for its intended use.

Please refer to (19) "Impairment of Long-term Assets" for details of impairment testing methods and impairment reserve accrual methods for construction in process .

(17) Borrowing expenses

Borrowing expenses include interest on loans, amortization of discounts or premiums, ancillary expenses and exchange differences arising from foreign currency loans. Borrowing expenses that can be directly attributed to the acquisition, construction or production of assets that meet the capitalization conditions start to be capitalized when the asset expenditure and the borrowing expenses have occurred, and the acquisition, construction or production activities necessary for the assets to reach the preset usable state or sellable state have begun; capitalization shall be stopped when the constructed or produced assets that meet the capitalization conditions reach the preset usable state or sellable state. The remaining borrowing expenses are recognized as expenses in the current period of occurrence.

As for specifically borrowed loans, the to-be-capitalized amount of interests shall be recognized in light of the actual cost incurred of the special borrowings at the present period minus the income of interests earned on the unused borrowings as a deposit in the bank or as a temporary investment; for general borrowings, the capitalization amount is recognized by multiplying the weighted average of the asset expenditures of the accumulated asset expenditures over the special loan portion by the capitalization rate of the occupied general borrowings. The capitalization rate is calculated and recognized according to the weighted average interest rate of general borrowings.

During the capitalization period, all exchange differences of special borrowings in foreign currency shall be capitalized; exchange differences of general borrowings in foreign currency are included in current profits and losses.

Assets eligible for capitalization refer to fixed assets, investment real estate, inventory and other assets that require a long period of acquisition, construction or production activities to reach a predetermined usable or sellable state.

Capitalization of borrowing expenses should be suspended during periods in which the acquisition or construction of an asset is interrupted abnormally, and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

(18) Intangible assets

1. Pricing method, service life and impairment test

Intangible assets refer to identifiable non-monetary assets by the Company without physical form owned or controlled.

Intangible assets are initially measured at cost. Expenditures related to an intangible asset shall be included in cost of the intangible asset only when the economic benefits associated with the asset will likely flow to the Company and its cost can be measured reliably. Expenditures for other items other than this are included in current profits and losses when incurred.

Land use rights acquired are usually accounted as intangible assets. For self-developed and built buildings such as factory buildings, the relevant expenditure on land use rights and building construction expenses are accounted as intangible assets and fixed assets respectively. When the buildings and plants are acquired, the amounts are distributed between land use rights and buildings; if the amount can not be reasonably distributed between them, all of the amount shall be recognized as fixed assets.

For intangible asset with limited service life, its original value minus the estimated net salvage value and the accumulated amount of accrued impairment reserve will be amortized by straight-line method on an average in stages within its expected service life. Intangible assets with limited service life will not be amortized.

At the end of the period, the service life and amortization method of intangible assets with limited service life will be reviewed. If there is a change, it will be treated as an accounting estimate change. In addition, the service life of intangible assets with limited service life is also reviewed. If there is evidence that the period for the intangible assets to bring economic benefits to the enterprise is foreseeable, its service life is estimated and amortized according to

the amortization policy for intangible assets with limited service life.

See (19) "Impairment of Long-term Assets" for details of impairment testing methods and impairment reserve accrual methods for intangible assets.

2. Accounting policies for internal research and development expenditures

The expenditures of the Company's internal research and development projects is divided into research expenditure and development expenditure

Expenditure in research stage is included in current profits and losses.

Expenditures in development stage that meet the following conditions at the same time are recognized as intangible assets, and those cannot meet the following conditions are included in current profits and losses:

(1) It is feasible technically to complete such intangible assets for use or sale;

(2) It is intended to complete, use or sell the intangible assets;

(3) The usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets itself or the intangible assets will be used internally;

(4) There are sufficient technologies, financial resources and other resources supporting the development of the intangible assets. And the Company is able to use or sell such intangible assets;

(5) The development expenditures of the intangible assets can be reliably measured.

If expenses cannot be identified either as expenses occurred in the research stage or expenses occurred in the development stage, all such expenses are included in current profits and losses.

(19) Impairment of long-term assets

For non-current non-financial assets such as fixed assets, construction in progress, intangible assets with limited service life, investment real estate measured by cost method, and long-term equity investments in subsidiaries, joint ventures and associated enterprises, the Company, on the balance sheet date, makes a judgment on whether there is any sign of possible impairment. Where any evidence shows that there is possible impairment of such assets, the recoverable amount of the assets shall be estimated. Goodwill, intangible assets with limited service life and intangible assets that have not yet reached usable status shall be tested for impairment every year, regardless of whether there are signs of impairment.

If the result of impairment test shows that the recoverable amount of the asset is lower

than its book value, the impairment provision shall be accrued according to the difference and shall be included in the impairment loss. The recoverable amount of an asset is the higher of its fair value minus expenses of disposal and the present value of the future cash flows expected to be derived from the asset. The fair value of the assets is determined according to the sales agreement price in the fair transaction; if there is no sales agreement but the asset is traded in an active market, the fair value shall be determined according to the bid price of the purchaser of the asset; if there is no sales agreement or an active market for assets, the fair value of the assets shall be estimated based on the best available information. Expenses of disposal are expenses attributable to the asset disposal, including legal fee, relevant tax and surcharges, transportation fee and direct expenses incurred to bring the asset ready for intended sale. The present value of the estimated future cash flow of the asset is recognized by choosing the appropriate discount rate to discount the amount of the asset according to the estimated future cash flow generated during the continuous use and final disposal of the asset. Provision for asset impairment is calculated and recognized on a single asset basis. If it is difficult to estimate the recoverable amount of a single asset, the recoverable amount of the asset group is recognized by the asset group to which the asset belongs. The asset group is the smallest asset group that can generate cash inflow independently.

For goodwill separately listed in the financial statements, its book value shall be allocated to the asset group or combination of asset groups that are expected to benefit from the synergy effect of the business combination during the impairment test. If the test results show that the recoverable amount of the asset group or the asset group combination containing the allocated goodwill is lower than its book value, the corresponding impairment loss shall be recognized. The amount of impairment loss is firstly offset against the book value of goodwill allocated to the asset group or asset group combination, and then offset against the book value of other assets according to the proportion of book value of other assets except goodwill in the asset group or asset group combination.

Once the impairment loss of the above-mentioned assets is recognized, it will not be transferred back to the part whose value has been recovered in the following period.

(20) Long-term unamortized expenses

Long-term unamortized expenses include expenses that have already occurred and should be shared by the current period and future periods for a period of more than one year. They are amortized evenly according to the benefit period.

(21) Employee compensation

1. The accounting methods of short-term compensation

Short-term compensation mainly includes wages, bonuses, allowances and subsidies, employee benefits, medical insurance, maternity insurance, work-related injury insurance, housing accumulation fund, trade union funds, labor union expenditure, non-monetary benefits, etc. The Company recognizes the actual short-term compensation of employees as liabilities during the accounting period in which employees provide services to the Company, and includes it in current profits and losses or related asset expenses. Including, non-monetary benefits are measured at fair value.

2. The accounting methods of after-service benefits

Where the labor relations with the employees are terminated before the expiration of their labor contracts, or compensation is proposed to encourage the employees to voluntarily accept the reduction, if the Company cannot unilaterally withdraw the dismissal benefits provided by the plan for termination of labor relations or the reduction proposal, it shall recognize the earlier of the expenses related to the reorganization involving the payment of dismissal benefits, and recognize the employee compensation liabilities arising from the dismissal benefits, which shall be included in current profits and losses. However, if the dismissal benefit is not expected to be fully paid within 12 months after the end of the annual reporting period, it shall be treated in accordance with the remuneration of other long-term employees.

After-service benefits mainly include defined contribution plans. The defined contribution plans mainly include basic endowment insurance and unemployment insurance. The corresponding contribution amount shall be included in the relevant asset cost or current profits and losses when incurred.

3. The accounting methods of dismissal benefits

The internal retirement plan for employees shall be handled according to the same principle as the dismissal benefits mentioned above. The Company will include the salary and social insurance premium to be paid to retired employees from the day when the employees stop providing services to the normal retirement date into the current profits and losses (dismissal benefits) when the conditions for recognition of estimated liabilities are met.

4. Other accounting methods of long-term employee benefits

Other long-term employee benefits provided by the Company to employees and conforming to the defined contribution plan shall be subject to accounting according to the defined contribution plan. The others are subject to accounting according to the defined benefit plan.

(22) Estimated liabilities

When the obligations related to contingencies meet the following conditions at the same time, they are recognized as estimated liabilities: (1) the obligations are the current obligations undertaken by the company; (2) Fulfilling this obligation is likely to result in outflow of economic benefits; (3) The amount of the obligation can be measured reliably.

On the balance sheet date, the estimated liabilities are measured according to the best estimate of expenditures required to fulfill relevant current obligations, taking into account such factors as risks related to contingencies, uncertainties and time value of currency.

If all or part of the expenditures required to settle the estimated liabilities are expected to be compensated by a third party, the amount of compensation shall be recognized separately as an asset when it is basically determined that it can be received, and the recognized amount of compensation shall not exceed the book value of the estimated liabilities.

(23) The accounting of share-based payment

1. Types of share-based payment

Share-based payment includes equity-settled share-based payments and cash-settled share-based payments.

2. Method for recognition of the fair value of equity instruments

(1) If there is an active market, the fair value shall be recognized according to the quotation in the active market.

(2) If there is no active market, valuation techniques shall be used for recognition, including referring to the prices used in recent market transactions by all parties familiar with the situation and willing to trade, referring to the current fair values of other financial instruments that are substantially the same, discounted cash flow method, option pricing model, etc.

3. The basis for recognition of the best estimate of the vesting equity tools

According to the latest available follow-up information such as changes in the number of vesting employees, the best estimate is made.

4. Relevant accounting of implementing, modifying and terminating the share-based payment plan

(1) Equity-settled share-based payment

As to an equity-settled share-based payment in return for services of employees, if the right may be vested immediately after the grant, the fair value of the equity instruments shall, on the date of the grant, be included in the relevant cost or expense and the capital reserves

shall be adjusted accordingly. As to a equity-settled share-based payment, if the right may not be vested until the service during the vesting period is completed or the specified performance conditions are met, on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the information about the number of the vesting equity instruments, be included in the relevant expenses and the corresponding liabilities at the fair value of the liability undertaken by the Company.

As to a equity-settled share-based payment in return for other parties' services, if the fair value of other parties' services can be reliably measured, it shall be measured according to the fair value of other parties' services on the acquisition date; if the fair value of services provided by other parties cannot be reliably measured, but the fair value of equity instruments can be reliably measured, it shall be measured according to the fair value of equity instruments on the acquisition date, and shall be included in relevant expenses. The owner's equity shall be increased accordingly.

(2) Cash-settled share-based payment

As to a cash-settled share-based payment instruments, if the right may be vested immediately after the grant, the fair value of the liability undertaken by the Company shall, on the date of the grant, be included in the relevant expenses, and the liabilities shall be increased accordingly. As to a cash-settled share-based payment, if the right may not be vested until the vesting period comes to an end or until the specified performance conditions are met, on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the information about the vesting, be included in the relevant expenses and the corresponding liabilities at the fair value of the liability undertaken by the Company.

(3) Modification or termination of the share-based payment plan

If the fair value of the equity instruments granted is increased, the Company will recognize the increase in services obtained according to the increase in the fair value of the equity instruments; if equity instruments granted are increased, the Company will correspondingly recognize the fair value of the increased equity instruments as an increase in the acquisition of services; if the Company modifies the vesting conditions in a way beneficial to employees, the modified vesting conditions will be taken into account when the Company handles the vesting conditions.

If the fair value of the equity instruments granted is reduced, the Company will continue to recognize the amount of services obtained based on the fair value of the equity instruments

on the grant date, regardless of the reduction in the fair value of the equity instruments; if the granted equity instruments are reduced, the Company will treat the reduced part as cancellation of the granted equity instruments; if the vesting conditions are modified in a way that is not conducive to employees, the modified feasibility conditions will not be taken into account when the Company handles the vesting conditions.

If the Company cancels the granted equity instruments or settles the granted equity instruments (except those canceled due to failure to meet the vesting conditions) during the vesting period, the cancellation or settlement will be treated as an accelerated vesting and the amount originally recognized during the remaining vesting period will be recognized immediately.

(24) Income

1. Commodity sales: the Company has transferred the main risks and rewards related to the ownership of the goods to the buyer; the Company no longer exercises continuous management rights and actual control rights related to the ownership of the goods, nor does it exercise control over the sold goods; when the economic benefits related to the transaction can flow into the enterprise and relevant incomes and expenses can be reliably measured, the Company recognizes the realization of the income.

2. Provision of labor services: for the labor services started and completed in the same year, the realization of operating income shall be recognized when the labor services are completed; if labor services are started and completed in different accounting years, the relevant labor income shall be recognized on the balance sheet date according to the completion percentage method as long as the results of providing labor services can be reliably estimated; if the results of providing labor services cannot be estimated reliably, the income shall be recognized according to the amount of labor expenses incurred, and the expenses shall be recognized according to the same amount when the labor expenses incurred are expected to be fully compensated; if the labor expenses incurred are not expected to be fully compensated, income shall be recognized according to the amount of labor expenses that can be compensated, and the labor expenses incurred shall be included in current expenses; if all the incurred labor expenses are not expected to be compensated, the incurred labor expenses shall be taken as current expenses and no income shall be recognized.

3. Transfer of the right to use assets: when the economic benefits related to the transfer can flow into the enterprise and relevant incomes and expenses can be reliably measured, the Company recognizes the realization of the income according to the contract or agreement.

(25) Government subsidies

1. Types of government subsidies

Government subsidy refers to the monetary assets and non-monetary assets that the Company obtains free of charge from the government (excluding the capital invested by the government as the owner). Government subsidies are divided into asset-related government subsidies and income-related government subsidies according to the nature of recipients of subsidy specified in relevant government documents.

For the government subsidy whose recipients are not clearly specified in the government documents, the Company classifies it as asset-related subsidy or income-related subsidy based on whether it is used for purchase and construction or whether it forms long-term assets in other ways.

2. Recognition of government subsidies

The government subsidy shall be recognized when the conditions attached to it are met and it can be received.

If the government subsidy is a monetary asset, it shall be measured according to the amount received or receivable. If the government subsidy is a non-monetary asset, it shall be measured at fair value. If the fair value cannot be obtained reliably, it shall be measured according to the nominal amount.

3. Accounting of government subsidies

1) The judgment basis and accounting methods of asset-related government subsidies

Asset-related government subsidies refer to the government subsidies obtained by the Company for purchase and construction or forming long-term assets in other ways. The asset-related government subsidy is written off or recognized as deferred income. If it is recognized as deferred income, it shall be included in current profits and losses in stages by reasonable and systematic methods during the service life of the relevant assets (if it is related to the daily activities of the Company, it shall be included in other income; if it has nothing to do with the Company's daily activities, it shall be included in non-operating income);

2) The judgment basis and accounting methods of income-related government subsidies

Income-related government subsidies refer to government subsidies other than asset-related subsidies. Income-related government subsidies used to compensate related expenses or losses of the Company in future periods shall be recognized as deferred income, and shall be included in current profits and losses (those related to the daily activities of the Company are included in other income; those not related to the Company's daily activities are

included in non-operating income) or offset related expenses or losses; those used to compensate the related expenses or losses incurred by the Company shall be directly included in current profits and losses (those related to the daily activities of the Company are included in other income; those not related to the Company's daily activities are included in non-operating income) or offset related expenses or losses.

The discount interest on the policy-based preferential loans obtained by the Company can be divided into two situations: the financial department allocates the discount interest funds to the loan bank and the financial department directly allocates the discount interest funds to the enterprise. If the financial department allocates discount interest funds to the lending bank and the lending bank provides loans to the Company at a preferential policy interest rate, the actual amount of loans received shall be taken as the entry value of the loans, and the relevant borrowing expenses shall be calculated according to the principal of the loans and the preferential policy interest rate; if the financial department directly allocates discount interest funds to the Company, the Company's corresponding discount interest will be used to offset the relevant borrowing expenses.

(26) Deferred tax assets and deferred tax liabilities

Deferred income tax assets and deferred income tax liabilities are recognized based on the difference (temporary difference) between the tax basis of the assets and liabilities and their book values. On the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured according to the applicable tax rate in the period when the assets are expected to be recovered or the liabilities are settled.

1. Basis for recognition of the deferred tax assets

The Company recognizes deferred income tax assets arising from deductible temporary differences to the extent that the Company is likely to obtain taxable income that can be used to offset deductible temporary differences and can carry forward deductible losses and tax credits for future years. However, deferred income tax assets arising from the initial recognition of assets or liabilities will not be recognized in transactions with the following characteristics: (1) the transaction is not a business combination; (2) the transaction will not affect the accounting profit or taxable income or deductible loss after it occurs.

For deductible temporary differences related to joint venture investment, if the following conditions are met at the same time, the corresponding deferred income tax assets shall be recognized: the temporary differences are likely to be reversed in the foreseeable future, and the taxable income used to offset the deductible temporary differences is likely to be obtained

in the future.

2. Basis for recognition of the deferred tax liabilities

The Company recognizes the taxable temporary differences due and unpaid in the current period and previous periods as deferred income tax liabilities. Excluding:

(1) Temporary differences formed by initial recognition of goodwill;

(2) Transactions or events formed by non-business combination, whose occurrence will not affect accounting profits or temporary differences formed by taxable income (or deductible losses);

(3) For taxable temporary differences related to investments of subsidiaries and affiliated enterprises, the time of reversal of the temporary differences can be controlled and the temporary differences are likely not to be reversed in the foreseeable future.

(27) Leasing

1. Accounting method of operating lease

When the Company is the lessee, the rent is included in the cost of relevant assets or recognized as current profits and losses according to the straight-line method in each period of the lease period. The initial direct expenses incurred shall be directly included in current profits and losses. Contingent rents are included in current profits and losses when they actually occur.

When the Company is the lessor, the rent is recognized as current profits and losses according to the straight-line method in each period of the lease term. The initial direct expenses incurred are directly included in the current profits and losses, except for the ones with larger amounts that are capitalized and included in the profits and losses by stages. Contingent rents are included in current profits and losses when they actually occur.

2. Accounting methods of financial leasing

(1) Financial lease-in assets: on the lease starting date, the Company takes the lower of the fair value of the leased asset and the present value of the minimum lease payment amount as the entry value of the leased asset, and recognizes the minimum lease payment amount as the entry value of the long-term payables. And the difference between them is recognized as the unrecognized financing expense.

The Company adopts the effective interest rate method to amortize the unrecognized financing expenses during the lease period of the assets and include them in the financial expenses.

(2) Financial lease-out assets: on the lease starting date, the Company recognizes the receivable financial lease payments and the difference between the sum of unsecured residual

values and their present value as unrealized financial income, and recognizes them as lease income in the future rental receipt periods. The Company's initial direct expenses related to lease transactions are included in the initial measurement of receivable financial leasing payments and the income recognized during the lease period is reduced.

When the Company is the lessee, the rent is included in the cost of relevant assets or recognized as current profits and losses according to the straight-line method in each period of the lease period. The initial direct expenses incurred shall be directly included in current profits and losses. Contingent rents are included in current profits and losses when they actually occur.

When the Company is the lessor, the rent is recognized as current profits and losses according to the straight-line method in each period of the lease term. The initial direct expenses incurred are directly included in the current profits and losses, except for the ones with larger amounts that are capitalized and included in the profits and losses by stages. Contingent rents are included in current profits and losses when they actually occur.

(28) Changes in major accounting policies and accounting estimates

1. Changes in major accounting policies

The Company has no changes in major accounting policies during current reporting period.

2. Explanation of changes in accounting estimates

The Company has no changes in accounting estimates during current reporting period.

(29) Early accounting error correction

The Company has not made major accounting error correction during current reporting period.

(30) Major accounting judgments and estimates

In the process of applying accounting policies, the Company needs to judge, estimate and assume the book value of report items that cannot be accurately measured due to the inherent uncertainty of business activities. These judgments, estimates and assumptions are based on the previous experiences of the Company's management and other relevant factors. These judgments, estimates and assumptions will affect the reported amounts of income, expenses, assets and liabilities and the disclosure of contingent liabilities on the balance sheet date. However, the actual results caused by the uncertainty of these estimates may be different from the current estimates of the Company's management, resulting in significant adjustments to the book amounts of future affected assets or liabilities.

Such judgments, estimates and assumptions are reviewed regularly on the basis of going

concern; impact by changes of accounting estimates which is only applicable to current period shall be recognized in current period; impact which is applicable to current period and future periods shall be recognized in current period and future periods.

The important areas of the Company's judgment, estimation and assumption on the amount of items in the financial statements on the balance sheet date are as follows:

(1) Accrual of the provision for bad debts

According to the accounting policy of receivables, the Company adopts the allowance method to account bad debt losses. Impairment of accounts receivable is based on the assessment of the recoverability of accounts receivable. Appraisal of the impairment of accounts receivable requires the Management's judgment and estimation. The difference between the actual result and the original estimate will affect the book value of accounts receivable and the accrual or reversal of bad debt provision of accounts receivable during the period when the estimate is changed.

(2) Provision for inventory depreciation

According to the inventory accounting policy, the Company measures the lower of cost and net realizable value, and makes provision for inventory depreciation for inventories with cost higher than net realizable value as well as obsolete and unsalable inventories. Impairment of inventories to net realizable value is based on the evaluation of the marketability of inventories and their net realizable value. Appraisal of impairment of inventories requires the Management to make judgment and estimation on the basis of obtaining conclusive evidence and considering factors such as the purpose of holding inventories and the influence of events after the balance sheet date. The difference between the actual result and the original estimate will affect the book value of inventory and the accrual or reversal of inventory depreciation reserve during the period when the estimate is changed.

(3) Depreciation and amortization

After considering residual value of investment real estate, fixed assets and intangible assets, the Company will accrue depreciation and amortization on a straight-line basis during their service lives. The Company regularly reviews their service life to recognize the depreciation and amortization expenses to be included in each reporting period. The service life is acknowledged by the Company based on the previous experience of similar assets and in combination with the expected technological updates. Depreciation and amortization expenses will be adjusted in the future period if the foregoing estimate changes significantly.

(4) Income tax

In the normal business activities of the Company, there are certain uncertainties in the final tax treatment and calculation of some transactions. Whether some items can be listed as tax deductible items requires the approval of the tax authorities. If the final determination result of these tax matters is different from the originally estimated amount, the difference will affect the current income tax and deferred income tax during the final determination period.

(31) Profit distribution methods

Net profit is distributed in the following order and regulations:

1. Making up for the previous year's losses;
2. Withdrawing the statutory surplus reserve equal to 10% of net profit;
3. Withdrawing any surplus reserve;
4. Profit distribution.

V. Tax

(1) Main taxes and tax rates

Categories of taxes	Taxation basis	Tax rate
VAT	Value added in the process of selling goods or providing taxable services	13%、9%、6%、3%、0%
Corporate income tax	Taxable profits	25%、20%
Urban maintenance and construction tax	Turnover tax payable	5%、7%
Education surcharge (including local)	Turnover tax payable	3%、2%
Water conservancy construction fund	Turnover tax payable	0.5%
Land value added tax	Value added from transfer of real estate	Excess progressive tax rate
Property tax	If assessed based on price, 1.2% of the remaining value will be collected after 30% of the original value of the property is deducted; if assessed based on rent, 12% of the rent income will be collected.	1.2%,12%

VI. Notes to Main Items of Financial Statements

The following note items (including the important item notes of the Company's financial statements) unless otherwise specified, the end of the previous year refers to December 31, 2019. The beginning of the year refers to January 1, 2020. The end of the year refers to December 31, 2020. The current period refers to 2020, and the previous period refers to 2019.

Annotation1. Monetary funds

Item	Year-end Balance	Beginning Balance

Cash on hand	2,638,677.30	3,365,729.77
Bank deposits	6,025,567,244.09	2,212,065,352.92
Other monetary capital	511,923,538.43	1,155,664,711.66
Total	6,540,129,459.82	3,371,095,794.35
Including: total amount of funds	61,899,514.18	

Including, the details of other monetary funds are as follows:

Item	Year-end Balance
Deposit of bank acceptance bill	112,287,374.72
L/C Guarantee deposits	
Performance bond	52,774,363.02
Fixed deposit for guarantee	100,000,000.00
Guarantee deposits	
Supervision funds for pre-sale of commercial housing	234,020,396.61
Total	499,082,134.35

Annotation2. Notes receivable

(1) Classification of notes receivable

Category	Year-end Balance			Beginning Balance		
	Book balance	Bad debt provision	Book Value	Book balance	Bad debt provision	Book value
Banker's acceptance	10,065,588.06		10,065,588.06	3,673,043.41		3,673,043.41
Trade acceptance	130,852,276.67		130,852,276.67	130,645,963.31		130,645,963.31
Total	140,917,864.73		140,917,864.73	134,319,006.72		134,319,006.72

(2) At the end of the period, there are no notes receivable that are converted to accounts receivable due to the failure of the drawer to perform the contract

Annotation3. Accounts receivable

(1) Classification of accounts receivable

Item	Year-end Balance			
	Book Balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Provision (%)
Accounts receivable based on specific recognition method with accrual of bad debt provision	752,079.08	0.05	752,079.08	100.00
Accounts receivable based on specific recognition method without accrual of bad debt provision	406,011,872.52	24.41		
Accounts receivable for which	412,294,093.62	24.79	2,061,470.47	0.50

Item	Year-end Balance			
	Book Balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Provision (%)
provision for bad debts is accrued by the combination test (balance percentage) method.				
Accounts receivable for which provision for bad debts is accrued by the combination test (aging analysis) method.	843,927,297.02	50.75	16,811,038.61	1.99
Total	1,662,985,342.24	100.00	19,624,588.16	1.18

Continue table

Item	Beginning Balance			
	Book Balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Provision (%)
Accounts receivable based on specific recognition method with accrual of bad debt provision	958,680.08	0.08	958,680.08	100.00
Accounts receivable based on specific recognition method without accrual of bad debt provision	330,800,722.54	27.24		
Accounts receivable for which provision for bad debts is accrued by the combination test (balance percentage) method.	882,752,942.00	72.68	4,413,764.71	0.50
Accounts receivable for which provision for bad debts is accrued by the combination test (aging analysis) method.				
Total	1,214,512,344.62	100.00	5,372,444.79	0.44

(2) Age of accounts receivable

Aging	Year-end Balance		Beginning Balance	
	Book balance	Bad debt provision	Book balance	Bad debt provision
Within one year	1,565,312,041.67	11,968,640.66	1,198,140,700.57	4,354,551.00
One to two years	87,964,922.45	6,709,367.32	10,930,047.25	990,685.81
Two to three years	5,312,855.41	794,400.82	2,958,153.83	14,790.77
Above 3 years	4,395,522.71	152,179.36	2,483,442.97	12,417.21
Total	1,662,985,342.24	19,624,588.16	1,214,512,344.62	5,372,444.79

(3) Details of the five largest debtors of accounts receivable at the end of 2020

Company Name	Book balance	Percentage (%)	Bad debt provision
Tianyuan Construction Group Co., Ltd.	147,000,000.00	8.84	

Shandog Kaiyuan Real Estate Group Co., Ltd.	130,000,000.00	7.82	
Linyi Municipal Group Co., Ltd.	130,000,000.00	7.82	
Linyi Railway Station Area Development Headquarters	60,502,461.08	3.64	302,512.31
Jiangxi Guanjie Supply Chain Co., Ltd.	20,601,521.91	1.24	1,442,390.77
Total	488,103,982.99	29.36	1,744,903.08

Annotation4. Prepaid accounts

（1）The aging analysis of prepaid accounts is as follows:

Aging	Year-end Balance		Beginning Balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within one year	241,297,209.91	80.95	241,553,262.44	81.99
One to two years	11,005,611.37	3.69	36,537,462.84	12.40
Two to three years	11,914,118.07	4.00	14,018,781.67	4.76
Above 3 years	33,863,957.51	11.36	2,514,354.43	0.85
Total	298,080,896.86	100.00	294,623,861.38	100.00

Annotation5. Other receivables

Item	Year-end Balance	Beginning Balance
Interests Receivable	46,598,783.71	3,780,995.75
Dividends Receivable	2,000,000.00	
Other Receivables	2,482,203,355.36	2,479,177,416.80
Total	2,530,802,139.07	2,482,958,412.55

（1）Interests receivable

Item	Year-end Balance	Beginning Balance
Fixed deposit & Financial interest		1,704,692.98
Interest on loans	46,598,783.71	2,076,302.77
Total	46,598,783.71	3,780,995.75

（2） Other accounts receivable

1. Classification of other accounts receivable

Item	Year-end Balance			
	Book balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)

Item	Year-end Balance			
	Book balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Other receivables based on specific recognition method with full accrual of provision for bad debts	29,295,891.61	1.17	12,768,241.46	43.58
Other receivables based on specific recognition method without accrual of bad debts provision	1,074,628,016.26	42.91		
Other receivables based on combination test (balance percentage) method with full accrual of provision for bad debts	1,359,320,554.00	54.28	6,796,602.77	0.50
Other receivables for which provision for bad debts is accrued by the combination test (aging analysis) method.	40,923,860.23	1.63	2,400,122.51	5.86
Total	2,504,168,322.10	100.00	21,964,966.74	0.88

Continue table

Item	Beginning Balance			
	Book balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Other receivables based on specific recognition method with full accrual of provision for bad debts	25,574,744.11	1.02	12,913,222.15	50.49
Other receivables based on specific recognition method without accrual of bad debts provision	1,854,025,143.81	74.30		
Other receivables based on combination test (balance percentage) method with full accrual of provision for bad debts	615,568,594.00	24.67	3,077,842.97	0.50
Other receivables for which provision for bad debts is accrued by the combination test (aging analysis) method.				
Total	2,495,168,481.92	100.00	15,991,065.12	1.64

2. Age of other account receivable

Aging	Year-end Balance		
	Book balance	Bad debt provision	Accrual proportion (%)
Within one year	2,278,273,138.22	4,105,756.26	0.18
One to two years	108,521,371.28	1,646,636.98	1.52

Two to three years	16,326,592.85	458,588.75	2.81
Above 3 years	101,047,219.75	15,753,984.75	15.59
Total	2,504,168,322.10	21,964,966.74	—

Continue table

Aging	Beginning Balance		
	Book balance	Bad debt provision	Accrual proportion (%)
Within one year	945,488,711.44	838,617.09	0.09
One to two years	181,509,700.91	907,499.50	0.50
Two to three years	548,963,455.19	304,352.46	0.06
Above 3 years	819,206,614.38	13,940,596.07	1.70
Total	2,495,168,481.92	15,991,065.12	

3. Details of the five largest debtors of other receivables at the end of 2020

Company Name	Nature	Amount	Aging	Proportion of accounts receivable (%)	Bad debt provision
Linyi Lanshan District Finance Bureau	Loan	689,439,726.00	Within 1 year、1-2 years	27.53	
Fei County Finance Bureau	Loan	355,540,000.00	Within 1 year、1-2 years	14.20	
Shandong High Speed Forest Products Supply Chain Co., Ltd.	Loan	257,190,988.73	Within 1 year、1-2 years	10.27	1,285,954.94
Linyi State Owned Holding Asset Management Co., Ltd.	Loan	200,000,000.00	Within 1 year	7.99	1,000,000.00
Pingyi County Finance Bureau	Loan	151,090,000.00	Within 1 year、1-2 years	6.03	
Total		1,653,260,714.73		66.02	2,285,954.94

Annotation6. Inventory

Item	Year-end Balance		
	Book balance	Provision	Book value
I. Raw materials	169,857,727.64	267,427.77	169,590,299.87
II. Work-in-process	26,860,055,188.31		26,860,055,188.31
Including: real estate development products under construction	6,054,838,697.50		6,054,838,697.50
Other development cost	20,804,663,286.22		20,804,663,286.22
Industrial enterprises in production	553,204.59		553,204.59
III. Commodities in stock (finished products)	231,888,333.83	1,381,046.88	230,507,286.95
Including: completed real estate development cost			
IV. Other	2,566,057.08		2,566,057.08
Total	27,264,367,306.86	1,648,474.65	27,262,718,832.21

Continue table

Item	Beginning Balance		
	Book balance	Provision	Book value
I. Raw materials	116,060,356.35	234,673.67	115,825,682.68
II. Work-in-process	27,530,272,924.23		27,530,272,924.23
Including: real estate development products under construction	5,147,516,787.45		5,147,516,787.45
Other development cost	22,329,030,305.06		22,329,030,305.06
Industrial enterprises in production	53,725,831.72		53,725,831.72
III. Commodities in stock (finished products)	146,879,365.79	384,829.18	146,494,536.61
Including: completed real estate development cost			
IV. Other	1,831,628.34		1,831,628.34
Total	27,795,044,274.71	619,502.85	27,794,424,771.86

Annotation7. Other current assets

Items	Year-end Balance	Beginning Balance
Input tax to be deducted	580,096,445.00	414,242,276.88
Prepaid tax	26,130,333.29	14,119.01
Financial product		2,000,000.00
Total	606,226,778.29	416,256,395.89

Annotation8. Available-for-sale financial assets

（1）Available-for-sale financial assets

Item	Year-end Balance		
	Book Balance	Provision for Impairment	Book Value
Available-for-sale debt instruments			
Available-for-sale equity instruments	631,280,111.36		631,280,111.36
Including: measured at fair value	631,280,111.36		631,280,111.36
measured at price			
Other			
Total	631,280,111.36		631,280,111.36

Continue table

Item	Beginning Balance		
	Book Balance	Provision for Impairment	Book Value
Available-for-sale debt instruments			
Available-for-sale equity instruments	627,275,496.66		627,275,496.66

Item	Beginning Balance		
	Book Balance	Provision for Impairment	Book Value
Including: measured at fair value	627,275,496.66		627,275,496.66
measured at price			
Other			
Total	627,275,496.66		627,275,496.66

（2）Details of available-for-sale equity instruments

Investee	Beginning Balance	Increase in Current Period	Reduction in Current Period	Year-end Balance	Shareholding proportion (%)
Shandong Financial Asset Management Co., Ltd.	30,000,000.00			30,000,000.00	0.30
Zaolin Railway Co., Ltd.	6,161,500.00			6,161,500.00	0.37
Manyi Network Technology Co., Ltd.	2,500,000.00			2,500,000.00	5.00
Linyi Utility Tunnel Construction and Management Co., Ltd.	8,000,000.00			8,000,000.00	5.00
Greencourt Linyi high speed railway construction No.2 structured private fund	445,066,866.66		52,095,385.30	392,971,481.36	1.00
Jianxin(Beijing)Investment Fund Management Co., Ltd.	125,000,000.00			125,000,000.00	6.07
Zhuhai Jiading Equity Investment Fund Partnership(L.P.)	10,000,000.00			10,000,000.00	4.86
Credit Insurance Fund of Yunnan International Trust Co., Ltd.		5,000,000.00		5,000,000.00	0.42
Linyi Financial Guarantee Group Co., Ltd.		50,000,000.00		50,000,000.00	5.58
Tianyuan (Linyi) Bus Rapid Transit Construction and Operation Co., Ltd.	547,130.00			547,130.00	1.00
Jinan Bashuoquan Co., Ltd.		1,000,000.00		1,000,000.00	1.67
Haoke Tourism Group Co., Ltd.		100,000.00		100,000.00	8.00
Total	627,275,496.66	56,100,000.00	52,095,385.30	631,280,111.36	

Annotation9. Long-term equity investment

（1）Classification of long-term equity investment

Item	Beginning Balance	Increase in Current Period	Reduction in Current Period	Year-end Balance
Investment in subsidiaries	2,000,000.00	36,103,121.38		38,103,121.38
Investment in joint venture				
Investment in associates	767,809,644.30	85,120,434.80	51,316,899.62	801,613,179.48
Total	769,809,644.30	121,223,556.18	51,316,899.62	839,716,300.86
Less: Long-term equity investment impairment provision	2,000,000.00			2,000,000.00
Total	767,809,644.30	121,223,556.18	51,316,899.62	837,716,300.86

(2) Detail of long-term equity investment

Company	Beginning Balance	Increase in current Year	Decrease in Current Period	Year-end Balance	Proportion of shares held
Linyi City Investment Fuhai Natural Gas Co., Ltd.	345,069,267.72	13,391,158.74		358,460,426.46	49.00%
Qingdao Port (Linyi) High Speed Logistics Co., Ltd.	1,818,164.00	218,655.40		2,036,819.40	19.00%
Linyi Chengtou Sisuo Xinxi Jishu Co.,Ltd.	5,069,439.46	1,039,944.05		6,109,383.51	45.00%
Linyi CMEC Consulting Co., Ltd	1,969,188.82	843,240.59		2,812,429.41	30.00%
Linyi Capital Environmental Protection Development Co., Ltd	42,440,376.04	508,439.54		42,948,815.58	30.00%
Guangdong Saier Risheng Home Technology Co., Ltd.	1,151,866.20		641,002.25	510,863.95	36.00%
Lunan High-speed Railway Co., Ltd.	250,000,000.00			250,000,000.00	25.00%
Linyi financing guarantee Group Co., Ltd	50,000,000.00		50,000,000.00		
Zhongjiao (Linyi) Infrastructure Construction Co., Ltd	1,200,000.00			1,200,000.00	20.00%
Shandong Tianyuan Shangjia Decoration Engineering Co., Ltd.	3,021,141.73	22,621.21		3,043,762.94	30.00%
Linyi Sanyu Culture Media Co., Ltd.	953,678.55	77,889.94		1,031,568.49	21.00%
Linyi Bus Telaidian New Energy Co., Ltd.	60,998,707.42		675,897.37	60,322,810.05	49.00%
Lanling Guoshun Mining Co., Ltd.		36,103,121.38		36,103,121.38	51.00%
Shandong Mengshan Maifan Stone Industrial Park Development Co., Ltd.		1,500,000.00		1,500,000.00	30.00%
Linyi East SME Emergency On-lending Fund Co., Ltd.		15,000,000.00		15,000,000.00	30.00%
Linyi Mengshan Benyuan Health Career Development Co., Ltd.		2,560,188.29		2,560,188.29	30.00%
China Communications (Linyi) Construction Technology Co., Ltd.		45,011,354.60		45,011,354.60	45.00%
Linyi Sino-European International Train Cargo Transportation Agency Co., Ltd	4,117,814.36	708,095.87		4,825,910.23	40.00%
Linyi Jiaoyun Zhihua Electronic Commerce Co.,		4,238,846.57		4,238,846.57	49.00%

Ltd.					
Shandong Express Freight Co., Ltd.	2,000,000.00			2,000,000.00	5.05%Note
Total	769,809,644.30	121,223,556.18	51,316,899.62	839,716,300.86	769,809,644.30

Note: Shandong Express Freight Co., Ltd. made full provision for impairment.

Annotation10. Other non-current financial assets

Item	Year-end Balance	Beginning Balance
Hengtu No. 21 Trust Fund	151,500,000.00	
Total	151,500,000.00	

Annotation11. Investment real estate

（1）Investment real estate measured at fair value

Item	Beginning Balance	Increase in current year	Reduction in current year	Year-end Balance
I. Total original value	1,357,488,227.38			1,357,488,227.38
1. Houses and buildings				
2. Land use rights	1,357,488,227.38			1,357,488,227.38
II. Total changes in fair value	4,541,076,044.62	134,492,628.00		4,675,568,672.62
1. Houses and buildings				
2. Land use rights	4,541,076,044.62	134,492,628.00		4,675,568,672.62
III. Net book value of investment real estate	5,898,564,272.00	134,492,628.00		6,033,056,900.00
1. Houses and buildings				
2. Land use rights	5,898,564,272.00	134,492,628.00		6,033,056,900.00

（2）According to the fair value asset appraisal report (No. 10122 [2021] of Zhongtianhua Asset Appraisal Co., Ltd.), Beijing Zhongtianhua Asset Appraisal Co., Ltd evaluated the fair value of 16 cases of state-owned land use rights of Linyi City Construction Investment Group Co., Ltd. On December 31, 2020, the base date of appraisal, the appraisal value of the Company's investment real estate assets is RMB 6,033,056,900.00.

（3）Investment real estate of land use rights that has not completed the title certificate

Item	Book value	Reasons for not getting the title certificate
Linyi Liuqinghe Comprehensive Development Co., Ltd. Linjing Guoyong 2013 No. 088	345,428,280.00	Linyi Liuqinghe Comprehensive Development Co., Ltd. has changed its
Linyi Liuqinghe Comprehensive Development Co., Ltd. Linjing Guoyong 2013 No. 089	278,366,220.00	

Linyi Liuqinghe Comprehensive Development Co., Ltd. Linjing Guoyong 2013 No. 090	418,411,560.00	name to Linyi City Investment Real Estate Co., Ltd.on August 11, 2016, and the land title certificate has not yet been changed.
Linyi Urban and Rural Overall Development Co., Ltd. Linjing Guoyong 2013 No. 091	200,096,400.00	Linyi Urban and Rural Overall Development Co., Ltd. has changed its name to Linyi Maintenance Management Co., Ltd. on April 3, 2019, and the land title certificate has not yet been changed.
Linyi Urban and Rural Overall Development Co., Ltd. Linjing Guoyong 2013 No. 092	310,006,740.00	

Annotation12. Fixed assets

Item	Year-end book value	Beginning book value
Fixed Assets	13,604,705,462.09	8,939,669,481.19
Disposal of fixed assets	25,081,250.47	826.03
Total	13,629,786,712.56	8,939,670,307.22

(1) Details of fixed assets

Item	Houses and Buildings	Equipment	Transportation Equipment	Electronic Devices	Other Equipment	Plumbing Equipment	Total
I. Original book value							
1. Beginning book value	8,535,243,190.61	948,503,438.27	1,392,464,036.95	30,795,070.55	144,711,110.04	424,628,460.18	11,476,345,306.60
2. Increase in current year	5,509,627,924.90	65,055,806.05	40,678,298.14	39,494,739.94	18,770,954.63	190,366,913.31	5,863,994,636.97
(1) Purchase	475,016,520.08	33,380,971.77	40,678,298.14	14,169,620.93	18,770,954.63	171,587,201.60	753,603,567.15
(2) Transfer of construction in progress	5,034,611,404.82	31,674,834.28		25,325,119.01		18,779,711.71	5,110,391,069.82
(3) Increase from business combination or others							
3. Reduction in current year	461,988,670.66	29,645,963.45	168,719,950.68	2,328,846.99	63,599,268.26	74,690,159.18	800,972,859.22
(1) Disposal or scrap	461,988,670.66	29,645,963.45	168,719,950.68	2,328,846.99	63,599,268.26	74,690,159.18	800,972,859.22
4. Year-end book value	13,582,882,444.85	983,913,280.87	1,264,422,384.41	67,960,963.50	99,882,796.41	540,305,214.31	16,539,367,084.35
II. Accumulative depreciation							
1. Beginning book value	947,593,246.68	292,805,607.44	997,115,323.51	13,793,967.80	66,372,731.76	167,090,081.61	2,484,770,958.80

2. Increase in current year	425,282,929.00	83,891,192.19	46,020,275.21	20,553,543.14	2,064,487.93	71,392,801.96	649,205,229.43
(1) Accrual	425,282,929.00	83,891,192.19	46,020,275.21	20,553,543.14	2,064,487.93	71,392,801.96	649,205,229.43
(2) Increase from business combination or others							
3. Reduction in current year	42,849,526.18	2,251,390.10	142,625,977.13	1,950,746.43	4,835,303.97	24,765,522.86	219,278,466.67
(1) Disposal or scrap	42,849,526.18	2,251,390.10	142,625,977.13	1,950,746.43	4,835,303.97	24,765,522.86	219,278,466.67
(2) Other reductions							
4. Year-end book value	1,330,026,649.50	374,445,409.53	900,509,621.59	32,396,764.51	63,601,915.72	213,717,360.71	2,914,697,721.56
III. Provision for impairment							
1. Beginning book value						51,904,866.61	51,904,866.61
2. Increase in current year	404,473.40						404,473.40
(1)Accrual							
(2) Increase from business combination or others	404,473.40						404,473.40
3. Reduction in current year						32,345,439.31	32,345,439.31
(1) Disposal or scrap						32,345,439.31	32,345,439.31
4. Year-end book value	404,473.40					19,559,427.30	19,963,900.70
IV. Book value							
1. Book value as of December 31, 2020	12,252,451,321.95	609,467,871.34	363,912,762.82	35,564,198.99	36,280,880.69	307,028,426.30	13,604,705,462.09
1. Book value as of December 31, 2019	7,587,649,943.93	655,697,830.83	395,348,713.44	17,001,102.75	78,338,378.28	205,633,511.96	8,939,669,481.19

（2）The situation of fixed assets that have not completed the title certificate

Many properties and land in the old urban area of Linyi were used to replace the Linyi Civic Center property of the Company's subsidiary Linyi Public Housing Management Co., Ltd, whose property rights certificates are for the Linyi City Bureau of Commerce, Linyi City Justice Bureau and Linyi City Environmental Protection Bureau. It has not yet gone through

the transfer procedures, and some properties have no title certificate. The details are as follows:

Name	Location	Building area(㎡)	Land area (㎡)	House ownership certificate	Land use certificate title certificate
Linyi City Materials Bureau	The intersection of Jinqueshan Road and Xinhua 1st Road-No.93, Jinqueshan Road	1,881.97	3,127.46	Lin Zi No. 0057	Linlan Guoyong (2003) No. 1536
Linyi City Bureau of Commerce	The intersection of Yimeng Road and Jinqueshan Road- No.187 Yimeng Road	3,967.50	3,558.98	Lin Zi No.0639	Linlan Guoyong (1999) No. 0219
Linyi City Bureau of Commerce	The intersection of Yinqueshan Road and Tongda Road-No. 80 Yinqueshan Road	4,860.38	4,809.10		Linlan Guoyong (2000) No.0174
Linyi Investment Promotion Bureau	No.105 Xinhua 1st Road	2,285.43	2,228.70	Linyi Housing Certificate Lanshan District No. 12240038	Linlan Guoyong (2003) No. 1711
Linyi City Justice Bureau,	No.61 Jintan Road	3,303.00	2,245.00		Linlan Guoyong (1990) No. 00032
Linyi City Grain Bureau	No,131 Yinqueshan Road, intersection of Yinqueshan Road and Xinhua 2nd Road	3,359.66	9,206.04	Housing Certificate Lin Di Zi No. 12180149	Linlan Guoyong (1999) No. 0516
Linyi City Environmental Protection Bureau	Guanyi Street, Xinhua 2nd Road	1,475.21	4,774.41	Linyi Housing Certificate Lanshan District No. 12300021	Linlan Guoyong (1999) No. 0814
Linyi City Environmental Protection Bureau	The intersection of Linxi 3rd Road and Hongqi Road	50.00	2,990.42		Linlan Guoyong (1999) No. 0437
Linyi City Environmental Protection Bureau	Jinqueshan Road (in the old city committee courtyard)	1,513.62	1,625.00	Linyi Housing Certificate Lanshan District No. 12260038	No
Yimeng Revolutionary Memorial Hall	The first and second floors of the underground at the intersection of Yinqueshan Road and Yizhou Road	26,425.00			
Linyi City Quality Supervision Bureau	No.96 Taoran Road	4,317.61			

Annotation13. Construction in progress

（1）Status of construction in progress

Item	Year-end Balance			Beginning Balance		
	Net book balance	Provision for Impairment	Book Value	Net book balance	Provision for Impairment	Book Value
Construction in progress	3,132,810,528.79	2,895,753.93	3,129,914,774.86	4,295,672,622.00	2,895,753.93	4,292,776,868.07
Engineering Material	127,130.78		127,130.78	4,040,307.49		4,040,307.49
合 计	3,132,937,659.57	2,895,753.93	3,130,041,905.64	4,299,712,929.49	2,895,753.93	4,296,817,175.56

（2）Details of construction in progress

Project name	Year-end Balance			Beginning Balance		
	Book balance	Provision for impairment	Net book value	Book balance	Provision for impairment	Net book value
The Group Company construction projects	10,558,763.04		10,558,763.04	2,258,644,261.66		2,258,644,261.66
Project of Menglianggu training Center				22,734,503.81		22,734,503.81
Linyi Olympic Sports Center Project	36,119,255.25		36,119,255.25			
Project of Qiaojia phase 2	183,016,251.53		183,016,251.53	163,381,966.00		163,381,966.00
Construction of infrastructure	964,361.60		964,361.60	810,948,626.26		810,948,626.26
Health care center project	189,679,972.89		189,679,972.89	12,933,347.89		12,933,347.89
Landian Power Tower Project				125,023,196.88		125,023,196.88
Lunan High-speed Railway South Square Project	233,057,895.49		233,057,895.49	796,133,003.22		796,133,003.22
Supporting roads and ancillary projects in the Lunan high-speed rail area	1,187,801,583.55		1,187,801,583.55			
Railway station renovation and supporting projects	963,117,218.93		963,117,218.93			
Projects of public transportation company	49,850,759.79		49,850,759.79	31,905,392.41		31,905,392.41
Taoran Road Expressway Construction Project	114,644,200.29		114,644,200.29			
Mengshan Scenic Area Construction Project	92,326,017.43		92,326,017.43			
Road works at testing center				16,725,752.52		16,725,752.52
Transfer Center and Other Projects of Linyi Transportation Investment Group Co., Ltd.	17,643,184.74		17,643,184.74	25,880,964.11		25,880,964.11
Project of Yangguang Heating Power Ltd.	8,172,119.76	2,895,753.93	5,276,365.83	10,615,765.85	2,895,753.93	7,720,011.92
Other projects	45,858,944.50		45,858,944.50	20,745,841.39		20,745,841.39

Total	3,132,810,528.79	2,895,753.93	3,129,914,774.86	4,295,672,622.00	2,895,753.93	4,292,776,868.07

（3）Provision for impairment of Construction in Progress

Project	Amount	Reason
Pipe network of Jianyitang branch line of Yangguang Heat Power Ltd.	2,895,753.93	According to government planning, part of the pipe network will be demolished
Total	2,895,753.93	

（4）Engineering Material

Item	Year-end Balance	Beginning Balance
Engineering special materials	127,130.78	4,040,307.49
Total	127,130.78	4,040,307.49

Annotation14. Productive Biological Assets

Company	Beginning Balance	Increase in current period	Decrease in current period	Year-end Balance
Zhegouling fruit trees		5,749,132.00		5,749,132.00
Other fruit trees		240,260.05		240,260.05
Total		5,989,392.05		5,989,392.05

Annotation15. Intangible assets

1. Details of intangible assets

Item	Land use right	Trademarks and patents	Prospecting rights	Office software	Total
I. Original book value					
1. Beginning Balance	3,016,219,041.79	7,353,412.84	151,150,000.00	21,293,546.15	2,749,688,323.27
2. Increase in current year	1,080,283,265.66	685,545.76	902,075,735.75	4,826,548.98	1,987,871,096.15
(1) Purchase	1,080,283,265.66	685,545.76	902,075,735.75	4,826,548.98	1,987,871,096.15
(2) Internal R&D					
(3) Increase in business combination					
3. Reduction in current year	2,823,262.13			1,694,184.77	4,517,446.90
(1) Disposal or scrap	2,823,262.13			1,694,184.77	4,517,446.90
4. Year-end Balance	4,093,679,045.32	8,038,958.60	1,053,225,735.75	24,425,910.36	5,179,369,650.03
II. Accumulative amortization					

1. Beginning Balance	246,262,233.08	918,970.36	3,281,250.00	3,860,251.16	254,322,704.60
2. Increase in current year	89,736,293.35	1,335,823.29	2,445,846.63	2,023,460.54	95,541,423.81
(1) Accrual	89,736,293.35	1,335,823.29	2,445,846.63	2,023,460.54	95,541,423.81
(2) Increase in business combination					
3. Reduction in current year				384,836.13	384,836.13
(1) Disposal or scrap				384,836.13	384,836.13
4. Year-end Balance	335,998,526.43	2,254,793.65	5,727,096.63	5,498,875.57	349,479,292.28
III Provision for Impairment					
1. Beginning Balance					
2. Increase in current year					
(1) Accrual					
3. Reduction in current year					
(1) Disposal or scrap					
4. Year-end Balance					
IV Book value					
1. Book value as of December 31, 2020	3,757,680,518.89	5,784,164.95	1,047,498,639.12	18,927,034.79	4,829,890,357.75
1. Book value as of December 31, 2019	2,769,956,808.71	6,434,442.48	147,868,750.00	17,433,294.99	2,941,693,296.18

（2）The situation of intangible assets that have not completed the title certificate

Project	Amount	Reason
Land of Linyi Cultural Tourism Development Group Co., Ltd. Olympic Sports Center project	662,100,000.00	In process

（3）At the end of the reporting period, no impairment of intangible assets was found, so no provision for impairment of intangible assets was made.

Annotation16. Goodwill

Company	Beginning Balance	Increase in current period	Decrease in current period	Year-end Balance
Linyi Taisen Real Estate Development Co., Ltd	5,495,838.85		5,495,838.85	
Total	5,495,838.85		5,495,838.85	

In May 2018, Linyi City Investment Kaiyuan Real Estate Co., Ltd. purchased 70% of the equity of Linyi Taisen Real Estate Development Co., Ltd. Since Taisen Real Estate is a real estate development company, its main asset is land. Goodwill is essentially formed by

adjusting the fair value of purchased land, which does not constitute a business. Therefore, the portion of the purchase price higher than the Company's book net assets is included in development costs in this period.

Annotation17. Long-term deferred expenses

Item	Beginning Balance	Increasing in current period	Amortization amount in current period	Other decrease	Year-end Balance
Improved expenditure on leased fixed assets	7,141,076.94	40,044,565.51	4,210,492.76		42,975,149.69
Fixed asset repair expense		9,797,249.32	1,307,657.97		8,489,591.35
Other amortization expenses with amortization period of more than 1 year	38,278,996.29	21,037,065.53	11,841,324.54	10,158,170.66	37,316,566.62
Total	45,420,073.23	70,878,880.36	17,359,475.27	10,158,170.66	88,781,307.66

Annotation18. Deferred tax assets and deferred tax liability

Item	Year-end Balance		Beginning Balance	
	Deferred Tax Assets & Liability	Deductible& Taxable temporary difference	Deferred Tax Assets & Liability	Deductible & Taxable temporary difference
I. Deferred Tax Asset				
Provision for impairment of assets	870,520.22	3,482,619.57	1,008,776.49	4,035,105.95
Provision for impairment of long-term asset	13,700,155.13	54,800,620.54	18,526,243.48	74,104,973.85
Deductible loss	15,813,661.29	63,254,645.17		
Future ticket fee	1,843,132.54	7,372,530.15	1,804,622.43	7,218,489.71
Payroll Payable	6,122.77	24,491.08	205,301.32	821,205.27
Unrealized profits from internal transactions	25,215,745.09	100,862,980.37		
Total	57,449,337.04	229,797,886.88	21,544,943.72	86,179,774.78
II. Deferred Tax Liability				
Appreciation of investment property	1,093,679,599.05	4,374,718,396.20	1,060,056,442.05	4,240,225,768.21
Appreciation of acquired asset	26,190,604.44	104,762,417.76	5,495,838.85	21,983,355.40
Real estate project land price difference	48,095,448.67	192,381,794.68		
Other	83,352.63	333,410.52	83,352.63	333,410.52
Total	1,168,049,004.79	4,672,196,019.16	1,065,635,633.53	4,262,542,534.13

Note: Deferred income tax assets recognized for deductible losses are newly recognized by Linyi City Investment Real Estate Co., Ltd. this year. It is expected that the income of

commercial housing from Linyi Urban Investment Real Estate Co., Ltd. will be confirmed next year and the relevant losses will be fully compensated, so the related losses are confirmed of deferred tax assets.

Annotation19. Other non-current assets

Item	Year-end Balance	Beginning Balance
Pre-paid engineering equipment payment	2,916,037,688.86	97,806,582.31
Entrusted loans of public housing	183,450,000.00	208,450,000.00
Long-term equity investment in Linyi Port Company	184,758,563.42	184,758,563.42
Subtotal	3,284,246,252.28	491,015,145.73
Minus: provision for impairment of other non-current assets	18,345,000.00	
Total	3,265,901,252.28	491,015,145.73

1. On October 12, 2019, Linyi City Public Housing Management Co., Ltd. and Shandong Huaqian Industry Co., Ltd. had a loan contract dispute case. Because Shandong Huaqian Industry Co., Ltd. failed to repay the loan as agreed, Linyi City Public Housing Management Co., Ltd. sued it to Linyi City Intermediate People's Court and applied for the seizure of 117 properties (shops) under the name of Shandong Huaqian Industry Co., Ltd. On March 19, 2020. Linyi City Intermediate People's Court of Shandong Province Civil Mediation Document ((2019) Lu 13 Early Republic of China) No. 604) agreed that Shandong Huaqian Industry Co., Ltd. would repay the principal of RMB 20.00 million and interest of RMB 5.00 million on March 2, 2020, and the remaining loan of RMB 188.45 million shall be repaid in six equal installments before December 31, 2022. Shandong Huaqian Industry Co., Ltd. failed to perform the repayment obligations as stipulated in the mediation agreement. Now Linyi City Public Housing Management Co., Ltd. applied to the Linyi City Intermediate People's Court for compulsory execution. As of December 31, 2020, the remaining loan principal was RMB 183.45 million. According to the loan and mortgage contract, Shandong Huaqian Real Estate Co., Ltd. voluntarily provides mortgage for the construction under construction and the occupied land use right of No. A1, A2, A3, A4, A5, A8, B1, B2 and B5 of Shanty Town (Huaqian Square - Fuhua Community) Project in Xiguan Wuliuju Area, with a total area of 15,511.37 square meters. The Company accrued an impairment provision of RMB 18.345 million in this period based on the estimated loss.

2. According to Linyi City Finance Bureau's Lincaibao (2015) No. 152 document, it is proposed to transfer the state-owned equity of the Company's subsidiary Linyi Port Co., Ltd.

(hereinafter referred to as "Linyi Port") to Linyi Mall Holdings Co., Ltd. for free operating, which is currently actually operated by Linyi City Holding Co., Ltd. In view of the fact that Linyi Port purchased assets for the city's self-operated debt of 140 million yuan, its equity assets have been included in the 7.3 billion yuan bond issuance asset package of the shanty town renovation bond fund, and the 160.50 acres of land in Linyi Port has been used as a financing loan of 500 million yuan for the city's key projects According to relevant laws and policies, there are major policy obstacles to the transfer of yuan (5 years) project mortgage. After communication and coordination with relevant agencies and approval by the municipal government, the property rights transfer procedures can be handled in accordance with the regulations.

Annotation20. Short-term loans

Types of loans	Year-end Balance	Beginning Balance
Mortgage loans	154,572,500.00	
Guaranteed loans	377,500,045.01	895,000,000.00
Fiduciary loans	770,000,000.00	1,636,000,000.00
Total	1,302,072,545.01	2,531,000,000.00

Annotation21. Notes payable

Item	Year-end Balance	Beginning Balance
Commercial Acceptance Bill	511,750,447.52	725,000,000.00
Bank's Acceptance Bill	418,460,433.86	574,850,365.51
Total	930,210,881.38	1,299,850,365.51

Annotation22. Accounts payable

（1）Details

Item	Year-end Balance	Beginning Balance
Within one year	3,561,747,788.00	955,502,340.33
One to two years	505,860,972.11	5,602,430.62
Two to three years	13,870,191.36	717,784.91
Above three years	32,983,458.83	81,852.95
Total	4,114,462,410.30	961,904,408.81

（2）Top 5 of accounts payable

Company	Nature of payment	Year-end Balance	Proportion of Year-end Balance（%）

Linyi City Finance Bureau	Land payment	1,964,050,000.00	47.74
Tianyuan Construction Group Co., Ltd.	Construction payment	559,224,571.22	13.59
Shandong Tianyuan Decoration Engineering Co., Ltd.	Construction payment	148,949,326.54	3.62
Jinan Urban Construction Group Cp., Ltd	Construction payment	77,853,426.00	1.89
Linyi Municipal Group	Construction payment	31,300,700.00	0.76
Total		2,781,378,023.76	67.60

Annotation23. Advance from Customers

（1）Details

Item	Year-end Balance	Beginning Balance
Within one year	3,597,298,457.47	2,491,399,547.78
Above one year	431,624,771.30	46,987,621.26
Total	4,028,923,228.77	2,538,387,169.04

（2）No important unearned revenue with an age of more than 1 year.

Annotation24. Payroll payable

（1） List of details of payroll payable

Item	Beginning Balance	Increase in Current Period	Decrease in Current Period	Year-end Balance
I. Short-term compensation	217,907,434.12	933,940,446.00	874,895,661.39	276,952,218.73
II. After-service benefits-defined deposit plan	177,932.92	36,476,108.23	35,522,629.33	1,131,411.82
III. Dismissal benefits				
IV. Other benefits due within one year				
V.Other				
Total	218,085,367.04	970,416,554.23	910,418,290.72	278,083,630.55

（2） List of details of short-term compensation

Item	Beginning Balance	Increase in Current Period	Decrease in Current Period	Year-end Balance
I. Wages, bonuses, allowances and subsidies	185,577,079.72	822,290,097.43	785,184,054.26	222,683,122.89
II. Employee benefits		21,305,193.74	21,305,193.74	
III. Social insurance charges	11,667.51	26,282,373.90	24,750,732.81	1,543,308.60
Including: medical insurance	8,906.05	25,351,580.99	23,851,287.91	1,509,199.13

Work-related injury insurance	2,079.62	798,411.24	793,850.94	6,639.92
Maternity insurance and salvage money	681.84	132,381.67	105,593.96	27,469.55
IV.Housing provident funds	1,821,851.53	51,571,920.08	31,429,575.71	21,964,195.90
V. Labor union expenditures	12,196,138.20	7,085,784.65	7,463,037.70	11,818,885.15
VI. Employee education funds	18,300,697.16	5,405,076.20	4,763,067.17	18,942,706.19
VII. Short-term paid absence				
VIII. Short-term profit sharing plan				
Total	217,907,434.12	933,940,446.00	874,895,661.39	276,952,218.73

（3）List of details of defined deposit plan

Item	Beginning Balance	Increase in Current Period	Decrease in Current Period	Year-end Balance
I. Basic endowment insurance	30,116.56	29,667,748.92	29,447,206.12	250,659.36
II. Unemployment insurance expenses	6,705.34	1,474,382.14	1,435,334.23	45,753.25
III. Enterprise annuity	141,111.02	5,333,977.17	4,640,088.98	834,999.21
Total	177,932.92	36,476,108.23	35,522,629.33	1,131,411.82

Annotation25. Taxes payable

Item	Year-end Balance	Beginning Balance
Value added tax payable	176,297,682.44	47,152,746.39
Urban maintenance and construction tax	3,956,235.95	622,528.90
Educational surcharges	2,007,200.06	339,653.56
Local educational surcharges	1,381,036.11	93,048.09
Local water conservancy construction fund	186,560.48	21,596.28
Property tax	6,323,512.30	6,067,549.69
Urban land use tax	6,162,528.46	6,585,424.45
Stamp duty	2,594,207.38	1,048,938.60
Corporate income tax	298,310,088.28	184,527,954.81
Individual income tax	477,158.93	1,523,252.69
Resource tax	1,327,116.71	1,085,600.44
Environmental protection tax	682,428.01	500,000.00
Cultural undertaking construction fee		17,831.97

Land value added tax	44,724,823.23	
Total	544,430,578.34	249,586,125.87

Annotation26. Other payables

Item	Year-end Balance	Beginning Balance
Interests Payable	139,328,672.07	121,981,697.86
Dividends Payable	15,600,000.00	16,877,273.10
Other Payables	4,649,624,232.52	3,622,373,426.90
Total	4,804,552,904.59	3,761,232,397.86

（1）Interest payable

Item	Year-end Balance	Beginning Balance
Interest payable on long-term loans	67,897,550.00	43,201,304.44
Corporate bond interest	45,299,417.00	32,045,000.00
Interest payable on short-term loans	24,330,538.18	23,500,917.39
Interest payable on preferred bonds/ Perpetual bond interest		
Other interest	1,801,166.89	23,234,476.03
Total	139,328,672.07	121,981,697.86

（2）Dividends payable

Item	Year-end Balance	Beginning Balance
Common stock dividend	15,600,000.00	16,877,273.10
Preference stocks classified as equity instruments\perpetual bond dividends		
Total	15,600,000.00	16,877,273.10

（3）Other payables

1. Nature of payment

Item	Year-end Balance	Beginning Balance
Payment for engineering equipment	38,621,538.87	94,529,414.26
Deposit	113,038,733.85	79,489,173.03
Loans	4,224,652,207.46	3,050,579,411.66
Accrued Expense	132,537,468.59	144,571,923.08
Other	140,774,283.75	253,203,504.87

Total	4,649,624,232.52	3,622,373,426.90

2. Top 5 of other payable

Name of creditor	Nature of payment	Year-end Balance	Proportion of other payable (%)
Liuqing Sub-district Office	Loans	1,690,000,000.00	36.35
Shandong Finance Development Co., Ltd	Loans	1,019,000,000.00	21.92
Linyi Municipal Government Investment and Financing Center	Loans	845,000,000.00	18.17
Finance Bureau of Linyi Mengshan Management Committee	Loans	108,826,647.32	2.34
Surveying and Mapping Institute of Linyi Land and Resources Bureau	Loans	56,106,163.89	1.21
Total		3,718,932,811.21	79.99

Annotation27. Non-current liability due within one year

Item	Year-end Balance	Beginning Balance
Long-term loan due within 1 year(Annotation29)	1,171,155,600.00	186,500,000.00
Bonds payable due within 1 year(Annotation30)	20,000,000.00	1,300,000,000.00
Long-term account payable due within 1 year(Annotation31)	102,123,289.86	102,123,289.86
Total	1,293,278,889.86	1,588,623,289.86

Annotation28. Other current liabilities

Item	Year-end Balance	Beginning Balance
Advances special preparations of Linyi Transportation Investment Group Co., Ltd.	2,255,991.33	2,824,837.68
Total	2,255,991.33	2,824,837.68

Annotation29. Long-term loans

Types of loans	Year-end Balance	Beginning Balance
Mortgage loans	1,939,474,000.00	2,270,900,000.00
Guaranteed loans	286,750,000.00	874,400,000.00
Fiduciary loans	4,272,020,374.23	2,882,002,849.23
Subtotal	6,498,244,374.23	6,027,302,849.23
Minus: Long-term loans due within 1 year	1,171,155,600.00	186,500,000.00

Total	5,327,088,774.23	5,840,802,849.23

Annotation30. Bonds payable

（1）Bonds payable

Item	Year-end Balance	Beginning Balance
15 Linyi City Investment PPN001		1,288,932,200.00
19 Linyi City Bond	1,988,946,540.88	1,983,018,867.92
20 Linyi City 01	1,986,839,622.63	
20 Linyi City Investment MTN001	993,466,981.17	
20 Lu Linyi City Investment ZR001	298,548,742.14	
20 Lu Linyi City Investment ZR002	387,758,805.04	
20 Lu Linyi City Investment ZR003	197,844,863.73	
Senior Unsecured Fixed Rate Bond (YB INTL B2309)	1,940,130,759.70	
Subtotal	7,793,536,315.29	3,271,951,067.92
Minus: Bonds payable due within 1 year	20,000,000.00	1,300,000,000.00
Total	7,773,536,315.29	1,971,951,067.92

（2）Change in bonds payable

Bond name	Beginning Balance		Increase in Current Period	
	Face Value	Amortization of bond spreads	Face Value	Amortization of bond spreads
15 Linyi City Investment PPN001	1,300,000,000.00	-11,067,800.00		
19 Linyi City Bond	2,000,000,000.00	-16,981,132.08		5,927,672.96
20 Linyi City 01			2,000,000,000.00	-13,160,377.37
20 Linyi City Investment MTN001			1,000,000,000.00	-6,533,018.83
20 Lu Linyi City Investment ZR001			300,000,000.00	-1,451,257.86
20 Lu Linyi City Investment ZR002			400,000,000.00	-12,241,194.96
20 Lu Linyi City Investment ZR003			200,000,000.00	-2,155,136.27
Senior Unsecured Fixed Rate Bond (YB INTL B2309)			2,034,750,000.00	-94,619,240.30
Total	3,300,000,000.00	-28,048,932.08	5,934,750,000.00	-124,232,552.63

Continue table

Bond name	Decrease in Current Period		Year-end Balance	
	Face Value	Amortization of bond	Face Value	Amortization of bond

		spreads		spreads
15 Linyi City Investment PPN001	1,300,000,000.00	-11,067,800.00		
19 Linyi City Bond			2,000,000,000.00	-11,053,459.12
20 Linyi City 01			2,000,000,000.00	-13,160,377.37
20 Linyi City Investment MTN001			1,000,000,000.00	-6,533,018.83
20 Lu Linyi City Investment ZR001			300,000,000.00	-1,451,257.86
20 Lu Linyi City Investment ZR002			400,000,000.00	-12,241,194.96
20 Lu Linyi City Investment ZR003			200,000,000.00	-2,155,136.27
Senior Unsecured Fixed Rate Bond (YB INTL B2309)			2,034,750,000.00	-94,619,240.30
Total	1,300,000,000.00	-11,067,800.00	7,934,750,000.00	-141,213,684.71

Note: 20 Lu Linyi City Investment ZR003 reduced 20,000,000.00 yuan in the current period and transferred it into non-current liabilities due within one year. Among the excess discount amortization of -94,619,240.30 yuan, there was an exchange gain or loss of -77,280,000.00 yuan in Senior Unsecured Fixed Rate Bond (YBINTLB2309).

Annotation31. Long-term payables

Item	Year-end Balance	Beginning Balance
Long-term Payable	720,048,399.45	685,005,531.08
Specific Payable	2,050,339,904.68	6,024,735.45
Subtotal	2,770,388,304.13	691,030,266.53
Minus: Long-term payables due within 1 year	102,123,289.86	102,123,289.86
Total	2,668,265,014.27	588,906,976.67

(1) Long-term payable

Item	Year-end Balance	Beginning Balance
Taiping Petrochemical Financial Leasing Co., Ltd	275,357,158.96	355,703,934.78
Shanghai Greencourt Asset Management Cp., Ltd	5,000,000.00	5,000,000.00
CCB (Beijing) Investment Fund Management Cp., Ltd	5,000,000.00	5,000,000.00
Wuhan Jinkong New Energy Automobile Leasing Management Co., Ltd (Financing)	95,688,778.02	139,100,000.00
CMB Financial Leasing	14,325,797.33	21,462,008.76

Jiangsu Huawen Financial Leasing Co., Ltd.	27,846,792.46	
Suyin Financial Leasing Co., Ltd.	82,665,583.45	
Yuandong Leasing Co.,ltd	15,226,611.20	
Jiangxi Financial Leasing Co., Ltd.	5,856,426.22	
Payable of car purchase	124,970,477.74	83,922,792.40
Bank of Communications Financial Leasing Co., Ltd	795,565.08	2,207,661.56
Shandong Guoneng Xinxing Natural Gas Co., Ltd	3,400,000.00	3,400,000.00
Linyi Transport Company	36,303,844.95	38,018,844.95
Yishui County Government Assets Operation Company	16,126,608.92	16,517,830.16
Shanghai Haisheng Shangshou Financial Leasing Co., Ltd		2,928,742.68
Pingan International Financial Leasing (Tianjin) Co., Ltd		1,504,599.30
Construction payable of transportation company	11,484,755.12	10,239,116.49
Total	720,048,399.45	685,005,531.08

（2）Details of Specific payable

Items	Year-end Balance	Beginning Balance
Special funds for renovation of public housing	1,290,000.00	1,290,000.00
Linyi Olympic Sports Center Project	2,000,000,000.00	
Traffic Building Auction	43,766,584.19	
Sunsidy Fund for Tancheng County Bus Station Stop Sign	233,559.00	233,559.00
Subsidy Fund for Yishui County Site Shed Brand Construction	2,965,846.28	4,030,159.45
Subsidy Fund for Yishui Charging Station Construction	332,521.00	402,517.00
Yishui County Yuan Dongtou government station supporting funds	50,000.00	68,500.00
Other special funds	1,701,394.21	
Total	2,050,339,904.68	6,024,735.45

Annotation32. Deferred income

Item	Beginning Balance	Increasing in current period	Decreasing in current period	Year-end Balance	Reasons for the formation
Government subsidies	462,082,480.19	1,138,415,508.71	356,680,506.82	1,243,817,482.08	
Total	462,082,480.19	1,138,415,508.71	356,680,506.82	1,243,817,482.08	

Among them, projects involving government subsidies

Item	Beginning Balance	Increasing in current period	Decreasing in current period	Year-end Balance
Allocated funds from Fei County Finance Bureau	3,570,000.00		510,000.00	3,060,000.00
Subsidies for E-commerce	800,000.00		800,000.00	
Demolition compensation		33,905,411.53		33,905,411.53
Provincial pension service industry development fund of the civil affairs bureau		5,100,000.00		5,100,000.00
One Belt One Road subsidy		5,200,000.00		5,200,000.00
Financial allocation for the square in front of Linyi North Station of Lunan High-speed Railway		1,000,000,000.00	163,108,362.45	836,891,637.55
Funds for vehicle replacement of public transport company	279,156,488.16	92,710,097.18	137,465,741.58	234,400,843.76
Funds for vehicle replacement of transportation company	178,555,992.03	1,500,000.00	54,796,402.79	125,259,589.24
Total	462,082,480.19	1,138,415,508.71	356,680,506.82	1,243,817,482.08

Annotation33. Other non-current liabilities

Item	Year-end Balance	Beginning Balance
Other non-current liabilities of Yixing Transportation		13,070,000.00
Total		13,070,000.00

Annotation34. Paid-in capital

Name of shareholder	Beginning Balance		Increasing in current period	Decreasing in current period	Year-end Balance	
	Amount	Proportion of shares held %			Amount	Proportion of shares held %
State-owned Assets Supervision and Administration Commission of Linyi Municipal People's Government	2,000,000,000.00	100.00			2,000,000,000.00	100.00
Total	2,000,000,000.00	100.00			2,000,000,000.00	100.00

Annotation35. Capital reserves

Item	Beginning Balance	Increasing in current period	Decreasing in current period	Year-end Balance

Item	Beginning Balance	Increasing in current period	Decreasing in current period	Year-end Balance
Capital premium				
Other capital reserves	24,403,556,456.30		580,429,224.88	23,823,127,231.42
Total	24,403,556,456.30		580,429,224.88	23,823,127,231.42

The decrease in this period is mainly based on the notice (Linzheng zi [2019] No. 208) issued by Linyi Municipal People's Government on the Establishment Plan of Shandong Yimeng Transportation Investment and Development Group Co., Ltd. The Company's original subsidiary Linyi Motor Vehicle Inspection Co., Ltd. and Linyi Yixing Transportation Assets Operation Co., Ltd.'s assets were integrated and transferred to Shandong Yimeng Transportation Investment Development Group Co., Ltd.

Annotation36. Special Reserve

Item	Beginning Balance	Increasing in current period	Decreasing in current period	Year-end Balance
Safety protection cost	64,529,375.87	9,517,404.21	3,432,301.23	70,614,478.85
Maintenance cost				
Total	64,529,375.87	9,517,404.21	3,432,301.23	70,614,478.85

According to the notice of the Ministry of Finance and the State Administration of Work Safety on the issuance of the "Administrative Measures for the Extraction and Use of Enterprise Safety Production Expenses" (Caiqi [2012] No. 16), the Company's subsidiary Linyi Yangguang Heating Power Ltd. is a dangerous goods production and storage enterprise. The actual operating income of the previous year is the basis for accrual, and the excess regressive method is adopted to withdraw monthly. The actual operating income of the transportation enterprise affiliated to the Company in the preceding year shall be calculated and withdrawn on an average monthly basis according to the following standards :(1) 1% for general freight transportation business; (2) Passenger transport, pipeline transport, dangerous goods and other special freight business at the rate of 1.5%.

Annotation37. Surplus reserves

Item	Beginning Balance	Increasing in current period	Decreasing in current period	Year-end Balance

Statutory surplus reserve	395,125,712.02	5,814,723.53		400,940,435.55
Discretionary surplus reserve				
Total	395,125,712.02	5,814,723.53		400,940,435.55

Note: The change in surplus reserve is the statutory surplus reserve fund accrued at 10% of the net profit.

Annotation38. Undistributed profits

Item	Amount of Current Year	Amount of Last Year
Beginning Balance of current year	5,819,798,666.02	3,279,161,625.52
Increasing in current period	6,652,620.55	2,733,006,257.14
Including: net profit	6,652,620.55	2,733,006,257.14
Other adjustment factors		
Decreasing in current period	45,293,475.53	192,369,216.64
Including: Surplus reserves	5,814,723.53	171,583,121.04
General risk reserves		
Cash dividends distributed	39,478,752.00	20,786,095.60
Capital increase		
Other reduction		
Ending balance of current year	5,781,157,811.04	5,819,798,666.02

Annotation39. Operating income and operating cost

Name of shareholder	Amount of Current Year		Amount of Last Year	
	Income	Cost	Income	Cost
Main business	5,236,397,624.90	3,972,756,933.24	4,492,778,251.79	3,584,153,130.75
Other business	88,448,622.48	38,121,053.98	99,143,701.26	26,737,731.97
Total	5,324,846,247.38	4,010,877,987.22	4,591,921,953.05	3,610,890,862.72

（1）Details of Operating income

Name of shareholder	Amount of Current Year		Amount of Last Year	
	Income	Cost	Income	Cost
Income from green energy	813,083,187.39	514,146,294.58	860,664,466.64	581,234,349.37
Transportation	841,023,072.64	984,854,969.73	1,289,774,551.33	1,361,855,062.29
Wood industry	1,391,613,533.15	995,985,187.58	1,085,247,463.13	852,452,161.02
Income from real	1,267,652,235.82	743,480,813.53	851,243,533.92	436,919,368.90

estate industry				
Income from the construction of affordable housing	603,316,891.76	456,612,285.35		
Other	319,708,704.14	277,677,382.47	405,848,236.77	351,692,189.17
Total	5,236,397,624.90	3,972,756,933.24	4,492,778,251.79	3,584,153,130.75

Annotation40. Taxes and additions

Item	Amount of Current Year	Amount of Last Year
Urban construction tax	7,224,078.21	3,604,091.90
Educational surcharges	3,704,474.08	1,412,972.45
Local educational surcharges	2,834,936.33	927,562.72
Water conservancy construction fund	446,247.81	212,161.22
Land use tax	49,522,275.01	40,681,564.05
Property tax	8,878,914.88	10,808,348.30
Vehicle and vessel use tax	119,022.29	122,202.20
Land value increment tax	73,397,544.28	31,895,203.20
Stamp duty	6,247,781.29	7,308,716.35
Resource tax	3,731,040.26	2,044,279.84
Environmental tax	2,153,446.82	1,831,738.63
Cultural construction expenses	182,989.23	132,897.05
Employment security fund for the disabled	58,548.39	94,759.67
Total	158,501,298.88	101,076,497.58

Annotation41. Selling expenses

Item	Amount of Current Year	Amount of Last Year
Payroll	123,152,288.01	104,290,144.15
Energy expenses	541,824.74	501,344.05
Advertising expenses	6,539,801.54	28,352,118.03
Travel expenses	20,503,767.58	13,859,183.51
Rental and security property fees	6,357,790.45	403,710.85
Depreciation expenses	34,105,018.88	37,405,250.77
Consulting fee	3,499,199.63	1,657,794.20
Installation, repair, and transportation expenses	173,742,157.58	67,843,392.27
Other sales expenses	13,450,232.69	13,657,490.12
Total	381,892,081.10	267,970,427.95

Annotation42. Management expenses

Item	Amount of Current Year	Amount of Last Year
Office expenses	8,273,784.80	5,791,593.74

Travel expenses	3,105,263.94	7,720,182.12
Property management fee	4,513,350.35	12,268,809.57
Amortization of long-term deferred expenses	2,008,123.87	3,416,561.96
Depreciation expenses	317,282,455.19	185,632,681.27
Payroll expenses	278,838,774.18	198,052,274.91
Agency fees	16,977,244.82	15,481,608.15
Amortization of intangible assets	73,082,419.42	59,147,621.32
Business entertainment expenses	2,163,165.85	3,216,699.04
Conference charges	215,696.61	204,184.35
Others	59,959,866.99	61,831,899.72
Total	766,420,146.02	552,764,116.15

Annotation43. Finance expenses

Item	Amount of Current Year	Amount of Last Year
Interest expenditure	515,594,634.68	260,869,144.61
Less: Income from interests	301,019,141.39	245,560,501.09
Exchange gains and losses	-69,941,793.73	
Handling Fee	2,654,064.34	1,795,181.33
Other financial expenses	39,984,525.10	10,984,472.10
Total	187,272,289.00	28,088,296.95

Note: The current exchange gains and losses are formed by the conversion of the US dollar exchange rate and US dollar settlement of the senior unsecured fixed-rate US$300 million bonds issued by the Company

Annotation44. Other income

Item	Amount of Current Year	Amount of Last Year
Government subsidies related to daily activities	491,884,257.24	274,931,258.12
Total	491,884,257.24	274,931,258.12

Government subsidies related to daily activities:

Item	Amount of Current Year	Amount of Last Year	Relating to assets/ income
Subsidy for high-speed rail south square construction project	156,847,690.57		Relating to assets
Local government bus subsidy income	60,190,400.00	54,396,534.78	Relating to assets
Central government bus subsidy revenue	30,016,921.38	42,460,125.05	Relating to assets

Energy-saving and new energy city bus subsidies	6,198,273.08	6,518,273.97	Relating to assets
School bus operation subsidy	1,170,152.22	467,122.94	Relating to assets
Electric bus subsidies	3,102,495.64	5,366,594.08	Relating to assets
Policy loss subsidy	79,926,000.00	63,218,100.00	Relating to assets
New energy bus operation subsidies	60,040,000.00	59,220,000.00	Relating to assets
Car purchase subsidies	40,532,916.81	33,665,000.00	Relating to assets
Other	53,859,407.54	9,619,507.30	Relating to assets/ income
Total	491,884,257.24	274,931,258.12	

Annotation45. Return on investment

Source of Investment Income	Amount of Current Year	Amount of Last Year
Long-term equity investment income calculated by equity method	14,234,097.53	1,288,784.35
Disposal of investment income from long-term equity investment	63,503,453.07	772,008.75
Investment income of financial assets measured at fair value and whose changes are included in the current profit or loss during the holding period		
Investment income from disposal of financial assets measured at fair value and whose changes are included in the current profit and loss		
Investment income of held-to-maturity investments during the holding period		
Disposal of investment income from holding to maturity investment		
Investment income obtained from available-for-sale financial assets, etc.		1,800,000.00
Investment income from disposal of available-for-sale financial assets		
After losing control, the remaining equity is re-measured at fair value		
Other	552,744.34	2,045,800.00
Total	78,290,294.94	5,906,593.10

Annotation46. Gains from changes in fair value

Source of Income from Changes of fair Value	Amount of Current Year	Amount of Last Year
Derivative financial assets		
Financial liabilities measured at fair value and whose changes are included in the current profit and loss		
Derivative financial liabilities		
Investment real estate measured at fair value	134,492,628.00	3,692,673,851.25
Other		
Total	134,492,628.00	3,692,673,851.25

Annotation47. Assets impairment loss

Item	Amount of Current Year	Amount of Last Year
Bad debt loss	-38,857,754.54	-1,121,762.94
Loss of inventory valuation	-1,381,046.88	-26,664.10
Impairment losses of available-for-sale financial assets		
Impairment losses of held-to-maturity investments		
Long-term equity investment impairment losses		
Impairment losses on investment real estate		
Impairment loss of fixed assets		-26,959,159.31
Impairment loss of engineering materials		
Impairment loss of construction in progress		-2,895,753.93
Impairment losses of productive biological assets		
Impairment loss of oil and gas assets		
Impairment loss of intangible assets		
Impairment loss of goodwill		
Other impairment losses		
Total	-40,238,801.42	-31,003,340.28

Annotation48. Non-operating income

Item	Amount of Current Year	Amount of Last Year	The amount included in the current non-recurring profit and loss
Profits from disposal of non-current assets	1,650,541.93	1,745,333.56	1,650,541.93
Income of debt reorganization			
Donation		781,000.00	
Government subsidiaries	7,940,820.20	1,326,250.60	7,940,820.20
Fines and others	14,772,857.62	5,238,259.67	14,772,857.62
Total	24,364,219.75	9,090,843.83	24,364,219.75

Details of government subsidies that are not related to the daily activities of the enterprise included in the current profit and loss:

Item	Amount of Current Year	Amount of Last Year	Relating to assets/ income
Hong Kong Monetary Authority bond issuance subsidy income	2,104,100.00		Relating to income
Lunan City Belt government appropriation	1,040,000.01		Relating to income

Other government subsidies	4,796,720.19	1,326,250.60	Relating to income
Total	7,940,820.20	1,326,250.60	

Annotation49. Non-operating expenses

Item	Amount of Current Year	Amount of Last Year	The amount included in the current non-recurring profit and loss
Disposal of non-current asset	8,076,708.32	1,228,762.45	8,076,708.32
External donation	828,128.34	15,260,612.00	828,128.34
Fines and late fees	8,863,998.19		8,863,998.19
Other expenses	2,830,573.15	18,533,446.97	2,830,573.15
Total	20,599,408.00	35,022,821.42	20,599,408.00

Annotation50. Income tax expenses

(1)Income tax expense table

Item	Amount of Current Year	Amount of Last Year
Current income tax expense	217,928,785.89	150,155,157.37
Deferred income tax expense	44,798,662.69	914,252,982.46
Total	262,727,448.58	1,064,408,139.83

(2) Adjustment process of accounting profit and income tax expense

Item	Amount of Current Year
Total profit	450,105,455.39
Income tax expense calculated at an appropriate/applicable tax rate	112,526,363.85
The impact of applying different tax rates to subsidiaries	
Adjust the impact of previous income taxes	
The impact of non-taxable income	
The impact of non-deductible costs, expenses and losses	4,216,042.24
Impact of deductible losses on deferred income tax assets not recognized in the previous period	-11,325,986.80
The impact of deductible temporary differences or deductible losses on deferred income tax assets not recognized in the current period	77,571,836.04
Others	79,739,193.25
Income tax expense	262,727,448.58

Note: Others are the deferred income tax expense corresponding to the change of fair value income of investment real estate measured by fair value and the deferred income tax expense formed by the land cost difference of Shandong City Investment Kaiyuan Real Estate

Group Co., Ltd.

Annotation51. Supplementary information of cash flow statement

（1）Supplementary information of cash flow statement

Item	Amount of Current Year	Amount of Last Year
I. Adjusting net profit to cash flow from operating activities:		
Net Profit	187,378,006.81	2,866,895,481.49
Plus: Provision for impairment of assets	40,238,801.42	31,003,340.28
Depreciation of fixed assets, oil and gas assets and productive biological assets	649,205,229.43	542,163,547.79
Amortization of intangible assets	95,541,423.81	73,840,167.69
Amortization of long-term deferred expenses	17,359,475.27	13,351,974.82
Losses from disposal of fixed assets, intangible assets and other long-term assets	-25,646.32	-1,745,333.56
Losses from scrap of fixed assets	6,426,166.39	1,228,762.45
Losses from changes in fair value	-134,492,628.00	-3,692,673,851.25
Financial expenses	515,594,634.68	15,864,008.38
Investment losses	-78,290,294.94	-5,906,593.10
Decrease in deferred income tax assets	-35,904,393.32	-8,445,156.96
Increase in deferred income tax liabilities	81,718,605.67	923,168,462.81
Decrease in inventory	-4,592,866,018.71	-2,170,025,300.03
Decrease in operating receivables	-2,129,097,098.39	22,984,165.31
Increase in operating payables	9,391,103,109.10	197,122,459.39
Others	92,154,579.37	-96,007,891.57
Net amount of cash flow from operating activities	4,106,043,952.27	-1,287,181,756.06
II. Major investment and financing activities not involving cash receipts and payments:		
Debt transferred to capital		
Convertible bonds maturing within one year		
Fixed assets from financial leasing		
III. Net changes in cash and cash equivalents:		
Ending balance of cash	6,041,047,324.47	2,628,977,985.92
Less: Beginning Balance of cash	2,628,977,985.92	2,687,098,216.76
Plus: Ending balance of cash equivalents		

Less: Beginning Balance of cash equivalents		
Net increase in cash and cash equivalents	3,412,069,338.55	-58,120,230.84

(2) Composition of cash and cash equivalents

Item	Year-end Balance	Beginning Balance
I. Cashes	6,041,047,324.47	2,628,977,985.92
Including: cash on hand	2,638,677.30	3,365,729.77
Bank deposits ready for payment	6,025,567,244.09	2,212,065,352.92
Other monetary funds available for payment at any time	12,841,403.08	413,546,903.23
II. Cash equivalents		
Including: Bond investment due within three months		
III. Closing balance of cash and cash Equivalents	6,041,047,324.47	2,628,977,985.92
Including: Uses restricted cash and cash equivalents of the parent company or a subsidiary of the group		

Annotation52. Assets with restricted ownership or use rights

Item	Year-end book value	Reason for restriction
Monetary funds	499,082,134.35	Security deposit and regulatory funds for pre-sales of commercial housing
Inventory-development cost	886,340,984.09	Mortgage
Investment real estate	2,666,522,700.00	Mortgage
Fixed assets	206,593,745.90	Mortgage
Intangible assets	61,368,500.00	Mortgage
Total	4,319,908,064.34	

VII. Changes in the scope of consolidation

(1) Changes in the scope of consolidation

According to the notice (Linzheng zi [2019] No. 208) issued by Linyi Municipal People's Government on the Establishment Plan of Shandong Yimeng Transportation Investment and Development Group Co., Ltd., the Company's original subsidiary Linyi Motor Vehicle Inspection Co., Ltd. and Linyi Yixing Transportation Assets Operation Co., Ltd.'s assets were integrated and transferred to Shandong Yimeng Transportation Investment Development Group Co., Ltd. Therefore, Linyi Motor Vehicle Inspection Co., Ltd. and Linyi Yixing

Transportation Assets Operation Co., Ltd. were no longer included in the scope of consolidation this year.

Shandong High Speed Forest Products Supply Chain Co., Ltd. (formerly known as "Linyi City Investment Information Technology Co., Ltd.") was listed and transferred 80% of its equity this year and was no longer included in the scope of consolidation.

In 2020, the Company established wholly-owned subsidiaries Linyi New Smart City Operation Co., Ltd., Grant Thornton Capital Holdings (Shandong) Co., Ltd.,Linyi Hengjing Garden Engineering Co., Ltd., Linyi Chengtou Vocational Training School Co., Ltd., Linyi Chengtou Security Service Co., Ltd. and Linyi Rongyi Office Management and Operation Co., Ltd. .They were newly included in the scope of consolidation this year.

(2) Subsidiaries not included in the scope of this consolidation

Linyi Guofa Mining Group Co., Ltd. (formerly Linyi City Land Development Service Center) is a wholly-owned secondary subsidiary of Linyi City Construction Investment Group Co., Ltd., which was established on November 20, 1995 and is an independent subsidiary of Linyi City Land and Resources Administration. The wholly-owned enterprise established by the capital was transferred to the City Investment Group for free on November 30, 2019. Since Guofa Mining Group Co., Ltd. did not actually control it, the following 9 companies were not included in the scope of consolidation in this audit.

Enterprise Name	Legal representative	Place of registration	Relation with the Company	Remarks
Lanling Guoshun Mining Co., Ltd.	Hui Liancai	Floor 20, Land Development Service Center, No. 7 Beijing Road, Liuqing Street, Lanshan District, Linyi City, Shandong Province	Holding subsidiary	Free of charge transfer
Linyi Guofa Products Co., Ltd.	Yue Xingwei	Floor 20, Land Development Service Center, No. 7 Beijing Road, Liuqing Street, Lanshan District, Linyi City, Shandong Province	Holding subsidiary	Free of charge transfer
Linyi Jinboli Water Industry Co. Ltd	Liu Wei	Inside the building material 701 mine, Yunmeng Office, Mengshan Tourist Resort,	Holding subsidiary	Free of charge transfer

		Linyi, Shandong Province		
Shandong Guofa Zhiyuan Real Estate Development Co. Ltd	Li Qingjie	Room 1007, Block A, Applied Science City, High-tech Industrial Development Zone, Linyi City, Shandong Province	Holding subsidiary	Free of charge transfer
Guofa Changteng Building Materials (Mengyin) Co., Ltd	Guo Jiaxin	Jinxin Village, Taoxu Town, Mengyin County, Linyi City	Holding subsidiary	Free of charge transfer
Linyi Hengbang Mining Co. Ltd	Wang Zhenxinng	North of Road, 200 meters east of Xinglong Village, Kuangkeng Town, Lanling County, Linyi City, Shandong Province	Holding subsidiary	Free of charge transfer
Shandong Guofa Qualcomm Industrial Co., Ltd.	Wang Zhenxinng	Floor 20, Land Development Service Center, No. 7 Beijing Road, Liuqing Street, Lanshan District, Linyi City, Shandong Province	Holding subsidiary	Free of charge transfer
Linyi Guofa Shengyao New Building Material Technology Co., Ltd.	Wang Zhenxinng	1000 meters south of the station, Yushan Town, Linshu County, Linyi City	Holding subsidiary	Free of charge transfer
Linyi Guofa Xinze Information Technology Co., Ltd.	Wang Zhenxinng	Room 2004, Building 7, Guotu Building, Liuqing Street, Lanshan District, Linyi City, Shandong Province	Holding subsidiary	Free of charge transfer

VIII. Interests in other entities

(1) Interests in subsidiaries

Enterprise Name	Legal representative	Place of registration	Relation with the Company		Remarks
			Directly	Indirectly	
Linyi Culture and Tourism Development Group Co., Ltd	Du Jun	Unit 1 Room 1701, Linyi Citizen Center, Lanshan District, Linyi City	100.00		Funded establishment
Linyi Red Yimeng Tourism Co. Ltd	Zhang Kai	Unit 1 Room 1702, Linyi Citizen Center, Lanshan District, Linyi City		100.00	Funded establishment
Shandong Hongmeng Hotel Management Co., Lt	Shi Junjie	Room 1707, Linyi Municipal Government Service Center, No.8 Beijing Road, Liuqing Street, Lanshan District, Linyi City, Shandong Province		100.00	Funded establishment
Linyi Wentou Information Consulting Co. Ltd	Wu Chuanqing	Room 2815, 28th Floor, Linshang Building, No. 37, Beijing Road, Liuqing Street, Lanshan District, Linyi City, Shandong Province		100.00	Funded establishment

Linyi Wentou Cultural Creative Industry Co., Ltd.	Ren Meng	Room 2814, 28th Floor, Linshang Building, No. 37, Beijing Road, Liuqing Street, Lanshan District, Linyi City, Shandong Province		100.00	Funded establishment
Linyi Menglianggu Tourism and Culture Development Co., Ltd	Shi Junjie	East of Yingbin Road, Duozhuang, Mengyin County, Linyi City, Shandong Province		51.00	Funded establishment
Linyi Xincheng Cultural Industry Development Co., Ltd.	Liu Qingchen	Room 201, 2nd Floor, Linyi National Fitness Sports Center, northeast corner of the intersection of Yimeng Road and Lanshan Road, Lanshan District, Linyi City, Shandong Province		51.00	Funded establishment
Linyi Menglianggu Agricultural Development Co., Ltd.	Shi Junjie	In the People's Government Court of Duozhuang Town, Mengyin County, Linyi City, Shandong Province		42.00	Funded establishment
Linyi City Investment Industry Holdings Co., Ltd.	Cao Shuchuan	Room 1705, 17th Floor, No. 8 Beijing Road, Lanshan District, Linyi City, Shandong Province	100.00		Funded establishment
Shandong Qiaojia Decoration and New Material Co., Ltd	Meng Xiangxiao	Getuan Community, Yitang, Lanshan District, Linyi City, Shandong Province		46.00	Funded establishment
Shandong Aige Decoration and New Material Co., Ltd	Meng Xiangxiao	Shixing Village, Tanyi Town, Fei County, Linyi City, Shandong Province		46.00	Funded establishment
Linyi Agricultural Development Group Co., Ltd.	Sun Mingming	Room 2817, 28th Floor, Linshang Building, No. 37, Beijing Road, Liuqing Street, Lanshan District, Linyi City, Shandong Province	100.00		Funded establishment
Taisen Risheng Group Co., Ltd	Cai Xijie	Shixing Village, Fei County, Linyi City, Shandong Province		43.70	Funded establishment
Dongguan Suitong Industrial Co., Ltd.	Cai Xijie	No. 3, 8th Road, Chuangye Park, Daluosha Village, Daojiao, Dongguan City		43.70	Funded establishment
Sichuan Mingcheng Risheng Building Decoration Engineering Co., Ltd.	Cai Xijie	No. 2, 14th Floor, Unit 1, Building 2, No. 9, Section 2, Linlang Avenue, Xinzheng Town, Yilong County, Nanchong City, Sichuan Province		23.60	Funded establishment

Guangdong Feili Risheng Household Technology Co., Ltd.	Cai Xijie	3rd Floor, No. 20, Gongye 2nd Road, Henglang Village, Zhucun Street, Zengcheng District, Guangzhou City (Plant 5)		23.60	Funded establishment
Zhiyuan Risheng (Tianjin) Construction Labor Service Co., Ltd.	Cai Xijie	No.47,room 703, Building 29, No. 89 Heyuan Road, Jingjin Science and Technology Valley Industrial Park, Wuqing District, Tianjin (centralized office area)		23.60	Funded establishment
Linyi Public Housing Management Co., Ltd.	Wang Fei	Room 1201, Building 1, Linyi Citizen Center, No.8, Beijing Road, Lanshan District, Linyi City, Shandong Province	100.00		Funded establishment
Linyi Ruihe Property Management Co., Ltd.	Ding Guobin	Unit 1 Room 1213, Linyi Citizen Center, Lanshan District, Linyi City		100.00	Funded establishment
Linyi City Investment Security Service Co., Ltd.	Gu Zongsheng	No. 93, Jinqueshan Road, Lanshan, Linyi City, Shandong Province		100.00	Funded establishment
Linyi City Investment Real Estate Co., Ltd.	Wang Fei	No.201, Yizhou Road, Linyi City	100.00		Funded establishment
Linyi Hengjing Garden Engineering Co., Ltd.	Liu Hongbo	No. 37, Beijing Road, Liuqing Street, Lanshan, Linyi City, Shandong Province		100.00	Funded establishment
Linyi Maintenance Management Company	Zhang Lei	Room 1709, No.8 Beijing Road, Lanshan District, Linyi City, Shandong Province	100.00		Funded establishment
Youyiyouhu (Linyi) Health Management Service Co., Ltd.	Li Fengzhou	Room 1712, No.8 Beijing Road, Lanshan District, Linyi City, Shandong Province		51.00	Funded establishment
Linyi Chengtou Vocational Training School Co., Ltd.	Zhang Lei	Room 1101 and 1102, Building A2, Lushang Center, Beicheng New District, Lanshan District, Linyi City, Shandong Province		100.00	Funded establishment
Linyi National Fitness Center Co., Ltd	Ren Meng	No. 76 Yimeng Road(Intersection with Lanshan Road), Lanshan District, Linyi City, Shandong Province	100.00		Funded establishment
Linyi Railway Construction	Li Jiaxin	200 meters east of Baishabu Town	100.00		Funded establishment

Investment Co., Ltd.		Government, Xiaosheng Street, Baishabu Town, Lanshan District, Linyi City, Shandong Province (Baishabu Office of Local Taxation Bureau)			
Linyi Railway Station Construction Development Co., Ltd.	Chen Lidong	17th Floor, Government Affairs Service Center, Intersection of Beijing Road and Shuhe Road, Liuqing Street, Lanshan District, Linyi City, Shandong Province		100.00	Funded establishment
Cloud Payment Network Technology Co., Ltd.	Gao Hongde	17th Floor, Government Affairs Service Center, Intersection of Beijing Road and Shuhe Road, Liuqing Street, Lanshan District, Linyi City, Shandong Province		100.00	Funded establishment
Linyi Railway Investment City Service Co., Ltd.	Lu Zhiping	17th Floor, Government Affairs Service Center, Intersection of Beijing Road and Shuhe Road, Liuqing Street, Lanshan District, Linyi City, Shandong Province		100.00	Funded establishment
Lulin Xincheng (Tianjin) Commercial Factoring Co., Ltd.	Sun Mingming	Room 1509-154, Building 1, Kuangshi International Building, Xiangluowan, Tianjin Free Trade Experimental Zone (Central Business District)	90.00	4.37	Funded establishment
Linyi Yangguang Heating Power Ltd.	Liu Ruifeng	North of Shitianzhuang Village, Tanyi Industrial Park, Tanyi Town, Fei County, Linyi City	60.00		Funded establishment
Linyi Sunshine Detection Technology Co., Ltd.	Zhang Xianwei	Tanyi Industrial Park, Fei County, Linyi City, Shandong Province (North of Shitianzhuang Village)		60.00	Funded establishment

Shandong City Investment Kaiyuan Real Estate Group Co., Ltd.	Niu Kun	17th Floor,, Linyi Municipal Government Service Center, No.8 Beijing Road, Lanshan District, Linyi City, Shandong Province	60.00		Funded establishment
Linyi Yijing Landscape Engineering Co., Ltd.	Gao Wei	18th Floor, Linyi Municipal Affairs Service Center, No. 8 Beijing Road, Lanshan District, Linyi City, Shandong Province		60.00	Funded establishment
Linyi Vipshop Real Estate Co., Ltd.	Chen Jilun	Room 1102, Unit 1, Building 19, Senarong Mansion, Intersection of Binhe East Road and Fengyi Street, Hedong District, Linyi City		48.00	Funded establishment
Linyi Huixin Real Estate Co., Ltd.	Xin Luchao	Room 1-05, No. 23 Yinhe Bay, Feixian District, Linyi City, Shandong Province		48.00	Funded establishment
Linyi Zhisheng Tourism Development Co., Ltd.	Chen Jilun	Shanjiazhuang, Tongjing Town, Yinan County, Linyi City, Shandong Province		42.00	Funded establishment
Linyi Tyson Real Estate Development Co., Ltd.	Qin Wenming	South District of Tanyi Industrial Park, Fei County (Southeast of Wanyao Village)		42.00	Funded establishment
Shandong Chengkai Yuanda Prefabricated Construction Co., Ltd.	Wang Xinhua	Intersection of Xuyou Road and Xingda Road, Feixian Economic Development Zone, Linyi City, Shandong Province	36.00		Funded establishment
Linyi City Public Transport Group Co., Ltd.	Xie Lei	No.68, Hongqi Road, Lanshan District	100.00		Free transfer
Linyi Public Transport Group Chartered Passenger Transport Service Co., Ltd.	Zhang Weike	The north side of the east section of Qinghe South Road, Shilibao Community, Shengzhuang Street, Luozhuang District, Linyi City, Shandong Province		100.00	Free transfer
Linyi Jiecheng Motor Vehicle Inspection Co., Ltd.	Wang Ruwei	100 meters south of the intersection of Shuangling Road and Shuangling Viaduct in		100.00	Free transfer

		Lanshan District, Linyi City, Shandong Province			
Linyi Ruimeng Automobile Sales Service Co., Ltd.	Zhao Zhenlin	South of the Intersection of Yizhou Road and Qinghe South Road, Luozhuang District, Linyi City, Shandong Province		100.00	Free transfer
Linyi Public Transport Group School Bus Service Co., Ltd.	Zhang Weike	No. 68, northwest corner of the intersection of Tongda Road and Hongqi Road, Lanshan District, Linyi City, Shandong Province		100.00	Free transfer
Linyi Bus Xiangyue Travel Agency Co., Ltd.	You Zuohui	No. 68 courtyard, northwest corner of the intersection of Tongda Road and Hongqi Road, Lanshan District, Linyi City, Shandong Province		100.00	Free transfer
Linyi Guofa Mining Group Co., Ltd.	Zhang Kai	50 meters north of the intersection of Beijing Road and Wenhe Road, Beicheng New District, Linyi City	100.00		Free transfer
Shandong Guofa Mining Co., Ltd.	Geng Haijian	Floor 20, Land Development Service Center, No. 7 Beijing Road, Liuqing Street, Lanshan District, Linyi City, Shandong Province		100.00	Free transfer
Lanling Guofa Mining Co., Ltd.	Mi Shuguang	No. 160, Siqian Village, Lucheng Town, Lanling County, Linyi City, Shandong Province		100.00	Free transfer
Linyi Guozheng Building Material Management Co., Ltd.	Li Qingjie	Room 2008, 20th Floor, Service Building, No. 7 Beijing Road, Lanshan Liuqing Street, Linyi City, Shandong Province		100.00	Free transfer
Linyi Guofa Advertising Media Co., Ltd.	Liu Wei	Shop 5-103, West Street, Chengkai Capital, Intersection of Chashan Road and		100.00	Free transfer

		Changsha Road, Lanshan Liuqing Street, Linyi City, Shandong Province			
Linyi Lvyuan Geothermal Energy Development Co., Ltd.	Sun Zixin	20th Floor, Land Development Service Center Complex, 50 meters north of the intersection of Beijing Road and Wenhe Road, Beicheng New District, Lanshan District, Linyi City, Shandong Province		100.00	Free transfer
Linyi Education Group Co., Ltd.	Wang Qihan	Room 2809, 28th Floor, Linshang Building, No. 37 Beijing Road, Linyi City, Shandong Province	100.00		Funded establishment
Linyi Jintaoran Urban Development and Construction Co., Ltd.	Liu Hongbo	29th Floor, No. 37, Beijing Road, Liuqing Street, Lanshan, Linyi City, Shandong Province	100.00		Funded establishment
Shandong Huiyitong Supply Chain Co., Ltd.	Wu Chuanqing	Room 05016, Unit A, Building 2, Yihe 3rd Road, Comprehensive Bonded Zone, Linyi City, Shandong Province	100.00		Free transfer
Linyi New Smart City Operation Co., Ltd.	Liu Hongbo	29th Floor, Linshang Building, No. 37, Beijing Road, Liuqing Street, Lanshan District, Linyi City, Shandong Province	100.00		Funded establishment
Linyi Rongyi Office Management Operation Co., Ltd.	Song Li	No. 100, Lingong Road, Linyi Comprehensive Bonded Zone, 1708009		51.00	Funded establishment
Grant Thornton Capital Holdings (Shandong) Co., Ltd.	Sun Mingming	Room 302-17, Industrial Finance Building, No. 7000, Jingshi Road, Jinan Area, China (Shandong) Pilot Free Trade Zone, Hanyu Jingu A4-4	100.00		Funded establishment

Yisheng (Hong Kong) Group Co., Ltd.	Sun Mingming	Room 1015, 10th Floor, Block A, New Cultural Center, 14 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong	100.00		Funded establishment
Yisheng International Co., Ltd.	Sun Mingming	Tortola, British Virgin Islands		100.00	Funded establishment
Linyi Hengsheng Investment Co., Ltd.	Sun Mingming	07066,Unit A, Building 2, Yihe 3rd Road, Comprehensive Bonded Zone, Linyi City, Shandong Province		100.00	Funded establishment
Linyi City Investment Linuo New Energy Co., Ltd.	Wang Daxin	17th Floor, No. 8, Beijing Road, Lanshan District, Linyi City, Shandong Province		44.00	Funded establishment
Shandong Landian Power Co., Ltd.	Xu Qiang	Room 406, No. 30099, Jingshi East Road, Ganggou Town Street, Licheng District, Jinan City Linyi Transportation Investment Group Co., Ltd. Wang Xinghua Intersection of Shuangling Road and Wangzhuang Road, Lanshan District, Linyi City		44.00	Funded establishment
Linyi Transportation Investment Group Co., Ltd.	Wang Xinghua	Intersection of Shuangling Road and Wangzhuang Road, Lanshan District, Linyi City	100.00		Free transfer
Shandong Mengshan Tourism Group Co., Ltd.	Yan Liangfu	Xingmeng Village, Berlin Town, Pingyi County, Linyi City	100.00		Free transfer
Linyi Xingmeng Tourism Development Group Co., Ltd.	Yin Changpeng	Yunmeng Office Resident, Mengshan Tourist Area, Linyi City	100.00		Free transfer

（2）Interests in joint ventures or affiliated business

Full name of company	Place of registration	Legal representative	Registered Capital	Shareholding proportion (%)
Linyi City Investment Fuhai Natural Gas Co., Ltd.	Room 1727, 17th Floor, Linyi Municipal Government Service Center, No.8, Beijing Road, Lanshan District, Linyi City	Xue Guofeng	224 million yuan	49.00

Qingdao Port (Linyi) High Speed Logistics Co., Ltd.	Linyi Port, Hongda Road, Lanshan District, Linyi City, Shandong Province	Leng Bing	10 million yuan	19.00
Linyi Chengtou Sisuo Xinxi Jishu Co.,Ltd.	1211-032, No.100, Lingong Road, Linyi Comprehensive Free Trade Zone, Shandong Province.	Wang Lei	10 million yuan	45.00
Linyi CMEC Consulting Co., Ltd.	12/F, Building 1, Linyi Citizen Center, No.8, Beijing Road, Liuqing Street, Lanshan District, Linyi City, Shandong Province	Feng Jianhong	3 million yuan	30.00
Linyi Capital Environmental Protection Development Co., Ltd.	Intersection of Tongda Road and Lanshan Road, Lanshan District, Linyi City	Li Zhi	142.12 million yuan	30.00
Guangdong Saier Risheng Home Technology Co., Ltd.	Room 704, Building A4, Guangzhou Science City Commercial Plaza, No.181, Science Avenue, Guangzhou High-tech Industrial Development Zone	Zhou Wenming	10 million yuan	36.00
Lunan High-speed Railway Co., Ltd	No. 2000 Shunhua Road, Gaoxin District, Jinan City, Shandong Province	Wang Jiquan	33.25 billion yuan	25.00
Zhongjiao (Linyi) Infrastructure Co., Ltd	Room 1907, Building A Global Center, Intersection of Beijing Road and Menghe Road, Lanshan District, Linyi City, Shandong Province	Kong Fanliang	30 million yuan	20.00
Shandong Tianyuan Shangjia Decoration Co., Ltd	C16, Intersection of Chengdu Road and Wenlianghe Road, Lanshan District, Linyi City, Shandong Province	Zhao Jifeng	20 million yuan	30.00
Linyi Sanyu Culture Media Co., Ltd	Room 2901, Beijing Road, Lanshan District, Linyi City, Shandong Province	Zhou Dandan	10 million yuan	21.00
Linyi Bus Telaidian New Energy Co., Ltd.	Southern of Intersection of Yizhou Road and Qinghe South Road, Luozhuang, Linyi City, Shandong Province	Ji Zhe	128 million yuan	49.00
Shandong Mengshan Maifan Stone Industrial Park Development Co., Ltd.	701 Mine Yard, Wangjia Village, Liancheng Town, Mengyin County, Linyi City, Shandong Province	Liu Kai	50 million yuan	30.00
Linyi East SME Emergency On-lending Fund Co., Ltd.	Tianjiazhuang Village, Berlin Town, Mengshan Tourist Resort, Linyi City, Shandong Province	Gao Hui	50 million yuan	15.00
Linyi Mengshan Origin Health Care Development Co., Ltd.	North of Xingjiazhuang Village, Berlin Town, Mengshan Tourist Area, Linyi City, Shandong Province	Zhang Guilin	10 million yuan	30.00
Shandong High Speed Forest Products Supply Chain Co., Ltd.	Linyi National Forest Products Industrial Technology Demonstration Park at the intersection of Gejiu Road and Yanshi Railway, Yitang Town, Lanshan, Linyi City, Shandong Province	Li Yunpeng	50 million yuan	20.00

Linyi Sino-European International Train Cargo Transportation Agency Co., Ltd.	Room 1309, Jiaoyun Building, Intersection of Wangzhuang Road and Shuangling Road, Lanshan District, Linyi City, Shandong Province	Qi Fujun	10 million yuan	40.00
Linyi Jiaoyun Zhihua Electronic Commerce Co., Ltd.,	Block A, Zhihua Building, north of Zhenxing Road and east of Yuye Road, Yinan County, Linyi City, Shandong Province	Wang Zhenhua	10 million yuan	49.00

IX. Related parties and related transactions

(1) Shareholders of the Company

Parent company's name	Association relation	Type of enterprise	Registered capital	The parent company's shareholding ratio in the Company (%)	The parent company's voting rights ratio in the Company (%)
State-owned Assets Supervision and Administration Commission of Linyi Municipal People's Government	Shareholder	Government Agency		100.00	100.00

(2) Subsidiaries of the Company

Refer to the note "Ⅷ. Interests in other entities (1) Interests in subsidiaries "for details.

(3) Joint ventures and affiliated business of the Company

Refer to the note "Ⅷ. Interests in other entities (2) Interests in joint ventures or affiliated business "for important joint ventures and affiliated business.

X. Commitments and contingencies

（1）Commitments

The Company has no commitments that need to be disclosed.

（2）Contingencies

As of December 31, 2020, the total guarantee amount of the Company was RMB 4,672,562,000.00 (The loan was RMB 4,454,652,000.00, and the acceptance was RMB 217,910,000.00).

1. The details of the guarantee to external units are as follows. Unit: ten thousand Yuan

Guaranteed party	Guarantee amount	Guarantee start date	Guarantee expiry date	Whether the guarantee has been fulfilled

Linyi Comprehensive Insurance International Trade Investment Development Co., Ltd.	60,000.00	March 30, 2018	March 30, 2023	NO
Shandong Finance Development Co., Ltd.	19,000.00	From May 2016 to April 2017	May 26, 2036 / September 8, 2036 (Note 1)	NO(Note1)
Linyi State-owned Assets Investment Holding Group Co., Ltd.	38,000.00	September 2, 2020	September 23, 2027	NO
Linyi State-owned Assets Investment Holding Group Co., Ltd.	11,800.00	December 24, 2020	December 10, 2021	NO
Linyi Yixing Transportation Assets Operation Co., Ltd.	10,000.00	November 15, 2016	November 14, 2021	NO
Shandong Yimeng Transportation Development Group Co., Ltd.	3,000.00	June 12, 2020	June 12, 2021	NO
Shandong Yimeng Transportation Development Group Co., Ltd.	10,000.00	January 29, 2020	January 29, 2021	NO
Shandong Yimeng Transportation Development Group Co., Ltd.	5,000.00	June 3, 2020	June 2, 2021	NO
Shandong Yimeng Transportation Development Group Co., Ltd.	9,000.00	December 13, 2019	December 23, 2020	NO
Total	165,800.00			

Note1. Shandong Finance Development Co., Ltd. obtained a total of 867.12 million yuan in multiple project loans from the Linyi Branch of the Agricultural Development Bank of China. The Company provided a guarantee amount of 190.00 million yuan.

2. The details of the guarantee to the subsidiary are as follows. Unit: ten thousand Yuan

Guaranteed party	Guarantee amount	Guarantee start date	Guarantee expiry date	Whether the guarantee has been fulfilled
Linyi Railway Construction Investment Group Co., Ltd.	70,000.00	March 27, 2019	December 31, 2028	NO
Linyi Railway Construction Investment Group Co., Ltd.	20,000.00	March 26, 2019	March 25, 2029	NO
Linyi Railway Construction Investment Group Co., Ltd.	50,000.00	June 28, 2019	June 28, 2029	NO

Linyi Railway Construction Investment Group Co., Ltd.	30,000.00	July 23, 2019	July 23, 2029	NO
Shandong Chengkai Yuanda Prefabricated Construction Co., Ltd.	16,000.00	August 28, 2019	February 27, 2023	NO
Lulin Xincheng (Tianjin) Commercial Factoring Co., Ltd.	10,000.00	June 24, 2020	June 24, 2021	NO
Linyi Medical Care Management Co., Ltd.	50,000.00	May 27, 2020	January 15, 2030	NO
Linyi Medical Care Management Co., Ltd.	5,000.00	November 24, 2020	January 15, 2030	NO
Linyi Railway Construction Investment Group Co., Ltd.	10,000.00	September 26, 2019	December 31, 2028	NO
Linyi Yijing Landscape Engineering Co., Ltd.	5,000.00	March 2, 2020	March 2, 2021	NO
Taisen Risheng Group Co., Ltd.	4,000.00	September 25, 2020	September 25, 2021	NO
Shandong Yimeng Mountain Tourism Development Co.,	2,000.00	April 11, 2017	May 26, 2036	NO
Shandong Yimeng Mountain Tourism Development Co.,	500.00	September 22, 2016	May 26, 2036	NO
Shandong Yimeng Mountain Tourism Development Co.,	1,000.00	September 22, 2016	May 26, 2036	NO
Linyi Yangguang Heating Power Ltd.	20,000.00	March 25, 2020	March 25, 2021	NO
Taisen Risheng Group Co., Ltd.	407.00	November 11, 2020	May 11, 2021	NO
Taisen Risheng Group Co , Ltd.	354.00	November 30, 2020	May 30, 2021	NO
Taisen Risheng Group Co., Ltd.	190.00	September 30, 2020	March 30, 2021	NO
Taisen Risheng Group Co., Ltd.	160.00	October 16, 2020	April 16, 2021	NO
Taisen Risheng Group Co., Ltd.	150.00	December 16, 2020	June 16, 2021	NO

Bus Repair Factory of Linyi Public Transport Group Co., Ltd.	1,000.00	December 7, 2020	December 7, 2021	NO
Linyi Guofa Advertising Media Co., Ltd.	1,000.00	December 7, 2020	December 7, 2021	NO
Shandong Guofa Mining Co., Ltd.	1,000.00	December 7, 2020	December 7, 2021	NO
Linyi Guozheng Building Materials Management Co., Ltd.	1,000.00	December 7, 2020	December 7, 2021	NO
Shandong Huiyitong Supply Chain Co., Ltd.	1,000.00	December 7, 2020	December 7, 2021	NO
Linyi Lvyuan Geothermal Energy Development Co., Ltd.	1,000.00	December 7, 2020	December 7, 2021	NO
Linyi Ruimeng Automobile Sales Service Co., Ltd.	1,000.00	December 7, 2020	December 7, 2021	NO
Shandong Yimeng Mountain Yunmeng Scenic Area Tourism Development Co., Ltd.	1,000.00	December 7, 2020	December 7, 2021	NO
Linyi New Smart City Operation Co., Ltd.	1,000.00	December 7, 2020	December 7, 2021	NO
Shandong Xiangsu Tourism Development Co., Ltd.	1,000.00	December 7, 2020	December 7, 2021	NO
Shandong Xiangsu Tourism Development Co., Ltd.	1,165.20	September 29, 2019	March 29, 2023	NO
Total	300,926.20			

XI. Post-balance Sheet Events

As of the approval date of this financial report, the Company has no major events after the balance sheet date.

XII. Other Major Issues

The Company has no other major matters that need to be disclosed.

XIII. Annotations of major items of the parent company's financial statements

Annotation1.Other Receivables

Item	Year-end Balance	Beginning Balance
Interest receivables	39,857,251.38	10,176,302.77
Dividend receivables	23,400,000.00	23,400,000.00
Other receivables	12,344,347,536.58	10,694,983,725.19
Total	12,407,604,787.96	10,728,560,027.96

（1）Interest receivable

Item	Year-end Balance	Beginning Balance
Fixed deposit		
Entrusted Loan		
Bond investment		
Loan interest	39,857,251.38	10,176,302.77
Total	39,857,251.38	10,176,302.77

（2）Dividend receivable

Company Name	Year-end Balance	Beginning Balance
Linyi Yangguang Heating Power Ltd.	23,400,000.00	23,400,000.00
Total	23,400,000.00	23,400,000.00

（3） Other receivable

1. Classification of other receivables

Item	Year-end Balance			
	Book balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Other receivables that do not make provision for bad debts using the individual identification method	11,880,234,837.20	96.22		
Use the combination test (balance percentage) method to accrue other receivables for bad debt provision	466,444,924.00	3.78	2,332,224.62	100.00
Total	12,346,679,761.20	100.00	2,332,224.62	

Continue table

Item	Beginning Balance			
	Book balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Other receivables that do not make provision for bad debts using the individual identification method	10,694,983,725.19	100.00		
Use the combination test (balance percentage) method to accrue other receivables for bad debt provision				
Total	10,694,983,725.19	100.00		

（2）Aging of other receivable

Aging	Year-end Balance		
	Book balance	Bad debt provision	Accrual proportion (%)
Within one year	12,317,739,761.20	2,332,224.62	0.02
One to two years	12,500,000.00		
Two to three years	16,440,000.00		
Above 3 years			
Total	12,346,679,761.20	2,332,224.62	

Continue table

Aging	Beginning Balance		
	Book balance	Bad debt provision	Accrual proportion (%)
Within one year	10,515,183,725.19		
One to two years	125,000,000.00		
Two to three years	54,800,000.00		
Above 3 years			
Total	10,694,983,725.19		

(3)Top 5 of other receivable

Name	Nature	Amount	Aging	Proportion of total other receivables (%)	Bad debt provision
Linyi Public Housing Management Co., Ltd	Loan	924,955,183.32	Within 1 year、1-2 years	7.49	
Taisen Risheng Group Co., Ltd	Loan	866,619,670.61	Within 1 year、1-2 years	7.02	
Linyi City Investment Real Estate Co., Ltd	Loan	735,711,349.44	Within 1 year、1-2 years	5.96	
Shandong Qiaojia Decoration and New Material Co., Ltd	Loan	457,932,767.63	Within 1 year、1-2 years	3.71	

Shandong High Speed Forest Products Supply Chain Co., Ltd.	Loan	257,190,988.73	Within 1 year、1-2 years	2.08	1,285,954.94
Total		3,242,409,959.73		26.26	1,285,954.94

Annotation2. Long-term equity investment

（1）Classification of long-term equity investment

Item	Beginning Balance	Increase in current period	Decrease in current period	Year-end Balance
Investment in subsidiaries	2,051,193,060.37	1,299,824,389.93	466,728,789.06	2,934,288,661.24
Investment in joint ventures	396,135,407.02	13,609,814.14		359,745,221.16
Investment in associates				
Total	2,447,328,467.39	1,313,434,204.07	466,728,789.06	3,294,033,882.40
Less: Long-term equity investment impairment provision				
Total	2,447,328,467.39	1,313,434,204.07	466,728,789.06	3,294,033,882.40

（2）Details of Long-term equity investment

Company Name	Beginning Balance	Current Debit	Current Credit	Closing Balance	Shareholding Proportion
Linyi Public Housing Management Co., Ltd	100,000,000.00			100,000,000.00	100.00
Linyi Maintenance Management Co., Ltd	100,000,000.00			100,000,000.00	100.00
Linyi City Investment Real Estate Co., Ltd	100,000,000.00			100,000,000.00	100.00
Linyi Railway Construction Investment Co., Ltd.	500,000,000.00			500,000,000.00	100.00
Linyi Culture and Tourism Development Cp., Ltd	34,045,800.00	265,954,200.00		300,000,000.00	100.00
Shandong High Speed Forest Products Supply Chain Co., Ltd.	50,000,000.00		50,000,000.00		20.00Note
Linyi National Fitness Center Co., Ltd	7,394,577.20			7,394,577.20	100.00
Linyi City Investment Industry Holdings Co., Ltd	101,920,000.00			101,920,000.00	100.00
Linyi Yangguang Heating Power Ltd.	90,000,000.00			90,000,000.00	60.00
Shandong Chengtou Kaiyuan Real Estate Group Co., Ltd	60,000,000.00			60,000,000.00	60.00
Lulinxincheng (Tianjin) Commercial Factoring Co., Ltd.	270,000,000.00			270,000,000.00	100.00
Linyi Public Transportation Group Co., Ltd	61,232,384.16			61,232,384.16	100.00
Linyi Transportation Investment Group Co., Ltd.	209,871,509.95			209,871,509.95	100.00
Linyi Yixing Transportation Asset	172,126,725.64		172,126,725.64		

Operation Company					
Linyi Motor Vehicle Testing Co., Ltd.	9,843,500.00		9,843,500.00		
Linyi Port Co., Ltd	184,758,563.42		184,758,563.42		
Qingdao Port (Linyi) High Speed Logistics Co., Ltd.	1,818,164.00	218,655.40		2,036,819.40	19.00
Linyi City Investment Fuhai Natural Gas Co., Ltd.	344,317,243.02	13,391,158.74		357,708,401.76	49.00
Linyi City Finance Guarantee Group Co., Ltd.	50,000,000.00		50,000,000.00		
Shandong Huiyitong Supply Chain Co., Ltd.		20,000,000.00		20,000,000.00	100.00
Linyi New Smart City Operation Co., Ltd.		20,000,000.00		20,000,000.00	100.00
Grant Thornton Capital Holdings (Shandong) Co., Ltd.		152,000,000.00		152,000,000.00	100.00
Linyi Agricultural Development Group Co., Ltd.		60,000,000.00		60,000,000.00	100.00
Shandong Chengkai Yuanda Prefabricated Construction Co., Ltd.		36,000,000.00		36,000,000.00	36.00
Linyi Education Group Co., Ltd.		4,396,023.30		4,396,023.30	100.00
Linyi Guofa Mining Group Co., Ltd.		741,474,166.63		741,474,166.63	100.00
Total	2,447,328,467.39	1,313,434,204.07	466,728,789.06	3,294,033,882.40	

Note: This year, the Company transferred 80.00% of the original wholly-owned subsidiary Shandong High Speed Forest Products Supply Chain Co., Ltd. and changed it to equity method accounting.

Annotation3. Supplementary information of Cash Flow Statement

Item	Amount of Current Year	Amount of Last Year
I. Adjusting net profit to cash flow from operating activities:		
Net Profit	58,147,235.34	1,715,831,210.44
Plus: provision for impairment of assets	2,332,224.62	-54,710.53
Depreciation of fixed assets, oil and gas assets and productive biological assets	206,164,283.08	154,005,004.47
Amortization of intangible assets	49,703,004.47	48,884,432.31
Amortization of long-term deferred expenses	131,789.48	54,912.29
Losses from disposal of fixed assets, intangible assets and other long-term assets (profits marked with "-")		
Losses from scrap of fixed assets (profits marked with "-")		
Losses from changes in fair value (profits marked with "-")	-121,241,208.00	-2,454,396,492.00

Financial expenses (profits marked with "-")	-148,770,574.05	-74,255,468.22
Investment losses (profits marked with "-")	-101,135,071.13	-12,315,887.53
Decrease in deferred income tax assets (increase marked with "-")		
Increase in deferred income tax liabilities (decrease marked with "-")	30,310,302.00	613,599,123.00
Decrease in inventory (increase marked with "-")	-386,899,819.75	-1,858,033,518.46
Decrease in operating receivables (increase marked with "-")	-2,264,294.72	-859,848,479.37
Increase in operating payables (decrease marked with "-")	3,034,182,192.40	2,329,643,955.77
Others		
Net amount of cash flow from operating activities	2,620,660,063.74	-396,885,917.83
II. Major investment and financing activities not involving cash receipts and payments:		
Debt transferred to capital		
Convertible bonds maturing within one year		
Fixed assets from financial leasing		
III. Net changes in cash and cash equivalents:		
Year-end Balance of cash	4,138,106,242.42	939,478,823.62
Less: Beginning Balance of cash	939,478,823.62	895,248,394.50
Plus: Year-end Balance of cash equivalents		
Less: Beginning Balance of cash equivalents		
Net increase in cash and cash equivalents	3,198,627,418.80	44,230,429.12

Linyi City Construction Investment Group Co., Ltd.

April 28, 2021

REPORT

Linyi City Construction Investment Group Co., Ltd.

Audit Report

Jonten [2020] Audit No.90468-3

April 23, 2020

Jonten Certified Public Accountants
(Limited Liability Partnership)

Audit Report

Jonten [2020] Audit No.90468-3

Board of Directors of Linyi City Construction Investment Group Co., Ltd.:

I. Auditing opinion

We have audited the financial statements of Linyi City Construction Investment Group Co., Ltd. (hereinafter referred to as "Linyi City Investment Group"), including the consolidated and parent company balance sheet at December 31, 2019, the consolidated and parent company profit statement, cash flow statement, owner's equity change statement and related notes to the finaucial statements for 2019.

We believe that the attached financial statements have been prepared in accordance with the provisions of the Accounting Standards for Business Euterprises in all major aspects and fairly reflect Linyi City Investment Group's financial position as of December 31, 2019 and its operating results and cash flow for 2019.

II. Basis for audit opinions

Our responsibility is to express an opinion on these financial statements based on China Registered Accountants Auditing Standards. The section of the audit report "CPA's responsibility for auditing financial statements" elaborates our responsibilities under these standards further. According to the code of professional ethics for Chinese certified public accountants, we are independent of Linyi City Investment Group and have fulfilled other responsibilities in terms of professional ethics. We believe that our audit evidences are sufficient and appropriate and have provided a basis for our opinion.

III. Other information

The Management of Linyi City Investment Group (hereinafter referred to as the Management) is responsible for other information. Other information includes the information covered in the 2019 annual report, but excludes the finaucial statements and our audit report.

Our audit opinion on the financial statements does not cover other information. And we do not publish any form of authentication conclusion on other information.

In connection with our audit of the financial statements, our responsibility is to read other information, in which we consider whether there is a material discrepancy or whether there may be a material misstatement between the other information and the financial statements or the information we learned during the audit.

Based on the work as implemented by us, if we determine that other information has any significant misrepresentation, we shall report the fact. In this respect, we have no matter to report.

IV. Responsibilities of the Management and the governance to financial statements

The Management of Linyi City Investment Group (hereinafter referred to as the Management) takes responsibility for preparing the financial statements in accordance with the provisions of the accounting standards for enterprises to make them reflect fairly, and designing, implementing and maintaining necessary internal controls to avoid material misstatement in the financial statements due to fraud or error.

In the preparation of financial statements, the Management is responsible for evaluating Linyi City Investment Group's going-concern ability and applying the going-concern assumption unless the Management plans to liquidate Linyi City Investment Group, terminate its operations or have no other realistic choice.

The Management is responsible for supervising the financial reporting of Linyi City Investment Group.

V. The CPA's responsibility for the audit of financial statements

Our goal is to obtain reasonable assurance of whether the financial statements as a whole are free of material misstatement due to fraud or error, and to issue audit reports containing audit opinions. Reasonable assurance is a high-level assurance, but it does not guarantee that audits performed in accordance with auditing standards will always find out the existence of a major misstatement. Misstatement may be caused by fraud or error. If it is reasonably expected that misstatement, individually or collectively, may affect the economic decisions made by users of the financial statements based on the financial statements, the misstatement is usually considered significant.

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

(1) We identify and evaluate major misstatement risks in consolidated financial statements due to fraud or error, design and implement audit procedures to deal with these risks, and obtain sufficient and appropriate audit evidences as the basis for expressing audit opinions. Since fraud may involve collusion, forgery, intentional omission, misrepresentation or overriding internal control, the risk of failing to find a major misstatement dne to fraud is higher than the risk of failing to find a major misstatement due to error.

(2) We understand the internal control related to auditing so as to design proper auditing procedures, but we are not to express opinions on the effectiveness of internal control.

(3) We evaluate the appropriateness of the accounting policies selected by the Management and the rationality of making accounting estimates and related disclosures.

(4) We draw a conclusion on the appropriateness of management's use of the sustainable operation hypothesis. At the same time, according to the audit evidence obtained, a conclusion can be drawn as to whether there is significant uncertainty in matters or situations that may lead to major doubts about Linyi City Investment Group's going-concern ability. If we come to the conclusion that there is significant uncertainty, the auditing standards require us to draw the attention of the nsers of the statements to the relevant disclosures in the financial statements in the auditing report. If the disclosure is not sufficient, we should express non-unqualified opinions. Our conclnsion is based on the information available as of the date of the audit report. However, future events or circumstances may affect Linyi City Investment Group's going-concern ability.

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

(6) To express an audit opinion on financial statements, we obtain sufficient and appropriate audit evidences on the financial information of the entities or business activities in the Linyi City Investment Group. We are responsible for guiding, supervising and executing group audits, and assume full responsibility for audit opinions.

We communicate with the Management on the scope, timing and major audit findings of the planned audit, including the internal control deficiencies meriting attention and identified by us in the audit.

Jonten Certified Public Accountants (Limited Liability Partnership)

Jonten Certified Public Accountants (Limited Liability Partnership)

Chinese CPA:
(Engagement partner)

Chinese CPA:

Beijing • China

April 23, 2020

Consolidated Balance Sheet

ed by: Linyi City Construction Investment Group Co., Ltd. 31-Dec-19 Unit: RMB Yuan

Item	Note	Ending balance	Beginning balance
Current Assets:			
Monetary Assets	1	3,371,095,794.35	2,687,098,216.76
Settlement Reserves			
Lendings to Banks and Other Financial Institutions			
Financial Assets held for Trading			
Financial assets measured at fair value and whose changes are included in current profits and losses			
Derivative Financial Assets			
Notes Receivable	2	134,319,006.72	2,865,894.34
Accounts Receivable	3	1,209,139,899.83	803,691,365.89
Accounts Receivable Financing			
Prepaid Accounts	4	294,623,861.38	522,975,993.64
Premiums Receivables			
Reinsurance Premium Receivable			
Reserves for reinsurance contract receivable			
Other Receivables	5	2,482,958,412.55	2,435,866,119.28
Recoursable Financial Assets Acquired			
Inventory	6	27,794,424,771.86	18,568,987,636.91
Holding Assets for Sale			
Noncurrent Assets Maturing within One Year			
Other Current Assets	7	416,256,395.89	362,811,094.78
Total Current Assets		35,702,818,142.58	25,384,296,321.60
Noncurrent Assets:			
Loans and Payments on Behalf			
Bonds Investment			
Available-for-Sale Financial Assets	8	627,275,496.66	672,208,630.00
Other Equity Investment			
Held-to-maturity Investment			
Long-term Receivables			13,037,849.96
Long-term Equity Investment	9	767,809,644.30	806,436,119.72
Other Equity Instruments Investment			
Other Noncurrent Financing Assets			
Investment Real Estate	10	5,898,564,272.00	4,484,095,780.75
Fixed Assets	11	8,939,670,307.22	8,854,505,898.49
Construction in Progress	12	4,296,817,175.56	6,673,227,889.52
Productive Biological Assets			
Oil and Gas Assets			
Intangible Assets	13	2,941,693,296.18	2,542,947,226.81
Development Expenditure			
Goodwill	14	5,495,838.85	5,495,838.85
Long-term Deferred Expense	15	45,420,073.23	21,892,459.07
Deferred Tax Assets	16	21,544,943.72	13,099,786.76
Other Noncurrent Assets	17	491,015,145.73	815,240,133.42
Total Noncurrent Assets		24,035,306,193.45	24,902,187,613.35
Total Assets		59,738,124,336.03	50,286,483,934.95

Legal Representative: Person in Charge of Accounting Work: Person in Charge of Accounting Organization:

Consolidated Balance Sheet

Prepared by: Linyi City Construction Investment Group Co., Ltd. 31-Dec-19 Unit: RMB Yuan

Liabilities and Equity	Note	Ending balance	Beginning balance
Current Liabilities:			
Short-term loans	18	2,531,000,000.00	650,000,000.00
Loans from the central bank			
Deposits from Customers and Interbank			
Borrowings from banks and other Financial Institutions			
Transactional monetary liabilities			
Financial liabilities measured at fair value and whose movements are included in current profits and losses			
Derivative financial liabilities			
Notes payable	19	1,299,850,365.51	536,743,118.54
Accounts payable	20	961,904,408.81	663,195,071.11
Advance from customers	21	2,538,387,169.04	2,539,065,796.58
Financial assets sold for repurchase			
Handling charges and commissions payable			
Employee benefits payable	22	218,085,367.04	207,099,538.78
Taxes payable	23	249,586,125.87	166,253,884.83
Other payables	24	3,761,232,397.86	4,838,230,883.94
Reinsured accounts payable			
Reserves for insurance contract			
Receivings from vicariously traded securities			
Receivings from vicariously sold securities			
Debt held for sale			
Noncurrent liabilities maturing within one year	25	1,588,623,289.86	8,500,000.00
Other current liabilities		2,824,837.68	2,001,249.17
Total Current Liabilities		13,151,493,961.67	9,611,089,542.95
Noncurrent Liabilities:			
Long-term loans	26	5,840,802,849.23	4,767,752,891.92
Bonds payable	27	1,971,951,067.92	2,481,750,655.10
Including: Preferred shares			
Perpetual debt			
Long-term payables	28	588,906,976.67	754,590,049.27
Long-term payroll payables			
Special payables			
Estimated liabilities			
Deferred income	29	462,082,480.19	557,873,754.78
Deferred tax liabilities	16	1,065,635,633.53	142,467,170.72
Other noncurrent liabilities		13,070,000.00	28,830,000.00
Total Noncurrent Liabilities		9,942,449,007.54	8,733,264,521.79
Total Liabilities		23,093,942,969.21	18,344,354,064.74
Owner's Equity:			
Paid-in capital	30	2,000,000,000.00	2,000,000,000.00
Other equity instruments			
Including: Preferred shares			
Propetual debt			
Capital reserve	31	24,403,556,456.30	22,787,817,543.67
Less: Treasury stock			
Other comprehensive income		3,388,828,290.12	3,388,828,290.12
Special reserve	32	64,529,375.87	5,482,139.27
Surplus reserve	33	395,125,712.02	223,542,590.98
Generic risk reserve			
Undistributed profit	34	5,819,798,666.02	3,279,161,625.52
Total owner's equity attributable to parent company		36,071,838,500.33	31,684,832,189.56
Minority equity		572,342,866.49	257,297,680.65
Total Owner's Equity		36,644,181,366.82	31,942,129,870.21
Total liabilities and owner's equity		59,738,124,336.03	50,286,483,934.95

Legal Representative: Person in Charge of Accounting Work: Person in Charge of Accounting Organization:

Consolidated Income Statement

Prepared by: Linyi City Construction Investment Group Co., Ltd. Year 2019 Unit: RMB Yuan

Item	Note	Amount of Current Year	Amount of Last Year
I. Operating Income		4,591,921,953.05	4,396,088,888.82
Including: Operating Income	35	4,591,921,953.05	4,396,088,888.82
Interest Income			
Insurance Premiums Earned			
Handling Charges and Commissions Income			
II. Operating Cost		4,577,194,716.33	4,349,037,185.48
Including: Operating Cost	35	3,610,890,862.72	3,866,691,384.99
Interest Expenses			
Handling Charges and Commissions Expenses			
Loan Value			
Net Payment for Insurance Claims			
Net Provision for Insurance Contracts			
Commissions on Insurance Policies			
Cession Charges			
Taxes and Additions	36	101,076,497.58	41,470,915.93
Selling Expense	37	267,970,427.95	147,882,091.92
Management Expense	38	552,764,116.15	222,926,202.53
Research and Development Expenses		16,404,514.98	
Finance Expense	39	28,088,296.95	70,066,590.11
Including:Interest expense			
Interest income			
Plus: other incomes	40	274,931,258.12	182,120,893.91
Return on Investment (loss marked with "-")	41	5,906,593.10	24,885,259.63
Including : Investment Income from Joint Ventures and Affiliates (loss marked with "-")			
Termination of financial assets measured at amortized cost (loss marked with "-")			
Gains from Changes in Fair Value (loss marked with "-")	42	3,692,673,851.25	267,442,000.00
Credit Impairment Loss (loss marked with "-")			
Assets Impairment Loss (loss marked with "-")	43	-31,003,340.28	-27,608,236.36
Gains from disposal of assets (loss marked with "-")			
Exchange Gain or Loss (loss marked with "-")			
III. Operating Profit (total loss marked with "-")		3,957,235,598.91	493,891,620.52
Plus: Non-operating Income	44	9,090,843.83	8,787,363.32
Less: Non-operating Expense	45	35,022,821.42	21,734,317.29
IV. Total Profit (net loss marked with "-")		3,931,303,621.32	480,944,666.55
Less: Income Tax Expense	46	1,064,408,139.83	158,154,415.23
V. Net Profit (net loss marked with "-")		2,866,895,481.49	322,790,251.32
Including: Net profits by the combined party before the combination			
(1) Classification by business continuity:		2,866,895,481.49	322,790,251.32
1. Net profit from continuing operations (net loss is listed with "-")		2,866,895,481.49	322,790,251.32
2. Net profit from discontinued operations (net loss is listed with "-")			
(2) Classification by ownership:		2,866,895,481.49	322,790,251.32
1. Profits and losses of minority shareholders (net loss is listed with "-")		133,889,224.35	48,277,875.17
2. Net profit attributable to shareholders of the parent company (net loss is listed with "-")		2,733,006,257.14	274,512,376.15
VI. After-tax net amount of other comprehensive incomes			

Consolidated Income Statement

Prepared by: Linyi City Construction Investment Group Co., Ltd. Year 2019 Unit: RMB Yuan

Item	Note	Amount of Current Year	Amount of Last Year
Net after-tax other comprehensive income attributable to shareholders of the parent company.			
(1) Other comprehensive incomes not be reclassified into profits and losses			
1. Re-measured changes of net liabilities or net assets defined in benefit plan			
2. Other comprehensive incomes not be reclassified into profits and losses under the equity law			
3. Change in fair value of other equity instrument investments			
4. Change in fair value of enterprise's own credit risk			
5. Others			
(2) Other comprehensive incomes reclassified into profits and losses			
1. Other comprehensive incomes reclassified into profits and losses under the equity law			
2. Changes in fair value of other debt investments			
3. Gains or losses from changes of fair value of financial assets available for sales			
4. Amount of financial assets reclassified into other comprehensive income			
5. Held-to-maturity investments classified into gains and losses of financial assets available for sales			
6. Provision for credit losses of other debt investments			
7. Cash flow hedging			
8. Foreign currency conversion differences of financial statements			
9. Others			
Net after-tax other comprehensive income attributable to minority shareholders			
VII. Total comprehensive incomes		2,866,895,481.49	322,790,251.32
Net Profit belonging to Parent Company		2,733,006,257.14	274,512,376.15
Net Profit belonging to Minority Shareholders		133,889,224.35	48,277,875.17
VIII、Earnings Per Share			
1. Basic Earnings Per Share		1.4334	0.1614
2. Diluted Earnings Per Share		1.4334	0.1614

Legal Representative: Person in Charge of Accounting Work: Person in Charge of Accounting Organization:

Consolidated Cash Flow Statement

Prepared by: Linyi City Construction Investment Group Co., Ltd. Year 2019 Unit: RMB Yuan

Item	Note	Amount of Current Year	Amount of Last Year
I. Cash flow from operating activities:			
Cash from selling commodities or offering labor		4, 651, 788, 183. 84	5, 102, 083, 625. 91
Net increase of customer's deposit and deposit taking of interbank			
Net increase borrowings from central bank			
Net increase borrowing funds to other financing institution			
Cash from original insurance contract premium			
Net cash from reinsurance business			
Net increase of insured deposit and investment			
Net increase of financial assets disposal measured as fair value and the variation included in current profit and loss			
Cash paid for interest and commission			
Net increase of deposit Fund			
Net increase of repurchasing business fund			
Refund of tax and levies		18, 355, 471. 37	
Cash relating to other business activities		896, 905, 659. 59	1, 842, 103, 903. 67
Subtotal of cash inflow from operating activities		5, 567, 049, 314. 80	6, 944, 187, 729. 58
Cash paid for commodities or labor		4, 418, 056, 068. 29	4, 657, 171, 188. 82
Net increase of customer loans and advances			361, 825, 448. 32
Net increase depositing in central bank and other banks			
Cash paid for original insurance contract compensation payment			
Cash paid for interest and commission			
Cash paid for policy dividend			
Cash paid to and for employees		864, 613, 464. 05	711, 811, 837. 36
Taxes and fees paid		243, 567, 756. 23	172, 444, 124. 24
Other cash paid related to operating activities		1, 327, 993, 782. 29	1, 254, 067, 091. 13
Subtotal of cash outflow from operating activities		6, 854, 231, 070. 86	7, 157, 319, 689. 86
Net amount of cash flow from operating activities		-1, 287, 181, 756. 06	-213, 131, 960. 28
II. Cash flow from investing activities:			
Cash from investment withdrawal		55. 703, 381. 09	15, 300, 000. 00
Cash from investment income		10, 481, 843. 99	2, 114, 550. 04
Net cash from disposal of fixed assets, intangible assets and other long-term assets		3, 379, 367. 26	1, 091, 582. 28
Net cash from disposal of subsidiary and other operating business unit		-305, 365, 637. 80	
Other cash received related to investing activities		625, 437, 338. 07	190, 793, 549. 67
Subtotal of cash inflow from investing activities		389, 636, 292. 61	209, 299, 681. 99
Cash paid for buying fixed assets, intangible assets and other long-term assets		2, 178, 079, 067. 66	2, 234, 639, 955. 64
Cash paid for investment		93, 391, 442. 80	93, 800, 371. 05
Net increase of hypothecated loan			
Net cash paid by subsidiary or other operating business unit		-12, 235, 538. 23	-1, 817, 663. 27
Other cash paid related to investing activities		1, 120, 295, 616. 15	915, 606, 779. 16
Subtotal of cash outflow from investing activities		3, 379, 530, 588. 38	3, 242. 229, 442. 58
Net amount of cash flow from investing activities		-2, 989, 894, 295. 77	-3, 032, 929, 760. 59
III. Cash flow from financing activities:			
Cash received from accepting investment		679, 737, 711. 10	2, 650, 373, 306. 06
Including: Cash from minority stockholders by subsidiary corporation			
Cash received from borrowings		6, 234. 815, 445. 44	1, 976, 000, 000. 00
Cash received from issuing bonds		2, 000, 000, 000. 00	800, 000, 000. 00
Other cash received related to financing activities		258, 307, 770. 46	973, 371, 697. 06
Subtotal of cash inflow from financing activities		9, 172, 860, 927. 00	6, 399, 745, 003. 12
Cash paid for debt		4, 328, 398, 231. 90	4, 965, 424, 384. 04
Cash paid for dividend, profit or interest		556, 749, 814. 93	495, 536. 516. 46
Including: Subsidy paid dividends, interest for minority			
Other cash paid related to financing activities		68, 757, 059. 18	35, 642, 542, 90
Subtotal of cash outflow from financing activities		4, 953, 905, 106. 01	5, 496, 603, 443. 40
Net amount of cash flow from financing activities		4, 218, 955, 820. 99	903, 141, 559. 72
IV. Effect of fluctuations in exchange on cash and cash equivalents			
V. Net increase of cash and cash equivalents		-58, 120, 230. 84	-2, 342, 920, 161. 15
Plus: Balance of beginning cash and cash equivalents		2, 687, 098, 216. 76	5, 030. 018, 377. 91
VI. Closing balance of cash and cash equivalents		2, 628, 977, 985. 92	2, 687, 098, 216. 76

Legal Representative: Person in Charge of Accounting Work: Person in Charge of Accounting Organization:

Consolidated Statement of Changes in Owner's Equity

Prepared by: Linyi City Construction Investment Group Co., Ltd. | Year 2019 | Unit: RMB Yuan

Item	Amount of Current Year												
	Shareholders' equity attributable to parent company											Minority equity	Total Shareholder's Equity
	Paid-in capital	Other equity instruments			Capital Reserve	Less: Treasury Stock	Other comprehensive income	Special Reserve	Surplus Reserve	General Risk Preparation	Undistributed Profit		
		Preferred shares	Perpetual debt	Others									
I. Closing balance of last year	2,000,000,000.00				22,787,817,543.67		3,388,828,290.12	5,482,139.27	223,542,590.98		3,279,161,625.52	257,297,680.65	31,942,129,870.21
Plus: Adjustments for changes in accounting policy													
Corrections of accounting errors in prior periods													
Business Combinations under the same administration													
Others													
II. Beginning balance of current year	2,000,000,000.00				22,787,817,543.67		3,388,828,290.12	5,482,139.27	223,542,590.98		3,279,161,625.52	257,297,680.65	31,942,129,870.21
III. Increase or decrease amount of this year (decrease marked with "-")					1,615,738,912.63			59,047,236.60	171,583,121.04		2,540,637,040.50	315,045,185.84	4,702,051,496.61
(I) Total comprehensive incomes											2,733,006,257.14	133,889,224.35	2,866,895,481.49
(II) Capital invested and decreased by owners					1,615,738,912.63							67,413,700.00	1,683,152,612.63
1. Ordinary shares input by owners												67,413,700.00	67,413,700.00
2. Capital invested by holders of other equity instruments													
3. Amount of share-based payment included in owner's equity													
4. Other					1,615,738,912.63								1,615,738,912.63
(III) Profit distribution									171,583,121.04		-192,369,216.64	113,742,261.49	92,956,165.89
1. Withdrawal of surplus reserve									171,583,121.04		-171,583,121.04		
2.General Risk Preparation													
3. Distribution to owners											-20,786,095.60		-20,786,095.60
4.Others												113,742,261.49	113,742,261.49
(IV) Internal carry-over of owner's equity													
1. Capital reserve transferred to paid-in capital													
2. Surplus reserve transferred to paid-in capital													
3. Recovery of losses by surplus reserve													
4. Retained earnings carried forward from changes in defined benefit plans													
5.Other comprehensive income carry-over retained earnings													
6. Others													
(V) Special reserve								59,047,236.60					59,047,236.60
1. Withdrawal in current period								59,047,236.60					59,047,236.60
2. Use in current period													
(VI) Others													
IV. Closing balance of the current period	2,000,000,000.00				24,403,556,456.30		3,388,828,290.12	64,529,375.87	395,125,712.02		5,819,798,666.02	572,342,866.49	36,644,181,366.82

Legal Representative | Person in Charge of Accounting Work: | Person in Charge of Accounting Organization

Consolidated Statement of Changes in Owner's Equity

Prepared by: Linyi City Construction Investment Group Co., Ltd | Year 2019 | Unit: RMB Yuan

Item	Amount of Last Year													
	Shareholders' equity attributable to parent company													
	Paid-in capital	Other equity instruments			Capital Reserve	Less: Treasury Stock	Other comprehensive income	Special Reserve	Surplus Reserve	General Risk Preparation	Undistributed Profit	Subtotal	Minority equity	Total Shareholder's Equity
		Preferred shares	Perpetual debt	Others										
I. Closing balance of last year	2,000,000,000.00				22,968,629,818.96		3,388,828,290.12	40,516,785.28	209,824,422.56		3,031,578,280.77	31,639,377,597.69	527,236,723.04	32,166,614,320.73
Plus: Adjustments for changes in accounting policy														
Corrections of accounting errors in prior periods														
Business Combinations under the same administration														
Others														
II. Beginning balance of current year	2,000,000,000.00				22,968,629,818.96		3,388,828,290.12	40,516,785.28	209,824,422.56		3,031,578,280.77		527,236,723.04	32,166,614,320.73
III. Increase or decrease amount of this year (decrease marked with "-")					-180,812,275.29			-35,034,646.01	13,718,168.42		247,583,344.75		-269,939,042.39	-224,484,450.52
(I) Total comprehensive incomes											274,512,376.15		48,277,875.17	322,790,251.32
(II) Capital invested and decreased by owners					120,753,694.98								69,771,242.21	190,524,937.19
1. Ordinary shares input by owners													69,771,242.21	69,771,242.21
2. Capital invested by holders of other equity instruments														
3. Amount of share-based payment included in owner's equity														
4. Other					120,753,694.98									120,753,694.98
(III) Profit distribution									13,718,168.42		-26,929,031.40		-35,600,000.00	-48,810,862.98
1. Withdrawal of surplus reserve									13,718,168.42		-13,718,168.42			
2.General Risk Preparation														
3. Distribution to owners											-13,210,862.98		-35,600,000.00	-48,810,862.98
4.Others														
(IV) Internal carry-over of owner's equity					-301,565,970.27									-301,565,970.27
1. Capital reserve transferred to paid-in capital														
2. Surplus reserve transferred to paid-in capital														
3.Recovery of losses by surplus reserve														
4. Retained earnings carried forward from changes in defined benefit plans														
5.Other comprehensive income carry-over retained earnings														
6. Others					-301,565,970.27									-301,565,970.27
(V) Special reserve								-35,034,646.01						-35,034,646.01
1. Withdrawal in current period														
2. Use in current period								35,034,646.01						35,034,646.01
(VI) Others													-352,388,159.77	-352,388,159.77
IV. Closing balance of the current period	2,000,000,000.00				22,787,817,543.67		3,388,828,290.12	5,482,139.27	223,542,590.98		3,279,161,625.52		257,297,680.65	31,942,129,870.21

Legal Representative: | Person in Charge of Accounting Work: | Person in Charge of Accounting Organization:

Parent Company Balance Sheet

Prepared by: Linyi City Construction Investment Group Co., Ltd. 31-Dec-19 Unit: RMB Yuan

Item	Note	Ending balance	Beinning Balance
Current Assets:			
Monetary Assets		939, 478, 823. 62	895, 248, 394. 50
Financial Assets held for Trading			
Financial assets measured at fair value and whose changes are included in current			
Derivative Financial Assets			
Notes Receivable			
Accounts Receivable			
Accounts Receivable Financing			
Prepaid Accounts		958, 797. 28	6, 058, 924. 00
Other Receivables		10, 728, 560, 027. 96	9, 853, 902, 983. 38
Inventory		8, 672, 600, 533. 48	6, 814, 567, 015. 02
Holding Assets for Sale			
Noncurrent Assets Maturing within One Year			
Other Current Assets		613, 293. 25	90, 718. 44
Total Current Assets		20, 342, 211, 475. 59	17, 569, 868, 035. 34
Noncurrent Assets:			
Bond Investment			
Available-for-Sale Financial Assets		616, 728, 366. 66	671, 661, 500. 00
Other Equity Investment			
Held-to-maturity Investment		0. 00	
Long-term Receivables			
Long-term Equity Investment		2, 447, 328, 467. 39	2, 652, 018, 163. 60
Other Equity Instruments Investment			
Other Noncurrent Financing Assets			
Investment Real Estate		4, 359, 506, 492. 00	1, 905, 110, 000. 00
Fixed Assets		6, 152, 499, 770. 78	6, 098, 761, 491. 15
Construction in Progress		2, 258, 644, 261. 66	3, 448, 965, 655. 06
Productive Biological Assets			
Oil and Gas Assets			
Intangible Assets		2, 291, 083, 320. 57	2, 249, 441, 480. 08
Development Expenditure			
Goodwill			
Long-term Deferred Expense		604, 035. 15	
Deferred Tax Assets			
Other Noncurrent Assets			
Total Noncurrent Assets		18, 126, 394, 714. 21	17, 025, 958, 289. 89
Total Assets		38, 468, 606, 189. 80	34, 595, 826, 325. 23

Legal Representative: Person in Charge of Accounting Work: Person in Charge of Accounting Organization:

Parent Company Balance Sheet (Continued)

Prepared by: Linyi City Construction Investment Group Co., Ltd. 31-Dec-19 Unit: RMB Yuan

Item	Note	Ending balance	Beinning Balance
Current Liabilities:			
Short-term loans		1, 700, 000, 000. 00	
Financial assets held for liabilities			
Financial liabilities measured at fair value and whose movements are included in current profits and losses			
Derivative financial liabilities			
Notes payable		237, 815, 207. 45	30, 000, 000. 00
Accounts payable		144, 532, 273. 93	19, 250. 00
Advance from customers			
Employee benefits payable		5, 530, 309. 44	5, 099, 703. 50
Taxes payable		60, 503, 373. 62	59, 019, 372. 78
Other payables		2, 113, 582, 972. 59	4, 066, 438, 746. 36
Debt held for sale			
Noncurrent liabilities maturing within one year		1, 310, 000, 000. 00	
Other Current Liabilities			
Total Current Liabilities		5, 571, 964, 137. 03	4, 160, 577, 072. 64
Noncurrent Liabilities:			
Long-term loans		585, 000, 000. 00	600, 000, 000. 00
Bonds payable		1, 971, 951, 067. 92	2, 481, 723, 473. 58
Including: Preferred shares			
Perpetual debt			
Long-term payables			
Long-term payroll payables			
Estimated liabilities			
Deferred income		800, 000. 00	800, 000. 00
Deferred tax liabilities		653, 515, 619. 02	39, 916, 496. 02
Other noncurrent liabilities			
Total Noncurrent Liabilities		3, 211, 266, 686. 94	3, 122, 439, 969. 60
Total Liabilities		8, 783, 230, 823. 97	7, 283, 017, 042. 24
Owner's Equity:			
Paid-in capital		2, 000, 000, 000. 00	2, 000, 000, 000. 00
Other equity instruments			
Including: Preferred shares			
Perpetual debt			
Capital reserve		22, 858, 616, 517. 96	22, 181, 095, 549. 96
Less: Treasury stock			
Other comprehensive income		1, 115, 200, 845. 12	1, 115, 200, 845. 12
Special reserve			
Surplus reserve		395, 125, 712. 02	223, 542, 590. 98
Generic risk reserve			
Minority equity		3, 316, 432, 290. 73	1, 792, 970, 296. 93
Total Owner's Equity		29, 685, 375, 365. 83	27, 312, 809, 282. 99
Total Liabilities and Owner's Equity		38, 468, 606, 189. 80	34, 595, 826, 325. 23

Legal Representative: Person in Charge of Accounting Work: Person in Charge of Accounting Organization:

Parent Company Income Statement

Prepared by: Linyi City Construction Investment Group Co., Ltd. Year 2019 Unit: RMB Yuan

Item	Note	Amount of Current Year	Amount of Last Year
I. Operating Income		235,894,189.45	891,958,246.39
Less: Operating expenses		224,736,388.24	862,006,017.83
Taxes and surcharges		5,654,292.52	48,483.68
Selling Expense			
Management Expense		244,900,177.88	23,692,628.93
Research and development expenses			
Finance Expense		-102,012,470.11	-96,276,993.80
Including: Interest Expense		113,010,824.26	
Interest Income		-10,347,673.10	
Plus: Other Incomes			
Return on Investment (loss marked with "-")		12,315,887.53	60,170,878.08
Including: Investment Income from Joint Ventures and Affiliates (loss marked with "-")			
Income from Financial Assets measured at Amortized Cost			
Net Exposure Hedge Income (loss marked with "-")			
Gains from Changes in Fair Value (loss marked with "-")		2,454,396,492.00	
Credit Impairment Loss (loss marked with "-")			
Assets Impairment Loss		54,710.53	-54,054.70
Gains from disposal of assets (loss marked with "-")			
Exchange Gain or Loss (loss marked with "-")			
II. Operating profit (loss marked with "-")		2,329,382,890.98	162,604,933.13
Plus: non-operating Income		113,316.88	5,803.61
Less: Non-operating Expense		65,874.42	241.25
III. Total profit (total loss marked with "-")		2,329,430,333.44	162,610,495.49
Less: Income Tax		613,599,123.00	25,428,811.32
IV. Net profit (net loss marked with "-")		1,715,831,210.44	137,181,684.17
1. Net profit from continuing operations (net loss is listed with "-")		1,715,831,210.44	137,181,684.17
2. Net profit from discontinued operations (net loss is listed with "-")			
V.After-tax net amount of other comprehensive incomes (net loss is listed with "-")			
(1) Other comprehensive income cannot reclassified into the profit and loss			
(I) Other comprehensive incomes not be reclassified into profits and losses			
1. Re-measured changes of net liabilities or net assets defined in benefit plan			
2. Other comprehensive incomes not be reclassified into profits and losses under the equity law			
3. Change in fair value of other equity instrument investments			
4. Change in fair value of enterprise's own credit risk			
5. Others			
(2) Other comprehensive incomes reclassified into profits and losses			
1. Other comprehensive incomes reclassified into profits and losses under the equity law			
2. Changes in fair value of other debt investments			
3. Gains or losses from changes of fair value of financial assets available for sales			
4. Amount of financial assets reclassified into other comprehensive income			

Parent Company Income Statement

Prepared by: Linyi City Construction Investment Group Co., Ltd. Year 2019 Unit: RMB Yuan

Item	Note	Amount of Current Year	Amount of Last Year
5. Held-to-maturity investments classified into gains and losses of financial assets available for sales			
6. Provision for credit losses of other debt investments			
7. Cash flow hedging			
8. Foreign currency conversion differences of financial statements			
9. Others			
VI. Total comprehensive incomes		1,715,831,210.44	137,181,684.17
VII. Earnings per share			
1. Basic earnings per share			
2. Diluted earnings per share			

Legal Representative: Person in Charge of Accounting Work: Person in Charge of Accounting Organization:

Parent Company Cash Flow Statement

Prepared by: Linyi City Construction Investment Group Co., Ltd. Year 2019 Unit: RMB Yuan

Item	Note	Amount of Current Year	Amount of Last Year
I. Cash flow from operating activities:			
Cash from selling commodities or offering labor		238, 949, 778. 38	184, 543, 490. 94
Refund of tax and fee received			
Other cash received related to operating activities		42, 858, 281. 48	597, 581, 629. 86
Subtotal of cash inflow from operating activities		281, 808, 059. 86	782, 125, 120. 80
Cash paid for commodities or labor		70, 356, 895. 99	395, 948, 137. 80
Cash paid to and for employees		30, 436, 269. 26	14, 552, 599. 07
Taxes and fees paid		5, 102, 993. 24	21, 041. 96
Other cash paid related to operating activities		572, 797, 819. 20	8, 632, 531. 82
Subtotal of cash outflow from operating activities		678, 693, 977. 69	419, 154, 310. 65
Net amount of cash flow from operating activities		-396, 885, 917. 83	362, 970, 810. 15
II. Cash flow from investing activities:			
Cash from investment withdrawal		55, 703, 381. 09	15, 300, 000. 00
Cash from investment income		1, 800, 000. 00	2, 114, 550. 04
Net cash from disposal of fixed assets, intangible assets and other long-term assets			
Net cash from disposal of subsidiary and other operating business unit			
Other cash received related to investing activities		183, 121, 550. 07	931, 690, 842. 82
Subtotal of cash inflow from investing activities		240, 624, 931. 16	949, 105, 392. 86
Cash paid for buying fixed assets, intangible assets and other long-term assets		229, 342, 790. 59	705, 246, 212. 66
Cash paid for investment		79, 000, 000. 00	343, 965, 800. 00
Net cash paid by subsidiary or other operating business unit			
Other cash paid related to investing activities		3, 285, 522, 707. 25	1, 984, 166, 890. 38
Subtotal of cash outflow from investing activities		3, 593, 865, 497. 84	3, 033, 378, 903. 04
Net amount of cash flow from investing activities		-3, 353, 240, 566. 68	-2, 084, 273, 510. 18
III. Cash flow from financing activities:			
Cash received from accepting investment		502, 676, 011. 10	2, 552, 474, 811. 95
Cash received from borrowings		3, 379, 988, 345. 44	1, 000, 000, 000. 00
Cash received from issuing bonds		2, 000, 000, 000. 00	800, 000, 000. 00
Other cash received related to financing activities		863, 361, 209. 12	790, 810, 597. 02
Subtotal of cash inflow from financing activities		6, 846, 025, 565. 66	5, 143, 285, 408. 97
Cash paid for debt		2, 884, 988, 345. 44	3, 930, 000, 000. 00
Cash paid for dividend, profit or interest		147, 452, 553. 58	128, 330, 972. 50
Other cash paid related to financing activities		19, 227, 753. 01	
Subtotal of cash outflow from financing activities		3, 051, 668, 652. 03	4, 058, 330, 972. 50
Net amount of cash flow from financing activities		3, 794, 356, 913. 63	1, 084, 954, 436. 47
IV. Effect of fluctuations in exchange on cash and cash equivalents			
V. Net increase of cash and cash equivalents		44, 230, 429. 12	-636, 348, 263. 56
Plus: Balance of beginning cash and cash equivalents		895, 248, 394. 50	1, 531, 596, 658. 06
VI. Closing balance of cash and cash equivalents		939, 478, 823. 62	895, 248, 394. 50

Legal Representative: Person in Charge of Accounting Work: Person in Charge of Accounting Organization:

Parent Company Statement of Changes in Owner's Equity

Prepared by: Linyi City Construction Investment Group Co., Ltd.

Unit: RMB Yuan

Item	Amount of Current Year										
	Paid-in capital	Other equity instruments			Capital Reserve	Less: Treasury Stock	Other comprehensive income	Special Reserve	Surplus Reserve	Undistributed Profit	Total StockHolder's Equity
		Preferred shares	Perpetual debt	Others							
I. Closing balance of last year	2,000,000,000.00				22,181,095,549.96		1,115,200,845.12		223,542,590.98	1,792,970,296.93	27,312,809,282.99
Plus: Adjustments for changes in accounting policy											
Corrections of accounting errors in prior periods											
Others											
II. Beginning balance of current year	2,000,000,000.00				22,181,095,549.96		1,115,200,845.12		223,542,590.98	1,792,970,296.93	27,312,809,282.99
III. Increase or decrease amount of this year (decrease marked with "-"					677,520,968.00				171,583,121.04	1,523,461,993.80	2,372,566,082.84
(I) Total comprehensive incomes										1,715,831,210.44	1,715,831,210.44
(II) Capital invested and decreased by owners					677,520,968.00						677,520,968.00
1. Ordinary shares input by owners					653,900,968.00						653,900,968.00
2. Capital invested by holders of other equity instruments											
3. Amount of share-based payment included in owner's equity											
4. Other					23,620,000.00						23,620,000.00
(III) Profit distribution									171,583,121.04	-192,369,216.64	-20,786,095.60
1. Withdrawal of surplus reserve									171,583,121.04	-171,583,121.04	
2. Distribution to owners										-20,786,095.60	-20,786,095.60
3. Other											
(IV) Internal carry-over of owner's equity											
1. Capital reserve transferred to paid-in capital											
2. Surplus reserve transferred to paid-in capital											
3. Recovery of losses by surplus reserve											
4. Retained earnings carried forward from changes in defined benefit plans											
5. Retained earnings carried forward from other comprehensive income											
6. Others											
(V) Special reserve											
1. Withdrawal in current period											
2. Use in current period											
(VI) Others											
IV. Closing balance of the current period	2,000,000,000.00				22,858,616,517.96		1,115,200,845.12		395,125,712.02	3,316,432,290.73	29,685,375,365.83

Legal Representative: Person in Charge of Accounting Work Person in Charge of Accounting Organization:

Parent Company Statement of Changes in Owner's Equity

Prepared by: Linyi City Construction Investment Group Co., Ltd.

Unit: RMB Yuan

Item	Amount of Last Year										
	Paid-in capital	Other equity instruments			Capital Reserve	Less: Treasury Stock	Other comprehensive income	Special Reserve	Surplus Reserve	Undistributed Profit	Stockholder's equity
		Preferred shares	Perpetual debt	Others							
I. Closing balance of last year	2,000,000,000.00				22,207,787,980.37		1,115,200,845.12		210,260,683.91	1,523,967,644.16	27,057,217,153.56
Plus: Adjustments for changes in accounting policy											
Corrections of accounting errors in prior periods											
Others											
II. Beginning balance of current year	2,000,000,000.00				22,207,787,980.37		1,115,200,845.12		210,260,683.91	1,523,967,644.16	27,057,217,153.56
III. Increase or decrease amount of this year (decrease marked with "-")					-26,692,430.41				13,281,907.07	269,002,652.77	255,592,129.43
(I) Total comprehensive incomes										137,181,684.17	137,181,684.17
(II) Capital invested and decreased by owners					132,057,569.59						132,057,569.59
1. Ordinary shares input by owners											
2. Capital invested by holders of other equity instruments											
3. Amount of share-based payment included in owner's equity											
4. Other					132,057,569.59						132,057,569.59
(III) Profit distribution									13,718,168.42	-26,929,031.40	-13,210,862.98
1. Withdrawal of surplus reserve									13,718,168.42	-13,718,168.42	
2. Distribution to owners										-13,210,862.98	-13,210,862.98
3. Other											
(IV) Internal carry-over of owner's equity					-158,750,000.00				-436,261.35	158,750,000.00	-436,261.35
1. Capital reserve transferred to paid-in capital											
2. Surplus reserve transferred to paid-in capital											
3. Recovery of losses by surplus reserve											
4. Retained earnings carried forward from changes in defined benefit plans											
5. Retained earnings carried forward from other comprehensive income											
6. Others					-158,750,000.00				-436,261.35	158,750,000.00	-436,261.35
(V) Special reserve											
1. Withdrawal in current period											
2. Use in current period											
(VI) Others											
IV. Closing balance of the current period	2,000,000,000.00				22,181,095,549.96		1,115,200,845.12		223,542,590.98	1,792,970,296.93	27,312,809,282.99

Legal Representative: Person in Charge of Accounting Work Person in Charge of Accounting Organization:

Linyi City Construction Investment Group Co., Ltd.

Notes to financial statements

January 1, 2019 to December 31, 2019

(Unless otherwise specified, the monetary unit shall be RMB)

I. Corporate Profile

(1) Historical development

Linyi City Construction Investment Group Co., Ltd. ("the Company") is a wholly state-owned limited liability company established and funded by Linyi Municipal Finance Bureau and registered with Linyi City Administration for Industry and Commerce on May 28, 2013. The Company's registration number/unified social credit code is 91371300069962478F. The Company has a registered capital of 2 billion yuan, which is fully paid by Linyi Municipal Finance Bureau in installments.

On July 10, 2018, the People's Government of Linyi issued the *Reply on Free Transfer of State-owned Property Rights of Linyi Engineering Consulting Institute and 14 Other Municipal Enterprises*, [Lin Zheng Zi (2018) No.111], transferring the shares of the Company held by Linyi Municipal Finance Bureau to the State-owned Assets Supervision and Administration Commission of Linyi Municipal People's Government free of charge. After the transfer is completed, the state-owned assets supervision and administration commission of Linyi municipal people's government holds 100% equity in the Company.

As of December 31, 2019, the Company has a paid-in capital of 2 billion yuan.

Legal representative of the Company: Guan Enli.

Registered address of the Company: 29th floor, Linshang Building, No.37 Beijing Road, Lanshan District, Linyi City, Shandong Province.

(2) Scope of business

Responsible for the overall development of urban and rural areas, authorized by the government to carry out first-class land development and utilization, to participate in and implement the city's land increase or decrease, land (mining) consolidation, rural land comprehensive improvement; responsible for undertaking the construction of urban infrastructure and major projects, the renovation of key urban areas, villages in cities, shantytowns and the development of affordable housing projects; authorized to undertake the development, operation and management of the use right of the city's state-owned natural

resources and the city's public resources and other state-owned assets (resources); responsible for the management affairs and other functions authorized, entrusted and assigned by the government. (For projects subject to approval according to law, and business activities can only be carried out after approval by relevant departments).

(3) Nature and main business activities of the Company

As the main body of construction of Linyi's key projects and the operation of state-owned assets, the Company represents Linyi Municipal Government to exercise the functions of the investor of municipal key projects. Meanwhile, it also shoulders the important task of maintaining and increasing the value of state-owned assets. The Company's business scope has been gradually expanded. At present, the business scope has been expanded to infrastructure construction, water supply, transportation and other fields. The Company is gradually growing into a comprehensive investment holding group.

II. Basis of Preparation of Financial Statements

(1) Basis of preparation

The Company's financial statements are based on the assumption of going concern and actual transactions and events. It is prepared in accordance with the *Accounting Standards for Enterprises-Basic Standards* (issued in the No.33 Order of the Ministry of Finance and revised in the No.76 Order of the Ministry of Finance), 42 specific accounting standards, guidelines for the application of accounting standards for enterprises, explanations of accounting standards for enterprises and other relevant provisions (hereinafter collectively referred to as "Accounting Standards for Enterprises") issued and revised on February 15, 2006 and thereafter, as well as the disclosure provisions of the China Securities Regulatory Commission's *No.15 Rules for Reporting Information Disclosure by Companies Offering Securities to the Public No.15-General Provisions on Financial Reports* (revised in 2014).

According to the relevant provisions of the Accounting Standards for Enterprises, the Company's accounting is based on accrual basis. Except for some financial instruments, this financial statement is based on historical expenses. If the asset is impaired, the corresponding impairment reserve shall be accrued in accordance with relevant regulations.

(2) Going concern

Within 12 months from the end of the reporting period, the Company has not had any matters or circumstances causing serious doubts about the Company's going-concern ability.

III. Significant Accounting Policies and Accounting Estimates

(1) Accounting period

One accounting year for the Company is from 1 January to 31 December under the Gregorian calendar.

The normal business cycle refers to the period from the purchase of assets for processing to the realization of cash or cash equivalents. The Company takes 12 months as a business cycle and uses it as the liquidity division standard for assets and liabilities.

(2) Recording currency

The Company adopts RMB as the base currency for bookkeeping.

(3) Cash basis and principle of costing

The Company adopts accrual accounting as cash basis, use historical cost as principle of costing

(4) Accounting methods for business combinations under the same control and those under different control

1. The terms, conditions and economic impact of various transactions in the process of realizing business combinations step by step meet one or more of the following conditions, and multiple transactions are treated as a package transaction for accounting:

1) These transactions were concluded at the same time or in consideration of mutual influence;

2) These transactions can be a complete commercial result only when taken as a whole;

3) The occurrence of one transaction depends on the occurrence of at least one other transaction;

4) A transaction is uneconomical on its own, but it is economical when considered together with other transactions.

2. Business combinations under the same control

1) Individual financial statements

If the company pays cash, transfers non-cash assets, undertakes debts or issues equity securities as the combination consideration, the initial investment cost of long-term equity investment shall be based on the share of the book value of the merged party's owner's equity in the final controlling party's consolidated financial statements on the combining date. The difference between the initial investment cost of long-term equity investment and the

payment of combination consideration shall offset against the capital reserve; if the capital reserve is insufficient to offset, retained earnings shall be adjusted. If there is contingent consideration and it is necessary to confirm the estimated liabilities or assets, the difference between the amount of the estimated liabilities or assets and the settlement amount of the subsequent contingent consideration shall offset the capital reserve (capital premium or equity premium); if the capital reserve is insufficient to offset, retained earnings shall be adjusted.

If the business combination is finally realized through multiple transactions and is a package transaction, each transaction shall be taken as a transaction for obtaining control rights for accounting; if it is not a package transaction, the capital reserve shall be adjusted based on the difference between the initial investment cost of the long-term equity investment and the book value of the long-term equity investment before the combination plus the book value of the newly paid consideration for the shares acquired on the combining date; if the capital reserve is insufficient to offset, the retained earnings shall be adjusted. For equity investments held before the combining date, other comprehensive income recognized by adopting the equity method of accounting or financial instrument recognition and measurement standards shall not be subject to accounting until the same basis as the direct disposal of relevant assets or liabilities by the invested entity is adopted for accounting when the investment is disposed of; other changes in owner's equity other than net profit and loss, other comprehensive income and profit distribution in the net assets of the invested entity recognized by the equity method will not be subject to accounting and will be included in current profits and losses when the investment is disposed of.

All directly related expenses incurred in the combination, including audit fees, assessment fees and legal service fees paid for the combination, are included in current profits and losses when incurred; transaction expenses directly related to the issuance of equity instruments as combination consideration offset the capital reserve; if the capital reserve is insufficient to offset, the surplus reserve and undistributed profit shall be offset in turn. Transaction expenses directly related to the issuance of debt instruments as combination consideration are taken as the initial recognition amount included in debt instruments.

If the combined party has consolidated financial statements, the initial investment cost of long-term equity investment shall be recognized based on the owner's equity attributable to the parent company in the consolidated financial statements of the combined party on the combining date.

2) Consolidated financial statements

The assets and liabilities acquired by the combining party in the business combination shall be measured according to the book value of the owner's equity of the combined party on the combining date in the consolidated financial statements of the final controlling party.

If the business combination is finally realized through multiple transactions and is a package transaction, each transaction shall be treated as a transaction for obtaining control rights for accounting; if the transaction is not a package transaction, and the long-term equity investment held by the combining party before the combination is completed has been confirmed to be related to the profit and loss, other comprehensive income and other changes in owner's equity during the period between the acquisition date and the later of the day when the combining party and the merged party are under the same final control of the same party and the combining date, the initial retained income during the comparative statement period or current profits and losses are offset with them respectively.

If the accounting policies adopted by the parties to the combination are inconsistent with those of the Company, the Company shall make adjustments according to its accounting policies on the combining date, and shall recognize them on this basis in accordance with the provisions of the Accounting Standards for Enterprises.

3. Business combination not under same control

For business combination not under same control, the combination cost is the fair value of the assets, liabilities incurred or assumed by the Company to obtain control over the purchased party and equity instruments or debt instruments issued on the purchase date. Where future events that may affect the combination cost are agreed upon in the combination contract, if it is estimated that the future events are likely to occur and the amount of impact on the combination cost can be reliably measured on the purchase date, the combination cost shall also be included.

Intermediary expenses such as auditing, legal services, evaluation and consultation and other related management expenses incurred by the Company for the purpose of conducting business combination shall be included in current profits and losses when incurred; transaction expenses of equity instruments or debt instruments issued by the Company as combination consideration are included in the initial recognition amount of equity instruments or debt instruments.

The Company recognizes goodwill as the difference between the combination cost and the fair value share of the identifiable net assets of the purchased party during the

combination. If the Company's combination cost is less than the fair value share of the identifiable net assets of the purchased party obtained in the combination, the difference between the combination cost and the fair value share of the identifiable net assets of the purchased party obtained in the combination after review shall be included in current profits and losses.

For business combinations that are realized step by step through multiple exchange transactions and are not under the same control, separate individual financial statements from consolidated financial statements for relevant accounting;

(1) In the individual financial statements, if the equity investment held before the combination date is accounted by the equity method, the sum of the book value of the equity investment held by the combined party before the purchase date and the newly increased investment cost on the purchase date shall be taken as the initial investment cost of the investment. Relevant other comprehensive income shall be accounted for on the same basis as the direct disposal of relevant assets or liabilities by the invested entity when the investment is disposed of; the owner's equity recognized due to changes in the owner's equity of the invested entity other than net profit and loss, other comprehensive income and profit distribution shall be transferred to the current profits and losses during the disposal period when the investment is disposed of.

If the equity investment held before the combining date is accounted by the standards of recognition and measurement of financial instruments, the sum of the fair value of the equity investment on the combining date and the added investment cost shall be taken as the initial investment cost on the merger date. The difference between the fair value and book value of the originally held equity and the accumulated fair value changes originally included in other comprehensive income shall all be transferred to the current investment incomes on the combining date.

(2) In the consolidated financial statements, the equity of the purchased party held before the purchase date shall be measured again according to the fair value of the equity on the purchase date, and the difference between the fair value and its book value shall be included in the current investment income; if the equity of the purchased party held before the purchase date involves other comprehensive income under the equity method, the other comprehensive income related to it shall be transferred to the current investment income on the purchase date.

(5) The preparation method of consolidated financial statements

The consolidation scope of the Company's consolidated financial statements is recognized on the basis of control, and all subsidiaries (including separate entities controlled by the parent company) are included in the consolidated financial statements.

The accounting policies and accounting periods adopted by all subsidiaries and included in the consolidated financial statements are consistent with the Company. If the accounting policies and accounting periods adopted by subsidiaries are inconsistent with the Company, necessary adjustments shall be made according to the Company's accounting policies and accounting periods when preparing the consolidated financial statements.

The consolidated financial statements are based on the financial statements of the Company and its subsidiaries and are prepared by the Company according to other relevant information.

The consolidated financial statements offset the impact of internal transactions between the Company and its subsidiaries and among subsidiaries on the consolidated balance sheet, consolidated income statement, consolidated cash flow statement and consolidated statement of changes in shareholders' equity.

If the current loss shared by the minority shareholders of a subsidiary exceeds the share of the minority shareholders in the initial owner's equity of the subsidiary, the balance shall still be offset against the minority shareholders' equity.

During the reporting period, if subsidiaries and businesses are added due to business combination under same control, the beginning balance of the consolidated balance sheet shall be adjusted; incomes, expenses and profits of subsidiaries and businesses from the beginning of the current period when subsidiaries and businesses are combined to the end of the reporting period are included in the consolidated income statement; the cash flows of subsidiaries and businesses from the beginning of the current period when subsidiaries and businesses are combined to the end of the reporting period are included in the consolidated cash flow statement.

During the reporting period, if subsidiaries and businesses are added due to business combination not under same control, the beginning amount of the consolidated balance sheet will not be adjusted; incomes, expenses and profits of subsidiaries and businesses from the date of purchase to the end of the reporting period are included in the consolidated income statement; the cash flow of the subsidiary and its business from the date of purchase to the end of the reporting period is included in the consolidated cash flow statement.

During the reporting period, when the Company disposes of subsidiaries and businesses,

the income, expenses and profits of the subsidiaries and its businesses from the beginning of the reporting period to the disposal date are included in the consolidated income statement; cash flows of the subsidiary and its business from the beginning of the reporting period to the disposal date are included in the consolidated cash flow statement.

If the Company loses control of its original subsidiary due to the disposal of some equity investments or other reasons, the remaining equity shall be re-measured in the consolidated financial statements according to its fair value at the date of loss of control. The difference between the sum of the consideration obtained from the disposal of equity and the fair value of the remaining equity and the share of the net assets of the original subsidiary that should be continuously calculated from the purchase date according to the original shareholding ratio is included in the current investment income when the control right is lost. Other comprehensive income related to the original subsidiary's equity investment shall be converted into the current investment income when the control right is lost.

(6) Classification of joint arrangements and accounting methods for joint operations

1. Classification of joint arrangements

The Company divides the joint arrangements into joint operation and joint venture according to the structure and legal form of the joint arrangement and the terms, other relevant facts and circumstances agreed in the joint venture arrangement,.

Joint arrangements not reached by a separate subject are classified as joint operation; joint arrangements reached through separate subjects are usually classified as joint ventures; however, the joint arrangements proved to meet any of the following conditions and comply with the provisions of relevant laws and regulations by conclusive evidence are classified as joint operations:

(1) The legal form of the joint arrangement shows that the parties to the joint arrangement have rights and obligations respectively to the relevant assets and liabilities in the arrangement.

(2) The contractual terms of the joint arrangement stipulate that the parties to the joint arrangement shall have rights and assume obligations respectively with respect to the relevant assets and liabilities in the arrangement.

(3) Other relevant facts and circumstances show that the parties to the joint arrangement have rights and obligations respectively with respect to the relevant assets and liabilities in the arrangement. For example, the parties to the joint arrangement enjoy almost all the

outputs related to the joint arrangement, and the settlement of the liabilities in the arrangement continuously depends on the support of the parties to the joint arrangement.

2. Accounting methods for joint operation

The Company recognizes the following items related to the Company in the share of interests in joint operation and conducts accounting in accordance with the relevant accounting standards for enterprises:

(1) The Company recognizes the assets held separately and the assets held jointly according to their shares;

(2) The Company recognizes the liabilities borne separately and the liabilities jointly borne according to shares;

(3) The Company recognizes the income generated from the sale of shares of joint operating output;

(4) The Company recognizes the income from the sale of output from joint operations according to shares;

(5) The Company recognizes the expenses incurred separately and the expenses incurred in joint operation according to shares.

The Company invests in or sells assets and the like to the joint operation (except the assets constituting the business). Before the assets and the like are sold by the joint operation to a third party, only the part of the profits and losses arising from the transaction attributable to other participants in the joint operation is recognized. If the assets invested or sold meet the asset impairment losses stipulated in the No.8 *Accounting Standards for Business Enterprises-Asset Impairment*, the Company will recognize the losses in full.

The Company purchases assets and the like from joint operations (except for those that constitute businesses). Before selling the assets and the like to a third party, it only recognizes the portion of the profits and losses arising from the transactions that belongs to other participants in the joint operations. If the purchased assets suffer asset impairment losses that conform to the provisions of the *No.8 Accounting Standards for Business Enterprises-Asset Impairment*, the Company shall recognize such losses according to the shares it bears.

The Company does not have joint control over joint operation. If the Company has the assets related to the joint operation and bears the liabilities related to the joint operation, the accounting shall be carried out according to the above principles, otherwise, the accounting shall be carried out according to the provisions of the relevant accounting standards for enterprises.

(7) Recognition standards for cash and cash equivalents

Cash refers to the cash on hand held by the Company and the deposits that can be used for payment at any time. Deposits that cannot be used for payment at any time are not included in cash.

Cash equivalents refer to the investments held by the Company with short term (which are due within three months from the date of purchase), strong liquidity, easy conversion into known amount of cash and little risk of value change.

(8) Foreign currency transaction and translation of foreign currency statements

1. Foreign currency transaction

When foreign currency transactions are initially recognized, the spot exchange rate on the transaction date shall be used as the conversion exchange rate to convert foreign currency into RMB for bookkeeping.

On the balance sheet date, foreign currency monetary items are converted at the spot exchange rate on the balance sheet date, and the resulting exchange differences are included in current profits and losses, except for the exchange differences arising from foreign currency special loans related to the acquisition and construction of assets eligible for capitalization and treated in accordance with the principle of capitalization of borrowing expenses. Foreign currency non-monetary items measured at historical cost shall still be converted at the spot exchange rate on the transaction date, and the amount in their recording currencies shall not be changed.

Foreign currency non-monetary items measured at fair value shall be converted at the spot exchange rate on the date when the fair value is recognized, and the resulting exchange difference shall be included in current profits and losses as profits and losses arising from changes in fair value. If it is an available-for-sale foreign currency non-monetary item, the resulting exchange difference is included in other comprehensive income.

2. Translation of foreign currency financial statements

Assets and liabilities in the balance sheet shall be converted at the spot exchange rate on the balance sheet date. Except for "undistributed profit" items, other items of owner's equity items are converted at the spot exchange rate at the time of occurrence. Income and expense items in the income statement shall be converted at the spot exchange rate on the transaction date. The translation difference of foreign currency financial statement generated by the above translation is included in other comprehensive income.

When disposing of overseas operations, the translation difference between the foreign

currency financial statements listed in other comprehensive income in the balance sheet and related to the overseas operations shall be transferred from other comprehensive income to current profits and losses of disposal; in case of partial disposal of overseas operations, the translation difference of the foreign currency financial statements of the disposal portion shall be calculated according to the proportion of disposal and transferred to current profits and losses of disposal.

(9) Financial instruments

Financial instruments include financial assets, financial liabilities and equity instruments.

1. Classification of financial instruments

According to the contract terms of the issued financial instruments and the economic essence reflected by them, rather than in legal form only, the management, based on the purpose of acquiring and holding financial assets and undertaking financial liabilities, classifies financial assets and financial liabilities into different categories: financial assets (or financial liabilities) that are measured at fair value and whose changes are included in current profits and losses; held-to-maturity investments; accounts receivable; available-for-sale financial assets; other financial liabilities, etc.

2. Recognition basis and measurement method of financial instruments

(1) Financial assets (financial liabilities) that are measured at fair value and whose changes are included in current profits and losses

Financial assets or financial liabilities that are measured at fair value and whose changes are included in current profits and losses include transactional financial assets or financial liabilities and financial assets or financial liabilities that are directly designated as measured at fair value and whose changes are included in current profits and losses.

Transactional financial assets or financial liabilities refer to financial assets or financial liabilities that meet one of the following conditions:

1) The purpose of obtaining the financial asset or financial liability is to sell, buy back or redeem it in a short period of time;

2) It is part of the identifiable portfolio of financial instruments under centralized management, and there is objective evidence suggesting that the Company has recently adopted a short-term profit-making method to manage the portfolio;

3) It is a derivative financial instrument, except derivatives designated as effective hedging instruments, derivatives under financial guarantee contracts, and derivatives linked

to equity instrument investments that are not quoted in an active market and whose fair value cannot be reliably measured and must be settled through delivery of the equity instrument.

Financial assets or financial liabilities can be designated as financial assets or financial liabilities that are measured at fair value at the time of initial measurement and whose changes are included in profits or losses only when one of the following conditions is met:

1) This designation can eliminate or obviously reduce the inconsistent recognition or measurement of relevant profits or losses caused by different measurement bases of financial assets or financial liabilities;

2) The formal written documents of risk management or investment strategy have stated that the financial asset portfolio, the financial liability portfolio, or the financial asset and financial liability portfolio shall be managed and evaluated on the basis of fair value and reported to key management personnel;

3) Hybrid instruments containing one or more embedded derivatives, unless the embedded derivatives have made no significant change to the cash flow of the hybrid instruments, or the embedded derivatives should obviously not be separated from the relevant hybrid instruments;

4) Mixed instruments containing embedded derivatives that need to be separated but cannot be separately measured at the time of acquisition or on the subsequent balance sheet date.

For financial assets or financial liabilities that are measured at fair value and whose changes are included in current profits and losses, the Company takes the fair value (excluding declared but not yet paid cash dividends or interest on bonds whose interest payment period is due but not yet received) as the initial recognition amount when acquiring them, and the relevant transaction expenses are included in current profits and losses. Interest or cash dividends earned during the holding period are recognized as investment income, and changes in fair value are included in current profits and losses at the end of the period. At the time of disposal, the difference between the fair value and the initial recorded amount is recognized as investment income, and the profits and losses arising from changes in fair value are adjusted.

(2) Receivables

Receivables refer to creditor's rights receivable arising from the company's external sales of goods or rendering of services and creditor's rights of other enterprises held by the Company (excluding debt instruments quoted in the active market), including receivables,

other receivables, long-term receivables. They shall be initially recognized as the contract price or agreement price receivable from the buyer; if they are financing in nature, they shall be initially recognized according to their present value.

When receiving or disposing the receivables, the difference between the proceeds received and the book value of the said receivables shall be included in current profits and losses.

(3) Held-to-maturity investment

Held-to-maturity investment refers to the non-derivative financial assets with fixed expiration date, fixed or recognizable collectable amount and with explicit intention and capability from the Company to hold till expiration date.

The Company's held-to-maturity investments are initially recognized at the time of acquisition based on the sum of fair value (excluding the interest on bonds that have reached the interest payment period but have not yet been received) and related transaction expenses. During the holding period, interest income is calculated and recognized according to amortized cost and actual interest rate, and is included in investment income. The effective interest rate is recognized upon obtaining, and shall remain unchanged during the expected period or applicable shorter period. When disposing the investment, the difference between the proceeds received and the book value of the said investment shall be included in investment income.

If the amount of held-to-maturity investments disposed of or reclassified as other types of financial asset is larger than the total amount of all held-to-maturity investments of the Company before sale or reclassification, the remaining held-to-maturity investments shall be reclassified as available-for-sale financial asset immediately after disposal or reclassification; on the date of reclassification, the difference between the book value of the said investments and their fair values are included in other comprehensive income, transferred out when the available-for-sale financial asset is impaired or derecognized, and included in current profits and losses. However, the following situations can be excluded:

1) The date of sale or reclassification is close to the maturity date or redemption date of the investment (e.g. within three months before maturity), and changes in market interest rate have no significant impact on the fair value of the investment.

2) According to the payment method agreed in the contract, the enterprise has recovered almost all the initial principal.

3) The sale or reclassification is caused by independent events beyond the control of the

enterprise, which are not expected to occur again and are difficult to reasonably predict.

(4) Available-for-sale financial assets

Available-for-sale financial assets refer to non-derivative financial assets designated as available-for-sale upon initial recognition, as well as financial assets other than other types of financial assets.

For available-for-sale financial assets, the Company will initially recognize the sum of fair value (net of declared but not yet paid cash dividends or interest on bonds that have reached the interest payment period but not yet received) and relevant transaction expenses when acquiring them. Interest or cash dividends calculated at the actual interest rate during the holding period are recognized as investment income. Profits or losses resulting from changes in the fair value of available-for-sale financial assets are directly included in other comprehensive income except impairment losses and exchange differences arising from foreign currency monetary financial assets. When disposing of available-for-sale financial assets, the difference between the proceeds and the book value of the financial assets shall be included in the investment profits and losses; meanwhile, the amount corresponding to the disposal portion of the accumulated fair value changes originally directly included in other comprehensive income shall be transferred out and included in the investment profits and losses.

The Company's investment in equity instrument that is not quoted in an active market and whose fair value cannot be reliably measured, as well as derivative financial assets linked to the equity instrument and that must be settled through delivery of the equity instrument, are measured at cost.

(5) Other financial liabilities

The initial recognition amount of the financial liability shall be the sum of its fair value and relevant transaction expenses. Amortized cost is adopted for subsequent measurement.

3. Confirmation basis and measurement method of financial asset transfer

When the Company transfers a financial asset, if it has transferred almost all risks and rewards in terms of the ownership of the financial asset to the transferee, the recognition of the financial asset shall be terminated; if almost all risks and rewards in terms of the ownership of the financial asset are retained; the recognition of the financial asset will not be terminated.

When judging whether the transfer of financial assets meets the above conditions for termination recognition of financial assets, the principle of substance over form shall be

adopted. The Company divides the transfer of financial assets into overall transfer and partial transfer. If the overall transfer of financial assets meets the conditions for termination recognition, the difference between the following two amounts shall be included in current profits and losses:

(1) The book value of the transferred financial assets;

(2) The sum of the consideration received from transfer and the accumulated amount of changes in fair value originally directly included in the owner's equity (in case the transferred financial asset is an available-for-sale financial asset).

If the partial transfer of financial assets meets the conditions for termination recognition, the book value of the transferred financial assets as a whole shall be apportioned between the derecognized portion and the non-derecognized portion according to their respective relative fair values, and the difference between the following two amounts shall be included in current profits and losses:

(1) The book value of the derecognized part;

(2) The sum of the consideration of the derecognized portion and the amount of the corresponding derecognized portion of the accumulated amount of changes in fair value directly included in the owner's equity (involving the case where the transferred financial asset is an available-for-sale financial asset).

If the transfer of a financial asset does not meet the conditions for termination recognition, the financial asset shall continue to be recognized and the consideration received shall be recognized as a financial liability.

4. Conditions for termination recognition of financial liabilities

If all or part of the current obligations of the financial liabilities have been discharged, the recognition of the financial liabilities or part thereof shall be terminated; if the Company signs an agreement with creditors to replace the existing financial liabilities by assuming new financial liabilities, and the contract terms of the new financial liabilities and the existing financial liabilities are substantially different, the existing financial liabilities shall be derecognized and the new financial liabilities shall be simultaneously recognized.

If any substantial modification is made to all or part of the contractual terms of the existing financial liabilities, the recognition of the existing financial liabilities or part thereof shall be terminated, and the financial liabilities after the modification shall be recognized as a new financial liability.

Where a financial liability is derecognized in whole or in part, the difference between

the book value of the derecognized financial liability and the consideration paid (including transferred non-cash assets or assumed new financial liabilities) shall be included in current profits and losses.

Where the Company buys back part of its financial liabilities, it shall distribute, on the repurchase date, the book value of the whole financial liabilities in light of the comparatively fair value of the part that continues to be recognized and the part whose recognition has already been terminated. The difference between the book value which is distributed to the part whose recognition has terminated and the considerations it has paid (including the non-cash assets it has transferred out and the new financial liabilities it has assumed) shall be included in current profits and losses.

5. Recognition method for fair value of financial assets and financial liabilities

If there is an active market for the Company's financial assets and financial liabilities measured at fair value, their fair values shall be recognized by the quoted price in the active market; financial assets or financial liabilities that do not exist in an active market shall be recognized by valuation techniques (including reference to prices used in recent market transactions by parties familiar with the situation and willing to trade, reference to current fair values of other financial instruments that are substantially the same, discounted cash flow method, option pricing model, etc.); for financial assets initially acquired or derived or financial liabilities assumed, their fair values shall be recognized on the basis of market transaction price.

6. Provision for impairment of financial assets (excluding receivables)

On the balance sheet date, the book value of financial assets other than those measured at fair value and whose changes are included in current profits and losses shall be checked. If there is objective evidence that the financial assets are impaired, provision for impairment shall be accrued.

Objective evidence of impairment of financial assets, including but not limited to:

(1) The issuer or debtor has serious financial difficulties;

(2) The debtor violates the contractual terms, such as default or overdue payment of interest or principal;

(3) Creditors make concessions to debtors with financial difficulties due to economic or legal considerations;

(4) The debtor is likely to close down or carry out other financial restructuring;

(5) The financial asset can no longer continue to be traded in the active market due to

serious financial difficulties of the issuer;

(6) It is impossible to identify whether the cash flow of an asset in a group of financial assets has decreased, but it is found that the expected future cash flow of the said group of financial assets has indeed decreased and can be measured after overall evaluation based on public data, such as major deterioration of the debtor's ability to pay for the group of financial assets, or the increase of the unemployment rate in the country or region where the debtor is located, significant decrease of the price of collateral in the region where the debtor is located, and the recession of the industry;

(7) Major adverse changes have taken place in the technology, market, economy or legal environment in which the issuer of the equity instrument operates, which may prevent investors of the equity instrument from recovering their investment expenses;

(8) The fair value of the equity instrument investment drops significantly or non-temporarily;

Specific impairment methods for financial assets are as follows:

(1) Provision for impairment of available-for-sale financial assets

On the balance sheet date, the Company adopts the method of individual identification to assess impairment losses of various available-for-sale financial assets. Wherein: objective evidence showing impairment of available-for-sale equity instrument investment includes serious or non-temporary decline in fair value of equity instrument investment; the specific quantification standard is: if the fair value of the equity instrument investment on the balance sheet date is lower than its cost by more than 50% (including 50%) or lower than its cost for more than one year (including one year), it indicates impairment; if the fair value of the equity instrument investment on the balance sheet date is lower than its cost by more than 20% (including 20%) but has not yet reached 50%, the Company will comprehensively consider other relevant factors such as price volatility to determine whether the equity instrument investment is impaired.

The "cost" mentioned in the preceding paragraph is recognized according to the initial acquisition cost of the available-for-sale equity instrument investment excluding the recovered principal, the amortized amount and the impairment loss originally included in profit or loss; the "fair value" is recognized according to the closing price of the stock exchange at the end of the period, unless there is a sell-off period for the available-for-sale equity instrument investment. For the available-for-sale equity instrument investment with limited selling period, it shall be recognized according to the closing price of the stock

exchange at the end of the period after deducting the compensation amount required by market participants for assuming the risk that the equity instrument cannot be sold on the open market within the specified period.

Where an available-for-sale financial asset is impaired, even if the financial asset is not derecognized, the Company will transfer the accumulated losses arising from the reduction in fair value and originally directly included in other comprehensive income, out of other comprehensive income and include them into current profits and losses. The accumulative losses that are transferred out shall be the balance obtained from the initially obtained expenses of the available-for-sale financial asset after deducting the principal taken back, the current fair value and the impairment-related losses originally included in current profits and losses.

For available-for-sale debt instrument with impairment losses recognized, if its fair values has increased in the subsequent accounting period and is objectively related to events occurring after the original impairment losses are recognized, the originally recognized impairment losses shall be reversed and included in current profits and losses; impairment losses incurred on available-for-sale equity instrument investments are reversed through equity when the value of the equity instrument rebounds; however, impairment losses incurred by equity instrument investments that are not quoted in an active market and whose fair value cannot be reliably measured, or derivative financial assets linked to the equity instrument and that must be settled through delivery of the equity instrument, cannot be reversed.

(2) Provision for impairment reserves of held-to-maturity investments

For held-to-maturity investments that have objective evidence of impairment, impairment losses shall be calculated and confirmed based on the difference between their book values and the present value of expected future cash flows; if there is evidence that their value has recovered after accrual, the originally recognized impairment loss can be reversed and included in the current profits and losses, but the reversed book value shall not exceed the amortized cost of the financial asset on the reversal date under the assumption that no provision is made for the impairment.

7. Offset of financial assets and financial liabilities

Financial assets and financial liabilities are shown separately in the balance sheet without offsetting each other. However, if the following conditions are met at the same time, the net amount after offset shall be listed in the balance sheet:

(1) The Company has the legal right to offset the recognized amount, and such legal right is currently enforceable;

(2) The Company plans to settle on a net basis, or realize the financial assets and settle the financial liabilities at the same time.

(10) Hedge instrument

The hedging business of the company is divided into two parts: fair value hedging and cash flow hedging. If all the following conditions meet at the same time, the gain or loss generated by the hedging instrument and the hedged item will be recorded into the current profit or loss, or other comprehensive income in the same accounting period.

1. At the beginning of hedging, the hedging relationship (the relationship between the hedging instrument and the hedged item) should be formally designated, and prepared formal written documents including the hedging relationship, risk management objectives and hedging strategy. The document at least states the hedging instrument, the hedged item, the nature of the hedged risk and the hedging effectiveness evaluation method. The hedging must be related to the specific identifiable and designated risk and ultimately affect the profit and loss of the enterprise;

2. The hedging expectation is highly effective and conforms to the risk management strategy initially determined by the Company for the hedging relationship;

3. For the cash flow hedge of the expected transaction, the expected transaction should be likely to happen, and the enterprise must face the risk of the cash flow change that will ultimately affect the profit and loss;

4. The hedging effectiveness can be measured reliably, i.e. the fair value or cash flow of the hedged item caused by the hedged risk and the fair value of the hedging instrument can be measured reliably;

5. The Company have to continuously evaluate the hedging effectiveness and ensure that the hedging is highly effective during the accounting period in which the hedging relationship is designated. Recorded the current profit and loss for the gain or loss of the hedged item due to the hedged risk, and adjust the book value of the hedged item at the same time.

The hedging instrument is a derivative instrument, and the gain or loss caused by the change of fair value should be booked into the current profit and loss.

The company evaluates the hedging effectiveness prospectively by comparing the main clauses of contracts (agreements) and retrospectively evaluates the hedging effectiveness by ratio analysis at the end of the report.

(11) Receivables

1. The Company's receivables (including accounts receivables and other receivables) shall be taken as the initial recorded amount according to the contract price or agreement price, and the bad debt losses shall be recognized according to the following standards: where the debtor goes bankrupt and the receivables cannot be recovered after being paid off according to the legal liquidation procedures; or the receivables are truly irrecoverable because there is no legacy to pay off the receivables and no obligor after the debtor died; or the debtor fails to fulfill its debt-paying obligations within the time limit. These receivables are included in bad debt losses upon examination and approval by legal procedures.

2. The Company adopts the allowance method for bad debt losses. When bad debts occur, the originally drawn provision for bad debt is written off, and the difference that the bad debt reserve is insufficient to write off is included in current profits and losses.

3. The provision for bad debts shall be made by combining the balance percentage method and individual identification method. The Company estimates the recoverability of receivables at the end of the year based on relevant information such as past experience, actual financial position and cash flows of the debtors. No provision for bad debts shall be made for receivables that are expected to have no recovery risk; separate provision for bad debts shall be made for receivables that are obviously difficult to recover. For the remaining receivables, provision for bad debts shall be made at 0.5% of the closing balance.

(12) Inventory

1. Inventory classification: raw materials, packaging materials, inventory commodities, low-value consumables, self-made semi-finished products, in-process products, development expenses, commissioned processing materials, etc.

2. Inventory valuation: inventories are priced according to actual cost when they are acquired. Inventories produced and sold according to contract batch are priced according to batch when they are used and issued. Weighted average method is adopted when other inventories are used or delivered.

3. Inventory system: perpetual inventory system.

4. The low-value consumables and packaging materials shall be used by one-time amortization method.

5. Accounting method for provision of inventory depreciation: on the balance sheet date, the inventories are measured according to the lower of the book cost of inventories and

the net realizable value, and provision for inventory depreciation is provided for the part of the book cost higher than the net realizable value.

(13) Long-term equity investment

The long-term equity investment referred to in this part refers to the long-term equity investment that the Company has control and joint control over or significant impact on the invested entity. The long-term equity investment that the Company does not have control and joint control over or significant impact on the invested entity is accounted for as available-for-sale financial assets or financial assets measured at fair value and whose changes are included in current profits and losses. See "Financial instruments" for its accounting policies.

Joint control refers to the joint control of the Company over an arrangement according to relevant agreements, and the relevant activities of the arrangement can only be decided after the participants sharing the control rights have agreed unanimously. Significant impact refers to the fact that the Company has the power to participate in the decision-making of the financial and operating policies of the invested entity, but does not have control or jointly control over the formulation of these policies together with other parties.

1. Recognition of investment cost

For the long-term equity investment obtained from business combination under same control, its initial investment cost shall be based on the share of the book value of the owner's equity of the combined party in the consolidated financial statements of the final controlling party on the combining date. The difference between the initial investment cost of long-term equity investment and the book value of cash paid, non-cash assets transferred and debts assumed is used to adjust the capital reserve; if the capital reserve is not enough to be offset, retained earnings shall be adjusted. If equity securities are issued as combination consideration, the initial investment cost of long-term equity investment shall be taken as the share of the book value of the combined party's shareholder's equity/owner's equity in the final controlling party's consolidated financial statements on the combination date, and the capital reserve shall be adjusted according to the difference between the initial investment cost of long-term equity investment and the total nominal value of the issued shares; if the capital reserve is insufficient to offset, the retained earnings shall be adjusted (if multiple transactions are implemented to acquire the equity of the combined party under same control step by step, and a business combination under same control is finally formed, it is necessary to judge whether they are a "package deal" respectively: if they are a "package deal", each of

them shall be treated as a transaction to obtain control. If they are not a "package deal", the initial investment cost of the long-term equity investment shall be taken as the share of the book value of the shareholder's equity/owner's equity of the combined party in the consolidated financial statements of the final controlling party on the combination date, and the capital reserve shall be adjusted according to the difference between the initial investment cost of the long-term equity investment and the sum of the book value of the long-term equity investment before the combination and the book value of the new consideration for the shares obtained on the combining date; if the capital reserve is insufficient to offset, the retained earnings shall be adjusted. For equity investments held before the combining date, other comprehensive income recognized for available-for-sale financial assets or accounted by the equity method will not be accounted for the time being).

For the long-term equity investment acquired from the business combination not under same control, the initial investment cost of the long-term equity investment shall be taken as the combination cost on the acquisition date. The combination cost includes the sum of the fair value of the assets paid by the acquirer, liabilities incurred or assumed, and equity securities issued (if multiple transactions are implemented to acquire the equity of the combined party under same control step by step, and a business combination under same control is finally formed, it is necessary to judge whether they are a "package deal" respectively: if they are a "package deal", each of them shall be treated as a transaction to obtain control. If they are not a "package deal", the sum of the book value of the equity investment originally held by the purchased party and the newly added investment cost shall be taken as the initial investment cost of the long-term equity investment calculated by the cost method instead. If the equity originally held is accounted by the equity method, other related comprehensive income will not be accounted for the time being. 5. Accounting method for provision of inventory depreciation: on the balance sheet date, the inventories are measured according to the lower of the book cost of inventories and the net realizable value, and provision for inventory depreciation is provided for the part of the book cost higher than the net realizable value.

Intermediary expenses such as auditing, legal services, evaluation and consultation and other related management expenses incurred by the combining party or the acquirer for the business combination shall be included in current profits and losses when incurred.

The equity investments other than the long-term equity investments formed by business combinations are initially measured according to the cost. Depending on the way the

long-term equity investments are obtained, the said cost is respectively recognized according to the actual cash purchase price paid by the Company, the fair value of equity securities issued by the Company, the value agreed in investment contracts or agreements, the fair value or original book value of assets exchanged in non-monetary asset exchange transactions and the fair value of the long-term equity investments themselves. Expenses, taxes and other necessary expenses directly related to obtaining long-term equity investment are also included in the investment cost. If additional investment can exert significant impact on the invested entity or implement joint control but does not constitute control, the long-term equity investment cost shall be the sum of the fair value of the original equity investment determined in accordance with *Accounting Standards for Enterprises No.22-Recognition and Measurement of Financial Instruments* and the additional investment cost.

2. Method of subsequent measurement and confirmation of profit and loss

For long-term equity investments that are jointly controlled by the invested entities (except those that constitute joint operators) or have significant impact, the equity method shall be adopted for accounting. In addition, the cost method is adopted in the Company's financial statements to account long-term equity investments that can control the invested entities.

(1) Long-term equity investment accounted by cost method

When the cost method is used for accounting, the long-term equity investment is priced according to the initial investment cost, and the cost of the long-term equity investment is adjusted by adding or recovering the investment. In addition to the actual price paid at the time of obtaining the investment or the declared but undistributed cash dividends or profits included in the consideration, the current investment income shall be recognized according to the cash dividends or profits declared and distributed by the invested entity.

(2) Long-term equity investment accounted for equity method

If the initial investment cost of the long-term equity investment is greater than the fair value share of the identifiable net assets of the invested entity when the equity method is used for accounting, the initial investment cost of the long-term equity investment shall not be adjusted; if the initial investment cost is less than the fair value share of the identifiable net assets of the invested entity, the difference shall be included in the current profits and losses, and the cost of long-term equity investment shall be adjusted at the same time.

When the equity method is used for accounting, the investment income and other comprehensive income shall be recognized respectively according to the share of the net

profit and loss and other comprehensive income realized by the invested entity and that should be enjoyed or shared, and the book value of long-term equity investment shall be adjusted at the same time; the book value of long-term equity investment shall be reduced correspondingly according to the portion of profits or cash dividends declared and distributed by the invested entity; the book value of long-term equity investment shall be adjusted and included in the capital reserve for other changes in the owner's equity of the invested entity other than net profit and loss, other comprehensive income and profit distribution. When the share of net gains and losses of the invested entity is recognized, the net profit of the invested entity shall be adjusted and recognized based on the fair value of identifiable assets and others of the invested entity at acquisition. If the accounting policies and accounting periods adopted by the invested entity are inconsistent with the Company, the financial statements of the invested entity shall be adjusted in accordance with the Company's accounting policies and accounting periods, and the investment income and other comprehensive income shall be recognized accordingly. For transactions between the Company, associated enterprises and joint ventures, if the assets invested or sold do not constitute business, the unrealized profits and losses on internal transactions shall be offset by the portion attributable to the Company according to the proportion enjoyed, and the investment profits and losses shall be recognized on this basis. However, the unrealized internal transaction losses between the Company and the invested entity shall not be offset if they are impairment losses of the transferred assets. If the assets invested by the Company to a joint venture or an associated enterprise constitute business, and the investor has thus obtained long-term equity investment but has not obtained control, the fair value of the invested business shall be taken as the initial investment cost of the new long-term equity investment. The difference between the initial investment cost and the book value of the invested business shall be fully included in current profits and losses. If the assets sold by the Company to a joint venture or an associated enterprise constitute a business, the difference between the consideration obtained and the book value of the business shall be fully included in current profits and losses. If the assets purchased by the Company from affiliated enterprises and joint ventures constitute businesses, the accounting shall be carried out in accordance with the provisions of the *Accounting Standards for Enterprises No.20-Business Combination*, and the profits or losses related to the transaction shall be fully recognized.

The net loss from the investment in invested entity is recognized to the extent that the book value of the long-term equity investment and other long-term interest in substance in

the invested entity are written down to zero. In addition, if the Company has the obligation to bear additional losses to the invested entity, the estimated liabilities shall be recognized according to the estimated obligations and included in current investment losses. If the invested entity realizes net profit in the subsequent period, the Company will resume the recognition of the profit sharing amount after the profit sharing amount makes up for the unrecognized loss sharing amount.

(3) Acquisition of minority equity

In the preparation of consolidated financial statements, the capital reserve shall be adjusted for the difference between the long-term equity investment newly increased due to the purchase of minority equity and the net asset share continuously calculated by the subsidiary from the acquisition date (or the combining date) according to the newly increased shareholding ratio. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted.

(4) Disposal of long-term equity investment

In the consolidated financial statements, the parent company partially disposes of the long-term equity investment in the subsidiary company without losing control. The difference between the disposal price and the net assets of the subsidiary company corresponding to the disposal of the long-term equity investment is included in the shareholders' equity. If the parent company partially disposes of the long-term equity investment in the subsidiary company and causes loss of control over the subsidiary company, it shall be handled in accordance with the relevant accounting policies described in (6) "Method for Preparing Consolidated Financial Statements".

For the disposal of long-term equity investment under other circumstances, the difference between the book valuc of the disposed equity and the actual acquisition price shall be included in current profits and losses.

For long-term equity investments that are accounted by the equity method and whose remaining equity after disposal are still accounted by the equity method, other comprehensive income originally included in shareholders' equity shall be accounted on the same basis as the direct disposal of relevant assets or liabilities by the invested entity according to the corresponding proportion. The owners' equity recognized due to changes in owners' equity other than net profit and loss, other comprehensive income and profit distribution of the invested entity shall be transferred to current profits and losses in proportion.

For long-term equity investments that are accounted by the cost method and whose

remaining equity is still accounted by the cost method after disposal, their other comprehensive incomes recognized by the equity method accounting or financial instrument recognition and measurement standards accounting before obtaining control over the invested entity shall be accounted for on the same basis as the direct disposal of related assets or liabilities by the invested entity, and shall be carried forward to the current profits and losses in proportion; changes in other owner's equity other than net profit and loss, other comprehensive income and profit distribution in the net assets of the invested entity recognized by the equity method are carried forward to the current profits and losses in proportion.

In case of loss of the control over the invested entity due to the disposal of some equity investments, if the remaining equity after disposal can exercise joint control over or exert significant impact on the invested entity during the preparation of individual financial statements, the accounting shall be based on the equity method, and the remaining equity shall be adjusted as if it had been acquired by the equity method; if the remaining equity after disposal cannot exercise joint control over or exert significant impact on the invested entity, it shall be subject to accounting in accordance with the relevant provisions of the recognition and measurement standards for financial instruments, and the difference between its fair value and book value on the date of loss of control shall be included in current profits and losses. For other comprehensive income recognized before the Company obtains control over the invested entity due to equity method accounting or financial instrument recognition and measurement standards accounting, the same basis as the direct disposal of related assets or liabilities by the invested entity shall be adopted for its accounting when the control over the invested entity is lost. Changes in other owner's equity other than net profit and loss, other comprehensive income and profit distribution in the net assets of the invested entity recognized due to equity method accounting shall be transferred to current profits and losses when the control over the invested entity is lost. Including, if the remaining equity after disposal is accounted by the equity method, other comprehensive income and other owner's equity shall be carried forward in proportion; if the remaining equity after disposal is subject to accounting according to the standards for recognition and measurement of financial instruments, other comprehensive income and other owner's equity shall be carried forward.

If the disposal of part of the equity investment causes the loss of joint control or significant impact on the invested entity, the remaining equity after disposal shall be accounted according to the recognition and measurement standards of financial instruments,

and the difference between the fair value and book value on the date of loss of joint control or significant impact shall be included in current profits and losses. Other comprehensive income of the original equity investment recognized by the equity method shall be accounted on the same basis as the invested entity's direct disposal of related assets or liabilities when the equity method is terminated. Owner's equity recognized due to changes in owner's equity other than net profit and loss, other comprehensive income and profit distribution shall all be transferred to the current investment income when the equity method is terminated.

When the equity investment in a subsidiary is disposed of step by step through multiple transactions until the control right is lost, if the above transactions are a package deal, each transaction shall be treated as a transaction that disposes of the equity investment in the subsidiary and loses the control right. The difference between each disposal price and the book value of the long-term equity investment corresponding to the disposed equity before the loss of the control right is recognized as other comprehensive income, and then transferred to current profits and losses of the loss of the control when the control is lost.

(14) Investment real estate

Investment real estate includes leased land use rights, land use rights that are held and ready to be transferred after appreciation, and leased buildings. When the company can obtain rental income or value-added income related to investment real estate and the cost of investment real estate can be measured reliably, the investment real estate is recognized according to its actual expenses of acquisition or construction.

In general, the company adopts the cost model to carry out subsequent measurement on the subsequent expenses of investment real estate. For investment real estate, its depreciation or amortization shall be accrued according to the company's accounting policies for fixed assets or intangible assets.

If there is conclusive evidence that the fair value of the relevant investment real estate of the company can be obtained continuously and reliably, the fair value model shall be adopted for subsequent measurement of such investment real estate. If the fair value model is used for measurement, no depreciation or amortization shall be accrued for the investment real estate. The book value of the investment real estate shall be adjusted according to its fair value on the balance sheet date. The difference between its fair value and its original book value shall be included in current profits and losses.

When the company changes the use of investment real estate to other users, such as self-use, the applicable investment real estate shall be transferred to other assets.

The fair value of investment real estate is the current fair market price recognized according to the principle of open market under the condition of the company's going concern. It does not take into account the possible mortgage and guarantee matters and the additional price that special traders may pay. It also does not take into account the changes in the national macroeconomic policy and the impact of natural forces and other force majeure on the asset price.

(15) Fixed assets

1. Recognition of fixed assets: fixed assets refer to buildings, machinery and equipment, transportation tools and other business-related appliances held by the Company for the purpose of producing commodities, providing labor services, leasing or management with a service life of more than one year. They are recognized when related economic benefits are likely to flow into the enterprise and their expenses can be measured reliably.

2. Pricing of fixed assets: fixed assets are initially measured at cost.

Where the payment for a fixed asset is delayed beyond the normal credit conditions, which is equivalent to financing in nature, the cost of fixed assets shall be recognized on the basis of the present value of the purchase price. The difference between the actual price paid and the present value of the purchase price shall be included in current profits and losses in the credit period, except for those that should be capitalized.

3. Classification of fixed assets: houses and buildings, mechanical equipment, electronic equipment, means of transportation and other equipment.

4. Subsequent measurement of fixed assets: the Company accrues depreciation for all fixed assets, except for the fixed assets that have been fully depreciated and are used continuously.

According to the nature and use of fixed assets, the Company recognizes the service life and estimated net salvage value of fixed assets. At the end of the year, the Company also reviews the service life, estimated net salvage value and depreciation method of fixed assets.

Category, expected service life, expected net salvage value rate and annual depreciation rate of the Company's fixed assets are as follows:

Asset category	Estimated service life (years)	Estimated net residual value rate %	Annual depreciation rate %
Houses and buildings	20-40	5	4.75-2.375

Asset category	Estimated service life (years)	Estimated net residual value rate %	Annual depreciation rate %
Our Equipment	5-10	5	19.00-9.50
Electronic devices	5	5	19.00
Means of transportation	5	5	19.00
Other equipment	5	5	19.00

5. Recognition of impairment of fixed assets

On the balance sheet date, the Company judges whether there are signs of possible impairment of fixed assets according to the following situations:

(1) The market price of the asset has dropped significantly in the current period, and its decline is obviously higher than the expected decline due to the passage of time or normal use.

(2) The economic, technological or legal environment in which the Company operates and the market of the assets will undergo major changes in the current period or in the near future, thus adversely affecting the enterprise.

(3) The market interest rate or other market investment return rate has increased in the current period, thus affecting the discount rate of the Company in calculating the present value of the estimated future cash flow of the asset and resulting in a substantial decrease in the recoverable amount of the assets.

(4) There is evidence to prove that the assets have become outdated or their substances have been damaged.

(5) The assets have been or will be idle, terminated or planned to be disposed of in advance.

(6) Any evidence in the internal report of the Company shows that the economic performance of the assets has been or will be lower than the expected performance. For example, the net cash flow created by the assets or the operating profit (or loss) realized is lower (higher) than the excepted amount, etc.

(7) Other signs indicating that assets may have been impaired.

The recoverable amount is determined based on the higher of the net amount of the fair value of the fixed asset minus the disposal expenses and the present value of the estimated future cash flow of the asset.

The net amount of the fair value of the fixed assets minus the disposal expenses can be

recognized according to the sales agreement price in the fair transaction minus the amount directly attributable to the disposal expenses of the assets; if there is no sales agreement but the assets are traded in an active market, the net amount can be recognized according to the market price of the asset minus the disposal cost; in the absence of a sales agreement and an active market for the assets, the net amount of the fair value of the estimated assets minus the disposal expenses can be estimated by referring to the recent transaction prices or transaction results of similar assets in the same industry. If the Company is still unable to reliably estimate the fair value of the fixed assets minus the disposal expenses according to the above provisions, the present value of the estimated future cash flow of the assets shall be taken as their recoverable amount.

The present value of the estimated future cash flows of fixed assets is recognized by taking the market interest rate as the discount rate according to the estimated future cash flows generated during the continuous use and final disposal of these assets.

6. Recognition of financial leasing

Financial leasing is recognized when meeting one or more of the following conditions stipulated in the agreement signed by the Company for leasing fixed assets:

(1) At the expiration of the lease term, the ownership of the leased asset will be transferred to the Company; even if the ownership of the asset is not transferred, the lease term accounts for most of the useful life of the leased asset.

(2) The Company has the option to purchase leased assets, and the purchase price is expected to be far lower than the fair value of the leased assets when the option is exercised.

(3) The present value of the Company's minimum lease payment on the lease commencement date is almost equal to the fair value of the leased asset on the lease commencement date; the present value of the lessor's minimum lease receipts on the lease commencement date is almost equal to the fair value of the leased asset on the lease commencement date.

(4) The leased assets are of a specialized nature that only the Company can use them if no major modifications are made.

At the beginning of the lease period, the Company takes the lower of the fair value of the leased asset and the present value of the minimum lease payment as the entry value of the leased asset; the initial direct expenses incurred in the process of lease negotiation and lease contract signing and that can be attributed to the lease project, such as handling fees, attorney fees, travel expenses and stamp duty, are also included in the value of the fixed assets of the

financial leasing.

If it reasonable to be certain that the ownership of the leased asset can be obtained upon the expiration of the lease period, depreciation shall be accrued within the service life of the leased asset; if it not reasonable to be certain that the ownership of the leased asset can be obtained upon the expiration of the lease period, depreciation shall be accrued within the shorter of the lease term and the useful life of the leased asset.

Please refer to (19) "Impairment of Long-term Assets" for detailed methods of impairment test and impairment provision for fixed assets.

(16) Construction in progress

Cost of construction in progress is recognized based on the actual construction cost, including all expenditures incurred for construction projects, capitalized borrowing expenses for the construction in progress before it has reached the working condition for its intended use, and other related expenses during the construction period. A project under construction is transferred to fixed asset when it has reached the working condition for its intended use.

Please refer to (19) "Impairment of Long-term Assets" for details of impairment testing methods and impairment reserve accrual methods for construction in process .

(17) Borrowing expenses

Borrowing expenses include interest on loans, amortization of discounts or premiums, ancillary expenses and exchange differences arising from foreign currency loans. Borrowing expenses that can be directly attributed to the acquisition, construction or production of assets that meet the capitalization conditions start to be capitalized when the asset expenditure and the borrowing expenses have occurred, and the acquisition, construction or production activities necessary for the assets to reach the preset usable state or sellable state have begun; capitalization shall be stopped when the constructed or produced assets that meet the capitalization conditions reach the preset usable state or sellable state. The remaining borrowing expenses are recognized as expenses in the current period of occurrence.

As for specifically borrowed loans, the to-be-capitalized amount of interests shall be recognized in light of the actual cost incurred of the special borrowings at the present period minus the income of interests earned on the unused borrowings as a deposit in the bank or as a temporary investment; for general borrowings, the capitalization amount is recognized by multiplying the weighted average of the asset expenditures of the accumulated asset expenditures over the special loan portion by the capitalization rate of the occupied general borrowings. The capitalization rate is calculated and recognized according to the weighted

average interest rate of general borrowings.

During the capitalization period, all exchange differences of special borrowings in foreign currency shall be capitalized; exchange differences of general borrowings in foreign currency are included in current profits and losses.

Assets eligible for capitalization refer to fixed assets, investment real estate, inventory and other assets that require a long period of acquisition, construction or production activities to reach a predetermined usable or sellable state.

Capitalization of borrowing expenses should be suspended during periods in which the acquisition or construction of an asset is interrupted abnormally, and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

(18) Intangible assets

1. Pricing method, service life and impairment test

Intangible assets refer to identifiable non-monetary assets by the Company without physical form owned or controlled.

Intangible assets are initially measured at cost. Expenditures related to an intangible asset shall be included in cost of the intangible asset only when the economic benefits associated with the asset will likely flow to the Company and its cost can be measured reliably. Expenditures for other items other than this are included in current profits and losses when incurred.

Land use rights acquired are usually accounted as intangible assets. For self-developed and built buildings such as factory buildings, the relevant expenditure on land use rights and building construction expenses are accounted as intangible assets and fixed assets respectively. When the buildings and plants are acquired, the amounts are distributed between land use rights and buildings; if the amount can not be reasonably distributed between them, all of the amount shall be recognized as fixed assets.

For intangible asset with limited service life, its original value minus the estimated net salvage value and the accumulated amount of accrued impairment reserve will be amortized by straight-line method on an average in stages within its expected service life. Intangible assets with limited service life will not be amortized.

At the end of the period, the service life and amortization method of intangible assets with limited service life will be reviewed. If there is a change, it will be treated as an accounting estimate change. In addition, the service life of intangible assets with limited service life is also reviewed. If there is evidence that the period for the intangible assets to

bring economic benefits to the enterprise is foreseeable, its service life is estimated and amortized according to the amortization policy for intangible assets with limited service life.

See (19) "Impairment of Long-term Assets" for details of impairment testing methods and impairment reserve accrual methods for intangible assets.

2. Accounting policies for internal research and development expenditures

The expenditures of the Company's internal research and development projects is divided into research expenditure and development expenditure

Expenditure in research stage is included in current profits and losses.

Expenditures in development stage that meet the following conditions at the same time are recognized as intangible assets, and those cannot meet the following conditions are included in current profits and losses:

(1) It is feasible technically to complete such intangible assets for use or sale;

(2) It is intended to complete, use or sell the intangible assets;

(3) The usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets itself or the intangible assets will be used internally;

(4) There are sufficient technologies, financial resources and other resources supporting the development of the intangible assets. And the Company is able to use or sell such intangible assets;

(5) The development expenditures of the intangible assets can be reliably measured.

If expenses cannot be identified either as expenses occurred in the research stage or expenses occurred in the development stage, all such expenses are included in current profits and losses.

(19) Impairment of long-term assets

For non-current non-financial assets such as fixed assets, construction in progress, intangible assets with limited service life, investment real estate measured by cost method, and long-term equity investments in subsidiaries, joint ventures and associated enterprises, the Company, on the balance sheet date, makes a judgment on whether there is any sign of possible impairment. Where any evidence shows that there is possible impairment of such assets, the recoverable amount of the assets shall be estimated. Goodwill, intangible assets with limited service life and intangible assets that have not yet reached usable status shall be tested for impairment every year, regardless of whether there are signs of impairment.

If the result of impairment test shows that the recoverable amount of the asset is lower than its book value, the impairment provision shall be accrued according to the difference and shall be included in the impairment loss. The recoverable amount of an asset is the higher of its fair value minus expenses of disposal and the present value of the future cash flows expected to be derived from the asset. The fair value of the assets is determined according to the sales agreement price in the fair transaction; if there is no sales agreement but the asset is traded in an active market, the fair value shall be determined according to the bid price of the purchaser of the asset; if there is no sales agreement or an active market for assets, the fair value of the assets shall be estimated based on the best available information. Expenses of disposal are expenses attributable to the asset disposal, including legal fee, relevant tax and surcharges, transportation fee and direct expenses incurred to bring the asset ready for intended sale. The present value of the estimated future cash flow of the asset is recognized by choosing the appropriate discount rate to discount the amount of the asset according to the estimated future cash flow generated during the continuous use and final disposal of the asset. Provision for asset impairment is calculated and recognized on a single asset basis. If it is difficult to estimate the recoverable amount of a single asset, the recoverable amount of the asset group is recognized by the asset group to which the asset belongs. The asset group is the smallest asset group that can generate cash inflow independently.

For goodwill separately listed in the financial statements, its book value shall be allocated to the asset group or combination of asset groups that are expected to benefit from the synergy effect of the business combination during the impairment test. If the test results show that the recoverable amount of the asset group or the asset group combination containing the allocated goodwill is lower than its book value, the corresponding impairment loss shall be recognized. The amount of impairment loss is firstly offset against the book value of goodwill allocated to the asset group or asset group combination, and then offset against the book value of other assets according to the proportion of book value of other assets except goodwill in the asset group or asset group combination.

Once the impairment loss of the above-mentioned assets is recognized, it will not be transferred back to the part whose value has been recovered in the following period.

(20) Long-term unamortized expenses

Long-term unamortized expenses include expenses that have already occurred and should be shared by the current period and future periods for a period of more than one year. They are amortized evenly according to the benefit period.

(21) Employee compensation

1. The accounting methods of short-term compensation

Short-term compensation mainly includes wages, bonuses, allowances and subsidies, employee benefits, medical insurance, maternity insurance, work-related injury insurance, housing accumulation fund, trade union funds, labor union expenditure, non-monetary benefits, etc. The Company recognizes the actual short-term compensation of employees as liabilities during the accounting period in which employees provide services to the Company, and includes it in current profits and losses or related asset expenses. Including, non-monetary benefits are measured at fair value.

2. The accounting methods of after-service benefits

Where the labor relations with the employees are terminated before the expiration of their labor contracts, or compensation is proposed to encourage the employees to voluntarily accept the reduction, if the Company cannot unilaterally withdraw the dismissal benefits provided by the plan for termination of labor relations or the reduction proposal, it shall recognize the earlier of the expenses related to the reorganization involving the payment of dismissal benefits, and recognize the employee compensation liabilities arising from the dismissal benefits, which shall be included in current profits and losses. However, if the dismissal benefit is not expected to be fully paid within 12 months after the end of the annual reporting period, it shall be treated in accordance with the remuneration of other long-term employees.

After-service benefits mainly include defined contribution plans. The defined contribution plans mainly include basic endowment insurance and unemployment insurance. The corresponding contribution amount shall be included in the relevant asset cost or current profits and losses when incurred.

3. The accounting methods of dismissal benefits

The internal retirement plan for employees shall be handled according to the same principle as the dismissal benefits mentioned above. The Company will include the salary and social insurance premium to be paid to retired employees from the day when the employees stop providing services to the normal retirement date into the current profits and losses (dismissal benefits) when the conditions for recognition of estimated liabilities are met.

4. Other accounting methods of long-term employee benefits

Other long-term employee benefits provided by the Company to employees and

conforming to the defined contribution plan shall be subject to accounting according to the defined contribution plan. The others are subject to accounting according to the defined benefit plan.

(22) Estimated liabilities

When the obligations related to contingencies meet the following conditions at the same time, they are recognized as estimated liabilities: (1) the obligations are the current obligations undertaken by the company; (2) Fulfilling this obligation is likely to result in outflow of economic benefits; (3) The amount of the obligation can be measured reliably.

On the balance sheet date, the estimated liabilities are measured according to the best estimate of expenditures required to fulfill relevant current obligations, taking into account such factors as risks related to contingencies, uncertainties and time value of currency.

If all or part of the expenditures required to settle the estimated liabilities are expected to be compensated by a third party, the amount of compensation shall be recognized separately as an asset when it is basically determined that it can be received, and the recognized amount of compensation shall not exceed the book value of the estimated liabilities.

(23) The accounting of share-based payment

1. Types of share-based payment

Share-based payment includes equity-settled share-based payments and cash-settled share-based payments.

2. Method for recognition of the fair value of equity instruments

(1) If there is an active market, the fair value shall be recognized according to the quotation in the active market.

(2) If there is no active market, valuation techniques shall be used for recognition, including referring to the prices used in recent market transactions by all parties familiar with the situation and willing to trade, referring to the current fair values of other financial instruments that are substantially the same, discounted cash flow method, option pricing model, etc.

3. The basis for recognition of the best estimate of the vesting equity tools

According to the latest available follow-up information such as changes in the number of vesting employees, the best estimate is made.

4. Relevant accounting of implementing, modifying and terminating the share-based payment plan

(1) Equity-settled share-based payment

As to an equity-settled share-based payment in return for services of employees, if the right may be vested immediately after the grant, the fair value of the equity instruments shall, on the date of the grant, be included in the relevant cost or expense and the capital reserves shall be adjusted accordingly. As to a equity-settled share-based payment, if the right may not be vested until the service during the vesting period is completed or the specified performance conditions are met, on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the information about the number of the vesting equity instruments, be included in the relevant expenses and the corresponding liabilities at the fair value of the liability undertaken by the Company.

As to a equity-settled share-based payment in return for other parties' services, if the fair value of other parties' services can be reliably measured, it shall be measured according to the fair value of other parties' services on the acquisition date; if the fair value of services provided by other parties cannot be reliably measured, but the fair value of equity instruments can be reliably measured, it shall be measured according to the fair value of equity instruments on the acquisition date, and shall be included in relevant expenses. The owner's equity shall be increased accordingly.

(2) Cash-settled share-based payment

As to a cash-settled share-based payment instruments, if the right may be vested immediately after the grant, the fair value of the liability undertaken by the Company shall, on the date of the grant, be included in the relevant expenses, and the liabilities shall be increased accordingly. As to a cash-settled share-based payment, if the right may not be vested until the vesting period comes to an end or until the specified performance conditions are met, on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the information about the vesting, be included in the relevant expenses and the corresponding liabilities at the fair value of the liability undertaken by the Company.

(3) Modification or termination of the share-based payment plan

If the fair value of the equity instruments granted is increased, the Company will recognize the increase in services obtained according to the increase in the fair value of the equity instruments; if equity instruments granted are increased, the Company will correspondingly recognize the fair value of the increased equity instruments as an increase in the acquisition of services; if the Company modifies the vesting conditions in a way beneficial to employees, the modified vesting conditions will be taken into account when the

Company handles the vesting conditions.

If the fair value of the equity instruments granted is reduced, the Company will continue to recognize the amount of services obtained based on the fair value of the equity instruments on the grant date, regardless of the reduction in the fair value of the equity instruments; if the granted equity instruments are reduced, the Company will treat the reduced part as cancellation of the granted equity instruments; if the vesting conditions are modified in a way that is not conducive to employees, the modified feasibility conditions will not be taken into account when the Company handles the vesting conditions.

If the Company cancels the granted equity instruments or settles the granted equity instruments (except those canceled due to failure to meet the vesting conditions) during the vesting period, the cancellation or settlement will be treated as an accelerated vesting and the amount originally recognized during the remaining vesting period will be recognized immediately.

(24) Income

1. General principles of revenue recognition

(1) Commodity sales: the Company has transferred the main risks and rewards related to the ownership of the goods to the buyer; the Company no longer exercises continuous management rights and actual control rights related to the ownership of the goods, nor does it exercise control over the sold goods; when the economic benefits related to the transaction can flow into the enterprise and relevant incomes and expenses can be reliably measured, the Company recognizes the realization of the income.

(2) Provision of labor services: for the labor services started and completed in the same year, the realization of operating income shall be recognized when the labor services are completed; if labor services are started and completed in different accounting years, the relevant labor income shall be recognized on the balance sheet date according to the completion percentage method as long as the results of providing labor services can be reliably estimated; if the results of providing labor services cannot be estimated reliably, the income shall be recognized according to the amount of labor expenses incurred, and the expenses shall be recognized according to the same amount when the labor expenses incurred are expected to be fully compensated; if the labor expenses incurred are not expected to be fully compensated, income shall be recognized according to the amount of labor expenses that can be compensated, and the labor expenses incurred shall be included in current expenses; if all the incurred labor expenses are not expected to be compensated, the incurred

labor expenses shall be taken as current expenses and no income shall be recognized.

(3) Transfer of the right to use assets: when the economic benefits related to the transfer can flow into the enterprise and relevant incomes and expenses can be reliably measured, the Company recognizes the realization of the income according to the contract or agreement.

(4) Revenue is recognized on an accrual basis in accordance with the relevant contract or agreement.

2. Specific criteria for revenue recognition

(1) For commodity sales, revenue should be recognized under the following conditions: products have been shipped and received by customers; payment has been received or the right to receive payment has been obtained; the relevant costs incurred or to be incurred can be measured reliably.

(2) The income of real estate development products should be recognized when the following conditions are met

(1) The buyer and the seller sign the sales contract and file it in the property department;

(2) The real estate development products have been completed and accepted;

(3) The Company receives a certain proportion of the purchase price from the customer or obtains the right to collect all the purchase price (such as a written commitment letter from the bank agreeing to release the mortgage payment, etc.);

(4) dealt with the formalities of hand over a room, or according to the conditions agreed upon in the purchase contract shall be regarded as when the customer receives.

(3) Infrastructure construction

As for the income from infrastructure construction and development, the economic benefits related to development can flow into the enterprise, the income and cost can be measured and estimated reliably, and the income can be recognized when the conditions agreed in the contract or agreement are reached.

(4) Green energy heat, steam, water income: company according to the actual production of electricity, steam, online instant settlement with customers, a month after check with the customer to confirm the product quantity, the price, the company based on the confirmation slip to issue official invoices settlement with customers and will confirm the ownership of the goods on the main risks and rewards transfer to the buyer, confirm the power, steam, operating income.

(5) Transportation enterprises: business revenue is confirmed according to passenger

ticket, freight label and relevant bills. Passenger label includes fixed ticket, supplementary ticket, passenger package ticket and ticket refund receipt. Freight bills include vehicle tickets, freight tickets, baggage and parcel tickets, goods sources, etc. Other instruments include receipts for loading and unloading of less load, baggage handling charges and provisional receipts.

(25) Government subsidies

The monetary or non-monetary assets obtained by the company from the relevant government departments free of charge should be confirmed when the company can meet the conditions attached to the government subsidy and receive the government subsidy.

If the government subsidy is a monetary asset, it should be measured according to the amount received or receivable; if the government subsidy is a non-monetary asset, it should be measured according to the fair value; Where the fair value cannot be obtained reliably, it should be measured according to the nominal amount.

1. The government subsidy related to assets should be written down or recognized as deferred income. Where the government subsidy related to the asset is recognized as deferred income, it should be recorded into the current profit and loss in a reasonable and systematic manner within the service life of the relevant asset. The government subsidy measured according to the nominal amount should be directly recorded into the current profit and loss.

Where the relevant assets are sold, transferred, scrapped or damaged before the end of their useful life, the balance of the undistributed deferred income should be transferred to the profits and losses of the current period of asset disposal.

2. Government subsidies related to income should be treated in the following cases: those used to compensate the relevant expenses or losses of the enterprise in the future should be recognized as deferred income, and the relevant costs should be recorded into the current profit and loss or written off the relevant costs during the period of recognition of relevant costs or losses; If it is used to compensate the relevant costs or losses incurred by the enterprise, it should be directly recorded into the current profit and loss or written off the relevant costs.

3. For the government subsidy that includes both the asset-related part and the income-related part, different parts shall be accounted for separately; Those that are difficult to distinguish should be classified as government subsidies related to income as a whole.

4. Government subsidies related to the daily activities of the enterprise should be included in other income or offset against relevant costs and expenses in accordance with the

essence of economic business. Government subsidies that have nothing to do with the daily activities of an enterprise should be accounted as non-business income and expenditure.

5. If an enterprise obtains the discount interest of policy-based preferential loans, it should distinguish the two situations in which the government appropriates the discount interest funds to the lending bank and the government directly appropriates the discount interest funds to the enterprise.

Fiscal interest discount funds allocated to the loan bank, by the lending bank to provide loans policy preferential interest rate to the enterprise, the enterprise can choose one of the following methods for accounting treatment, selection should be applied consistently, should not be arbitrarily changed: the amount of borrowing is actually received as borrowing costs, according to the loan principal and the preferential interest rate policy related borrowing costs; Second, the fair value of the loan is taken as the book value of the loan and the borrowing costs are calculated according to the actual interest rate method. The difference between the actual amount received and the fair value of the loan is recognized as deferred income. The deferred income is amortized by the actual interest rate method within the duration of the loan to offset the relevant borrowing costs.

The government should directly allocate the discount interest funds to the enterprises, and the enterprises should offset the corresponding discount interest against the relevant borrowing costs.

If the confirmed government subsidy needs to be returned, it should be accounted for in accordance with the following provisions in the current period that needs to be returned:

(1) Adjust the account value of assets if the account value of related assets is written off at the initial confirmation.

(2) If there is related deferred income, the balance of the account of related deferred income should be written down, and the excess part should be recorded into the current profit and loss.

(3) In other cases, it should be directly recorded into the current profits and losses. **(26) Deferred tax assets and deferred tax liabilities**

Deferred income tax assets and deferred income tax liabilities are recognized based on the difference (temporary difference) between the tax basis of the assets and liabilities and their book values. On the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured according to the applicable tax rate in the period when the assets are expected to be recovered or the liabilities are settled.

1. Basis for recognition of the deferred tax assets

The Company recognizes deferred income tax assets arising from deductible temporary differences to the extent that the Company is likely to obtain taxable income that can be used to offset deductible temporary differences and can carry forward deductible losses and tax credits for future years. However, deferred income tax assets arising from the initial recognition of assets or liabilities will not be recognized in transactions with the following characteristics: (1) the transaction is not a business combination; (2) the transaction will not affect the accounting profit or taxable income or deductible loss after it occurs.

For deductible temporary differences related to joint venture investment, if the following conditions are met at the same time, the corresponding deferred income tax assets should be recognized: the temporary differences are likely to be reversed in the foreseeable future, and the taxable income used to offset the deductible temporary differences is likely to be obtained in the future.

2. Basis for recognition of the deferred tax liabilities

The Company recognizes the taxable temporary differences due and unpaid in the current period and previous periods as deferred income tax liabilities. Excluding:

(1) Temporary differences formed by initial recognition of goodwill;

(2) Transactions or events formed by non-business combination, whose occurrence will not affect accounting profits or temporary differences formed by taxable income (or deductible losses);

(3) For taxable temporary differences related to investments of subsidiaries and affiliated enterprises, the time of reversal of the temporary differences can be controlled and the temporary differences are likely not to be reversed in the foreseeable future.

(27) Leasing

1. Accounting method of operating lease

When the Company is the lessee, the rent is included in the cost of relevant assets or recognized as current profits and losses according to the straight-line method in each period of the lease period. The initial direct expenses incurred shall be directly included in current profits and losses. Contingent rents are included in current profits and losses when they actually occur.

When the Company is the lessor, the rent is recognized as current profits and losses according to the straight-line method in each period of the lease term. The initial direct expenses incurred are directly included in the current profits and losses, except for the ones

with larger amounts that are capitalized and included in the profits and losses by stages. Contingent rents are included in current profits and losses when they actually occur.

2. Accounting methods of financial leasing

(1) Financial lease-in assets: on the lease starting date, the Company takes the lower of the fair value of the leased asset and the present value of the minimum lease payment amount as the entry value of the leased asset, and recognizes the minimum lease payment amount as the entry value of the long-term payables. And the difference between them is recognized as the unrecognized financing expense.

The Company adopts the effective interest rate method to amortize the unrecognized financing expenses during the lease period of the assets and include them in the financial expenses.

(2) Financial lease-out assets: on the lease starting date, the Company recognizes the receivable financial lease payments and the difference between the sum of unsecured residual values and their present value as unrealized financial income, and recognizes them as lease income in the future rental receipt periods. The Company's initial direct expenses related to lease transactions are included in the initial measurement of receivable financial leasing payments and the income recognized during the lease period is reduced.

When the Company is the lessee, the rent is included in the cost of relevant assets or recognized as current profits and losses according to the straight-line method in each period of the lease period. The initial direct expenses incurred shall be directly included in current profits and losses. Contingent rents are included in current profits and losses when they actually occur.

When the Company is the lessor, the rent is recognized as current profits and losses according to the straight-line method in each period of the lease term. The initial direct expenses incurred are directly included in the current profits and losses, except for the ones with larger amounts that are capitalized and included in the profits and losses by stages. Contingent rents are included in current profits and losses when they actually occur.

(28) Changes in major accounting policies and accounting estimates

1. Changes in major accounting policies

(1) The Ministry of Finance issued the *Notice on Revising and Issuing the Format of General Enterprise Financial Statements of 2019* (Accounting [2019] No.6) in June 2019, and *Notice on Revising and Issuing the Format of Consolidated Financial Statements of 2019* (Accounting [2019] No.16) in September 2019, making corresponding adjustments to the

format of enterprise financial statements. The Company has prepared the financial statements of December 31, 2019 based on the notices above and adjusted the 2018 financial statements. The main impacts on the financial statements are listed below:

Some items have been adjusted in accordance with the implementation of the accounting standards. The line "Notes receivable and accounts receivable" in the original balance sheet are split into "Notes receivable", "Accounts receivable", and "Accounts receivable financing". The line "Notes receivable and accounts receivable" splits into "Notes receivable" and "Accounts Receivable". In income statement, the adjustments were made to the line of "asset impairment losses" and "credit impairment losses".

The Company adopts retrospective adjustment method for this accounting policy change, and its main impacts on the items reported in the financial statements are as follows:

Item	Before adjustment	After adjustment	Variations
Notes receivable and accounts receivable	806,557,260.23		-806,557,260.23
Notes Receivable		2,865,894.34	2,865,894.34
Accounts Receivable		803,691,365.89	803,691,365.89
Notes payable and accounts payable	1,199,938,189.65		-1,199,938,189.65
Notes Payable		536,743,118.54	536,743,118.54
Accounts Payable		663,195,071.11	663,195,071.11

2. Explanation of changes in accounting estimates

The Company has no changes in accounting estimates during current reporting period.

(29) Early accounting error correction

The Company has not made major accounting error correction during current reporting period.

(30) Major accounting judgments and estimates

In the process of applying accounting policies, the Company needs to judge, estimate and assume the book value of report items that cannot be accurately measured due to the inherent uncertainty of business activities. These judgments, estimates and assumptions are based on the previous experiences of the Company's management and other relevant factors. These judgments, estimates and assumptions will affect the reported amounts of income, expenses, assets and liabilities and the disclosure of contingent liabilities on the balance sheet date. However, the actual results caused by the uncertainty of these estimates may be different from the current estimates of the Company's management, resulting in significant adjustments to the book amounts of future affected assets or liabilities.

Such judgments, estimates and assumptions are reviewed regularly on the basis of going concern; impact by changes of accounting estimates which is only applicable to current period shall be recognized in current period; impact which is applicable to current period and future periods shall be recognized in current period and future periods.

The important areas of the Company's judgment, estimation and assumption on the amount of items in the financial statements on the balance sheet date are as follows:

(1) Accrual of the provision for bad debts

According to the accounting policy of receivables, the Company adopts the allowance method to account bad debt losses. Impairment of accounts receivable is based on the assessment of the recoverability of accounts receivable. Appraisal of the impairment of accounts receivable requires the Management's judgment and estimation. The difference between the actual result and the original estimate will affect the book value of accounts receivable and the accrual or reversal of bad debt provision of accounts receivable during the period when the estimate is changed.

(2) Provision for inventory depreciation

According to the inventory accounting policy, the Company measures the lower of cost and net realizable value, and makes provision for inventory depreciation for inventories with cost higher than net realizable value as well as obsolete and unsalable inventories. Impairment of inventories to net realizable value is based on the evaluation of the marketability of inventories and their net realizable value. Appraisal of impairment of inventories requires the Management to make judgment and estimation on the basis of obtaining conclusive evidence and considering factors such as the purpose of holding inventories and the influence of events after the balance sheet date. The difference between the actual result and the original estimate will affect the book value of inventory and the accrual or reversal of inventory depreciation reserve during the period when the estimate is changed.

(3) Depreciation and amortization

After considering residual value of investment real estate, fixed assets and intangible assets, the Company will accrue depreciation and amortization on a straight-line basis during their service lives. The Company regularly reviews their service life to recognize the depreciation and amortization expenses to be included in each reporting period. The service life is acknowledged by the Company based on the previous experience of similar assets and in combination with the expected technological updates. Depreciation and amortization

expenses will be adjusted in the future period if the foregoing estimate changes significantly.

(4) Income tax

In the normal business activities of the Company, there are certain uncertainties in the final tax treatment and calculation of some transactions. Whether some items can be listed as tax deductible items requires the approval of the tax authorities. If the final determination result of these tax matters is different from the originally estimated amount, the difference will affect the current income tax and deferred income tax during the final determination period.

(31) Profit distribution methods

Net profit is distributed in the following order and regulations:

1. Making up for the previous year's losses;

2. Withdrawing the statutory surplus reserve equal to 10% of net profit;

3. Withdrawing any surplus reserve;

4. Profit distribution.

IV. Tax

Categories of taxes	Taxation basis	Tax rate
VAT	Value added in the process of selling goods or providing taxable services	16%,13%,11%,10%,9% ,6%, 0%
Corporate income tax	Taxable profits	25%
Urban maintenance and construction tax	Turnover tax payable	5%,7%
Education surcharge (including local)	Turnover tax payable	3% and 2%
Water conservancy construction fund	Turnover tax payable	1%
Land value added tax	Value added from transfer of real estate	Excess progressive tax rate
Property tax	If assessed based on price, 1.2% of the remaining value will be collected after 30% of the original value of the property is deducted; if assessed based on rent, 12% of the rent income will be collected.	1.2%,12%

V. Notes to Main Items of Financial Statements

For the following annotated items in balance sheet, the beginning balance is the balance on December 31, 2018, and the ending balance is the balance on December 31, 2019, unless the time is specially indicated. For items that do not indicate the monetary unit, the balance is in RMB.

Annotation1. Monetary funds

Item	Ending balance	Beginning Balance
Cash on hand	3,365,729.77	3,118,898.22
Bank deposits	2,212,065,352.92	2,367,043,276.45
Other monetary capital	1,155,664,711.66	316,936,042.09
Total	3,371,095,794.35	2,687,098,216.76

Including, the details of other monetary funds are as follows:

Item	Ending balance
Deposit of bank acceptance bill	884,301,900.00
L/C Guarantee deposits	695,510.26
Performance bond	7,025,898.08
Guarantee deposits	6,301,637.56
Supervision funds for pre-sale of commercial housing	257,339,765.76
Total	1,155,664,711.66

Annotation2. Notes receivable

Category	Ending balance			Beginning Balance		
	Book balance	Bad debt provision	Book Value	Book balance	Bad debt provision	Book value
Banker's acceptance	3,673,043.41		3,673,043.41	1,676,767.70		1,676,767.70
Trade acceptance	130,645,963.31		130,645,963.31	1,189,126.64		1,189,126.64
Total	134,319,006.72		134,319,006.72	2,865,894.34		2,865,894.34

As of December 31, 2019, the Company had no pledged notes receivable or notes receivable converted into accounts receivable because the drawer was unable to perform.

Annotation3. Accounts receivable

1. Classification of accounts receivable

Item	Ending balance				Beginning Balance			
	Book Balance		Bad debt provision		Book Balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Provision (%)	Amount	Percentage (%)	Amount	Provision (%)
Accounts receivable based on specific recognition method with accrual of bad debt provision	958,680.08	0.08	958,680.08	100.00	780,969.76	0.10	780,969.76	100.00
Accounts receivable based on specific recognition method without accrual of bad debt provision	330,800,722.54	27.24			368,922,061.83	45.73		

Item	Ending balance				Beginning Balance			
	Book Balance		Bad debt provision		Book Balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Provision (%)	Amount	Percentage (%)	Amount	Provision (%)
Accounts receivable for which provision for bad debts is accrued by the combination test (balance percentage) method.	882,752,942.00	72.68	4,413,764.71	0.50	436,954,074.44	54.17	2,184,770.38	0.50
Total	1,214,512,344.62	100.00	5,372,444.79	100.00	806,657,106.03	100.00	2,965,740.14	100.00

2. Age of Accounts receivable

Aging	Ending balance		Beginning Balance	
	Book balance	Bad debt provision	Book balance	Bad debt provision
<1 year	1,198,140,700.57	4,354,551.00	793,744,509.57	2,901,278.57
1-2 years	10,930,047.25	990,685.81	9,827,355.75	49,136.78
2-3 years	2,958,153.83	14,790.77	1,009,715.86	5,048.58
>3 years	2,483,442.97	12,417.21	2,075,524.85	10,276.21
Total	1,214,512,344.62	5,372,444.79	806,657,106.03	2,965,740.14

3. Details of the five largest debtors of accounts receivable at the end of 2019

Company Name	Book balance	Percentage (%)	Bad debt provision
Tianyuan Construction Group Co., Ltd.	135,000,000.00	11.12	675,000.00
Shandong Taisenrili Wood-based Panel Machinery Co., Ltd	54,000,000.00	4.45	270,000.00
Linyi Power supply company of Shandong electric power company	40,419,948.17	3.33	202,099.74
Linyi Runda Thermal Co., Ltd	28,534,443.00	2.35	142,672.22
Jiangxi Guanjie Supply Chain Co., Ltd.	28,180,385.34	2.32	140,901.93
Total	286,134,776.51	23.57	1,430,673.89

Annotation4. Prepaid accounts

1. The aging analysis of prepaid accounts is as follows:

Aging	Ending balance		Beginning Balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within one year	241,553,262.44	81.99	419,458,927.14	80.20
One to two	36,537,462.84	12.40	99,666,589.88	19.06

years				
Two to three years	14,018,781.67	4.76	3,850,476.62	0.74
Above 3 years	2,514,354.43	0.85		
Total	294,623,861.38	100.00	522,975,993.64	100.00

2. The top five prepaid accounts at the end of 2019 are as follows:

Company Name	Ending balance	Proportion in total Prepaid%
Shandong Linuo Power Design Consulting Co., Ltd.	79,067,581.50	26.84
Tianyuan Construction Group Co., Ltd.	37,163,050.82	12.61
Linyi Xincheng Thermal Co., Ltd	11,719,821.70	3.98
Linyi Water Co., Ltd.	11,252,767.01	3.82
Linyi Chaoyue Power Construction Co., Ltd.	8,743,917.78	2.97
Total	147,947,138.81	50.22

Annotation5. Other receivables

Item	Ending balance	Beginning Balance
Interests Receivable	3,780,995.75	336,000.00
Dividends Receivable		4,830,127.47
Other Receivables	2,479,177,416.80	2,430,699,991.81
Total	2,482,958,412.55	2,435,866,119.28

1. Interests Receivable

(1)Classification of interest receivable

Item	Ending balance	Beginning Balance
Fixed deposit & Financial interest	1,704,692.98	336,000.00
Interest on loans	2,076,302.77	
Bonds investment		
Other		
Total	3,780,995.75	336,000.00

2. Other Accounts Receivable

(1)Classification of other accounts receivable

Item	Ending balance	
	Book balance	Bad debt provision

	Amount	Percentage(%)	Amount	Percentage (%)
Other receivables based on specific recognition method with full accrual of provision for bad debts	25,574,744.11	1.02	12,913,222.15	50.00/100.00
Other receivables based on specific recognition method without accrual of bad debts provision	1,854,025,143.81	74.30	-	-
Other receivables based on combination test (balance percentage) method with full accrual of provision for bad debts	615,568,594.00	24.68	2,620,458.17	0.50
Total	2,495,168,481.92	100.00	15,533,680.32	

Item	Beginning Balance			
	Book balance		Bad debt provision	
	Amount	Percentage(%)	Amount	Percentage(%)
Other receivables based on specific recognition method with full accrual of provision for bad debts	709,101.93	0.03	709,101.93	100.00
Other receivables based on specific recognition method without accrual of bad debts provision	1,565,476,750.19	64.27		
Other receivables based on combination test (balance percentage) method with full accrual of provision for bad debts	869,573,487.55	35.70	4,350,245.93	0.50
Total	2,435,759,339.67	100.00	5,059,347.86	

(2) Age of other account receivable

Aging	Ending balance		
	Book balance	Bad debt provision	Accrual proportion (%)
<1 year	945,488,711.44	838,617.09	0.5/0
1-2 years	181,509,700.91	907,499.50	0.5/0
2-3 years	548,963,455.19	304,352.46	0.5/0
>3 years	819,206,614.38	13,940,596.07	50.00/100.00/0.50/0
Total	2,495,168,481.92	15,991,065.12	

Aging	Beginning Balance		
	Book balance	Book balance	Book balance
<1 year	1,024,508,189.83	3,204,689.69	0.5/0
1-2 years	572,747,724.29	425,085.67	0.5/0

2-3 years	634,429,932.52	820,025.66	0.5/0
>3 years	204,073,493.03	609,546.84	0.5/0
Total	2,435,759,339.67	5,059,347.86	—

(3) Details of the five largest debtors of other receivables at the end of 2019

Company Name	Nature	Amount	Aging	Proportion of accounts receivable (%)	Bad debt provision
Linyi Lanshan District Finance Bureau	Loan	673,000,000.00	Within 1 year、2-3 years、3-4 years	26.97	
Fei County Finance Bureau	Loan	400,000,000.00	2-3 years、3-4 years	16.03	
Pingyi County Finance Bureau	Loan	170,000,000.00	2-3 years、3-4 years	6.81	
Linyi Hualong Thermal Power Co., Ltd.	Loan	161,019,639.29	3-4 years	6.45	805,098.20
Shandong Mengshan Tourism Group Co., Ltd	Loan	109,650,000.00	Within 1 year	4.39	
Total		1,513,669,639.29		60.65	805,098.20

Annotation6. Inventory

Item	Ending balance			Beginning Balance		
	Book balance	Provision	Book value	Book balance	Provision	Book value
Raw materials	116,060,356.35	234,673.67	115,825,682.68	107,161,434.70	208,009.57	106,953,425.13
Work-in-process	53,725,831.72		53,725,831.72	47,421,148.84		47,421,148.84
Development cost	27,476,547,092.51		27,476,547,092.51	18,274,523,863.15		18,274,523,863.15
Merchandise inventory	146,879,365.79	384,829.18	146,494,536.61	140,464,658.97	384,829.18	140,079,829.79
Other	1,831,628.34		1,831,628.34	9,370.00		9,370.00
Total	27,795,044,274.71	619,502.85	27,794,424,771.86	18,569,580,475.66	592,838.75	18,568,987,636.91

Annotation7. Available-for-sale financial assets

Items	Ending balance	Beginning Balance
Pre-paid & Withhold Tax	414,256,395.89	362,811,094.78
Other assets	2,000,000.00	
Total	416,256,395.89	362,811,094.78

Annotation8. Available-for-sale financial assets

1. Available-for-sale financial assets

Item	Ending balance			Beginning Balance		
	Book Balance	Provision for Impairment	Book Value	Book Balance	Provision for Impairment	Book Value
Available-for-sale debt instruments						

Item	Ending balance			Beginning Balance		
	Book Balance	Provision for Impairment	Book Value	Book Balance	Provision for Impairment	Book Value
Available-for-sale equity instruments	627,275,496.66		627,275,496.66	672,208,630.00		672,208,630.00
Measured at fair value	627,275,496.66		627,275,496.66	672,208,630.00		672,208,630.00
Measured at price						
Other						
Total	627,275,496.66		627,275,496.66	672,208,630.00		672,208,630.00

2. Details of available-for-sale equity instruments

Investee	Beginning balance	Increase in Current Period	Reduction in Current Period	Ending balance	Shareholding proportion (%)
Shandong Financial Asset Management Co., Ltd.	30,000,000.00			30,000,000.00	0.30
Zaolin Railway Co., Ltd.	6,161,500.00			6,161,500.00	0.37
Manyi Network Technology Co., Ltd.	2,500,000.00			2,500,000.00	5.00
Linyi Utility Tunnel Construction and Management Co., Ltd.	8,000,000.00			8,000,000.00	5.00
Greencourt Linyi high speed railway construction No.2 structured private fund	500,000,000.00		54,933,133.34	445,066,866.66	
Jianxin(Beijing)Investment Fund Management Co., Ltd.	125,000,000.00			125,000,000.00	
Zhuhai Jiading Equity Investment Fund Partnership(L.P.)		10,000,000.00		10,000,000.00	
Tianyuan (Linyi) Bus Rapid Transit Construction and Operation Co., Ltd.	547,130.00			547,130.00	
Total	672,208,630.00	10000000	54,933,133.34	627,275,496.66	

Annotation9. Long-term equity investment

1.Classification of long-term equity investment

Item	Beginning balance	Increase in Current Period	Reduction in Current Period	Ending balance
Investment in subsidiaries				
Investment in joint venture				
Investment in associates	808,436,119.72	83,005,896.10	121,632,371.52	769,809,644.30
Subtotal	808,436,119.72	83,005,896.10	121,632,371.52	769,809,644.30
Less: Long-term equity investment impairment provision	2,000,000.00			2,000,000.00
Total	806,436,119.72	83,005,896.10	121,632,371.52	767,809,644.30

2.Detail of long-term equity investment

Company	Beginning balance	Increase in current Year	Decrease in Current Period	Ending balance	Proportion of shares held

Linyi City Investment Fuhai Natural Gas Co., Ltd.	313,749,427.93	31,319,839.79		345,069,267.72	49.00%
Qingdao Port (Linyi) High Speed Logistics Co., Ltd.	1,818,164.00			1,818,164.00	19.00%
Linyi Chengtou Sisuo Xinxi Jishu Co.,Ltd.	4,387,985.59	681,453.87		5,069,439.46	45.00%
Linyi CMEC Consulting Co., Ltd	1,470,387.47	498,801.35		1,969,188.82	30.00%
Linyi Capital Environmental Protection Development Co., Ltd	42,757,837.57	-317,461.53		42,440,376.04	30.00%
Guangdong Saier Risheng Home Technology Co., Ltd.	3,600,000.00	-2,448,133.80		1,151,866.20	36.00%
Lunan High-speed Railway Co., Ltd.	250,000,000.00			250,000,000.00	25.00%
Linyi financing guarantee Group Co., Ltd		50,000,000.00		50,000,000.00	25.00%
CCCC Infrastructure Construction Co., Ltd		1,200,000.00		1,200,000.00	20.00%
Shandong Tianyuan Shangjia Decoration Engineering Co., Ltd.		3,021,141.73		3,021,141.73	30.00%
Linyi Sanyu Culture Media Co., Ltd.		953,678.55		953,678.55	21.00%
Linyi Sino-European International Train Cargo Transportation Agency Co., Ltd.	6,029,974.51	87,839.85		6,117,814.36	40.00%
Linyi Shouchuang Water Co., Ltd	34,143,641.22		34,143,641.22		30.00%
Linyi SK Water Co., Ltd	87,488,730.30		87,488,730.30		40.00%
Linyi Bus Telaidian New Energy Co., Ltd.	62,989,971.13	-1,991,263.71		60,998,707.42	49.00%
Total	808,436,119.72	83,005,896.10	121,632,371.52	769,809,644.30	

Annotation10. Investment real estate

1. Investment real estate measured at fair value

Item	Beginning Balance	Increase in current year	Reduction in current year	Ending balance
I. Total original value	1,669,170,002.38		311,681,775.00	1,357,488,227.38
1. Houses and buildings				
2. Land use rights	1,669,170,002.38		311,681,775.00	1,357,488,227.38
II. Total changes in fair value	2,814,925,778.37	3,692,673,851.25	1,966,523,585.00	4,541,076,044.62
1. Houses and buildings				

2. Land use rights	2,814,925,778.37	3,692,673,851.25	1,966,523,585.00	4,541,076,044.62
III. Net book value of investment real estate	4,484,095,780.75	3,692,673,851.25	2,278,205,360.00	5,898,564,272.00
1. Houses and buildings				
2. Land use rights	4,484,095,780.75	3,692,673,851.25	2,278,205,360.00	5,898,564,272.00

In this period, some land use rights were changed to self-development, and their book value was converted to development cost.

Annotation11. Fixed assets

Item	Ending balance	Beginning Balance
Fixed Assets	8,939,669,481.19	8,854,505,898.49
Disposal of fixed assets	826.03	
Total	8,939,670,307.22	8,854,505,898.49

1. Details of fixed assets

Item	Houses and Buildings	Equipment	Transportation Equipment	Electronic Devices	Other Equipment	Plumbing Equipment	Total
I. Original book value							
1.Beginning Balance	8,022,148,927.24	776,188,283.94	1,270,233,719.65	25,099,082.27	132,398,855.62	660,147,106.53	10,886,215,975.25
2. Increase in current year	636,634,082.80	195,323,019.00	132,401,159.73	10,485,308.86	16,774,553.11	2,095,840.52	993,713,964.02
(1) Purchase	314,769,246.35	72,369,015.80	131,532,469.28	10,140,825.51	16,342,747.64		545,154,304.58
(2) Transfer of construction in progress	206,000,085.65	87,358,968.70				2,095,840.52	295,454,894.87
(3) Allocated assets	115,864,750.80	35,595,034.50	868,690.45	344,483.35	431,805.47		153,104,764.57
3. Reduction in current year	123,539,819.43	23,007,864.67	10,170,842.43	4,789,320.58	4,462,298.69	237,614,486.87	403,584,632.67
(1) Disposal or scrap	38,295,458.77	1,230,948.28	4,469,544.80	723,627.66	3,754,070.48		48,473,649.99
(2) Other reductions	85,244,360.66	21,776,916.39	5,701,297.63	4,065,692.92	708,228.21	237,614,486.87	355,110,982.68
4.Ending balance	8,535,243,190.61	948,503,438.27	1,392,464,036.95	30,795,070.55	144,711,110.04	424,628,460.18	11,476,345,306.60
II. Accumulative depreciation							
1.Beginning Balance	715,590,173.34	210,475,615.10	856,500,920.59	7,500,440.41	57,352,949.78	159,344,270.24	2,006,764,369.46
2. Increase in current year	254,550,605.86	89,418,500.81	147,075,304.69	8,929,424.55	12,352,670.14	60,818,331.69	573,144,837.74
(1) Accrual	226,272,324.64	87,380,150.09	146,707,386.34	8,726,501.12	12,258,853.91	60,818,331.69	542,163,547.79
(2) Increase from business	28,278,281.22	2,038,350.72	367,918.35	202,923.43	93,816.23		30,981,289.95

combination							
3. Reduction in current year	22,547,532.52	7,088,508.47	6,460,901.77	2,635,897.16	3,332,888.16	53,072,520.32	95,138,248.40
(1) Disposal or scrap	6,040,184.77	2,035,625.56	3,974,396.79	394,512.00	3,065,506.13		15,510,225.25
(2) Other reductions	16,507,347.75	5,052,882.91	2,486,504.98	2,241,385.16	267,382.03	53,072,520.32	79,628,023.15
4.Ending balance	947,593,246.68	292,805,607.44	997,115,323.51	13,793,967.80	66,372,731.76	167,090,081.61	2,484,770,958.80
III. Provision for impairment							
1.Beginning Balance						24,945,707.30	24,945,707.30
2. Increase in current year						26,959,159.31	26,959,159.31
(1)Accrual						26,959,159.31	26,959,159.31
3. Reduction in current year							
(1) Disposal or scrap							
4.Ending Balance						51,904,866.61	51,904,866.61
IV. Book value							
1. Book value as of December 31, 2019	7,587,649,943.93	655,697,830.83	395,348,713.44	17,001,102.75	78,338,378.28	205,633,511.96	8,939,669,481.19
1. Book value as of December 31, 2018	7,306,558,753.90	565,712,668.84	413,732,799.06	17,598,641.86	75,045,905.84	475,857,128.99	8,854,505,898.49

Annotation12. Construction in progress

Item	Ending balance			Beginning Balance		
	Net book balance	Provision for Impairment	Book Value	Net book balance	Provision for Impairment	Book Value
Construction in progress	4,295,672,622.00	2,895,753.93	4,292,776,868.07	6,669,034,934.95		6,669,034,934.95
Engineering Material	4,040,307.49		4,040,307.49	4,192,954.57		4,192,954.57
合 计	4,299,712,929.49	2,895,753.93	4,296,817,175.56	6,673,227,889.52		6,673,227,889.52

1. Details of construction in progress

Project name	Ending balance			Beginning Balance		
	Book balance	Provision for impairment	Net book value	Book balance	Provision for impairment	Net book value
Urban reconstruction and construction projects	2,258,644,261.66		2,258,644,261.66	3,446,459,333.74		3,446,459,333.74

Project of Mengliangu training Center	22,734,503.81		22,734,503.81			
Project of Qiaojia phase 2	163,381,966.00		163,381,966.00	16,866,242.63		16,866,242.63
Construction of infrastructure	810,948,626.26		810,948,626.26	744,505,335.11		744,505,335.11
health care center project	12,933,347.89		12,933,347.89			
Construction in progress of City Investment Linuo	125,023,196.88		125,023,196.88	115,066,594.26		115,066,594.26
Project of Yangguang Heating Power Ltd.	10,615,765.85	2,895,753.93	7,720,011.92	8,764,835.52		8,764,835.52
Qufu-Linyi Railway project	796,133,003.22		796,133,003.22	2,137,705,578.44		2,137,705,578.44
Construction in progress of City Investment Kaiyuan				74,078,707.40		74,078,707.40
Transfer Center and Other Projects of Linyi Transportation Investment Group Co., Ltd.	25,880,964.11		25,880,964.11	78,680,939.75		78,680,939.75
Road works at testing center	16,725,752.52		16,725,752.52	4,545,454.50		4,545,454.50
Emergency reconstruction project for part of water supply pipelines in the eastern section of Nanjing Road of Water Group's 300,000-Ton Water Supply Project				10,325,927.47		10,325,927.47
Projects of public transportation company	31,905,392.41		31,905,392.41	13,373,206.97		13,373,206.97
Other sporadic projects	20,745,841.39		20,745,841.39	18,662,779.16		18,662,779.16
Total	4,295,672,622.00	2,895,753.93	4,292,776,868.07	6,669,034,934.95		6,669,034,934.95

2. Provision for impairment of Construction in Progress

Project	Amount	Reason
Project of Yangguang Heat Power Ltd.	2,895,753.93	According to government planning, demolished part of the pipeline network
Total	2,895,753.93	

3. Engineering Material

Item	Ending balance	Beginning Balance
Engineering Material	4,040,307.49	4,192,954.57
Total	4,040,307.49	4,192,954.57

Annotation13. Intangible assets

1. Details of intangible assets

Item	Land use right	Trademarks and patents	Prospecting rights	Office software	Total
I. Original book value					
1.Beginning Balance	2,701,169,939.79	7,329,077.89		15,647,512.89	2,724,146,530.57
2. Increase in current year	315,049,102.00	24,334.95	151,150,000.00	7,054,676.42	473,278,113.37
(1) Purchase	306,178,713.13	24,334.95		7,046,026.42	313,249,074.50
(2)Invest					-
(3) Allocated assets	8,870,388.87		151,150,000.00	8,650.00	160,029,038.87
3. Reduction in current year				1,408,643.16	1,408,643.16
(1) Disposal or scrap					-
(2)Allocated				1,408,643.16	1,408,643.16
4.Ending balance	3,016,219,041.79	7,353,412.84	151,150,000.00	21,293,546.15	3,196,016,000.78
II. Accumulative amortization					-
1.Beginning Balance	177,385,028.88	463,887.20		3,350,387.68	181,199,303.76
2. Increase in current year	68,877,204.20	455,083.16	3,281,250.00	1,226,630.33	73,840,167.69
(1) Accrual	65,479,682.00	455,083.16		1,226,489.08	67,161,254.24
(2) Allocated assets	3,397,522.20		3,281,250.00	141.25	6,678,913.45
3. Reduction in current year				716,766.85	716,766.85
(1) Disposal or scrap					
(2)Allocate				716,766.85	716,766.85
4.Ending balance	246,262,233.08	918,970.36	3,281,250.00	3,860,251.16	254,322,704.60
III Provision for Impairment					
1.Beginning Balance					
2. Increase in current year					
(1) Accrual					
3. Reduction in current year					
(1) Disposal or scrap					
4.Ending balance					
IV Book value					
1. Book value as of December 31, 2019	2,769,956,808.71	6,434,442.48	147,868,750.00	17,433,294.99	2,941,693,296.18
1. Book value as of December 31, 2018	2,523,784,910.91	6,865,190.69	-	12,297,125.21	2,542,947,226.81

Annotation14. Goodwill

Company	Beginning Balance	Increase in current period	Decrease in current period	Ending balance
Linyi Taisen Real Estate Development Co., Ltd	5,495,838.85			5,495,838.85
Total	5,495,838.85			5,495,838.85

Annotation15. Long-term deferred expenses

Item	Beginning Balance	Increasing in current period	Amortization amount in current period	Other decrease	Ending balance
Improved expenditure on leased fixed assets	2,673,211.57	8,354,706.28	3,886,840.91		7,141,076.94
Fixed asset repair expense					
Other amortization expenses with amortization period of more than 1 year	19,219,247.50	28,524,882.70	9,465,133.91		38,278,996.29
Total	21,892,459.07	36,879,588.98	13,351,974.82		45,420,073.23

Annotation16. Deferred tax assets

Item	Ending balance		Beginning Balance	
	Deferred Tax Assets	Deductible temporary difference	Deferred Tax Assets	Deductible temporary difference
I. Deferred Tax Asset				
Provision for impairment of assets	1,008,776.49	4,035,105.95	620,549.28	2,482,197.07
Provision for impairment of long-term asset	18,526,243.48	74,104,973.85	10,949,646.89	43,798,587.52
Deductible loss				
Future ticket fee	1,804,622.43	7,218,489.71	975,597.39	3,902,389.56
Payroll Payable	205,301.32	821,205.27	553,993.20	2,215,972.79
Total	21,544,943.72	86,179,774.78	13,099,786.76	52,399,146.94
II. Deferred Tax Liability				
Appreciation of investment property	1,060,056,442.05	4,240,225,768.21	136,887,979.24	547,551,916.96
Appreciation of acquired asset	5,495,838.85	21,983,355.40	5,495,838.85	21,983,355.40
Other	83,352.63	333,410.52	83,352.63	333,410.52
Total	1,065,635,633.53	4,262,542,534.13	142,467,170.72	569,868,682.88

Annotation17. Other non-current assets

Item	Ending balance	Beginning Balance
Pre-paid engineering equipment payment	97,806,582.31	2,031,570.00
Entrusted loans of public housing	208,450,000.00	628,450,000.00

Long-term equity investment in Linyi Port Company	184,758,563.42	184,758,563.42
Total	491,015,145.73	815,240,133.42

Annotation18. Short-term loans

1. Classification of short-term loans

Types of loans	Ending balance	Beginning Balance
Pledged loan		
Mortgage loans		460,000,000.00
Guaranteed loans	895,000,000.00	190,000,000.00
Fiduciary loans	1,636,000,000.00	
Total	2,531,000,000.00	650,000,000.00

Annotation19. Notes payable

Item	Ending balance	Beginning Balance
Bank's Acceptance Bill	725,000,000.00	536,743,118.54
Commercial Acceptance Bill	574,850,365.51	
Total	1,299,850,365.51	536,743,118.54

Annotation20. Accounts payable

1. Details

Item	Ending balance	Beginning Balance
Accounts Payable	961,904,408.81	663,195,071.11
Total	961,904,408.81	663,195,071.11

2. Top 5 of accounts payable

Company	Nature of payment	Ending balance	Proportion of Ending balance (%)
Linyi Municipal Group	construction cost	47,014,700.00	4.89
Linyi Huasheng Jiangquan Construction Co., Ltd	construction cost	29,430,243.33	3.06
Shandong Tianyuan Road & Bridge Engineering Co., Ltd	construction cost	26,216,900.00	2.73
Jinan Urban Construction Group Cp., Ltd	construction cost	19,526,000.00	2.03
The 6th construction engineering company of Tianyuan Construction Group Cp., Ltd	construction cost	18,495,916.00	1.92
Total		140,683,759.33	14.63

Annotation21. Unearned revenue

1. Unearned revenue

Item	Ending balance	Beginning Balance

Unearned revenue	2,538,387,169.04	2,539,065,796.58
Total	2,538,387,169.04	2,539,065,796.58

2. The unearned revenue at the end of the year is mainly the advance payment for personal purchases.

Annotation22. Payroll payable

1. List of details of payroll payable

Item	Beginning Balance	Increase in Current Period	Decrease in Current Period	Ending balance
I. Short-term compensation	206,966,102.73	853,765,974.19	842,824,642.80	217,907,434.12
II. After-service benefits-defined deposit plan	133,436.05	21,833,318.12	21,788,821.25	177,932.92
III. Dismissal benefits				
IV. Other benefits due within one year				
Total	207,099,538.78	875,599,292.31	864,613,464.05	218,085,367.04

2. List of details of short-term compensation

Item	Beginning Balance	Increase in Current Period	Decrease in Current Period	Ending balance
I. Wages, bonuses, allowances and subsidies	174,604,902.26	741,655,075.82	730,682,898.36	185,577,079.72
II. Employee benefits		13,981,835.16	13,981,835.16	
III. Social insurance charges	9,146.51	58,519,988.92	58,517,467.92	11,667.51
Including: medical insurance	7,645.55	29,391,022.76	29,389,762.26	8,906.05
Work-related injury insurance	696.50	25,083,949.75	25,082,566.63	2,079.62
Maternity insurance	804.46	1,375,224.36	1,375,346.98	681.84
Salvage money		2,669,792.05	2,669,792.05	
IV. Housing provident funds	1,690,439.71	24,355,187.38	24,223,775.56	1,821,851.53
V. Labor union expenditures	12,837,507.14	5,778,401.54	6,419,770.48	12,196,138.20
VI. Employee education funds	17,824,107.11	9,475,485.37	8,998,895.32	18,300,697.16
Total	206,966,102.73	853,765,974.19	842,824,642.80	217,907,434.12

3. List of details of defined deposit plan

Item	Beginning Balance	Increase in Current Period	Decrease in Current Period	Ending balance
I. Basic endowment insurance	90,169.34	16,845,352.36	16,905,405.14	30,116.56

II. Unemployment insurance expenses	43,266.71	508,707.00	545,268.37	6,705.34
III. Enterprise annuity		4,479,258.76	4,338,147.74	141,111.02
Total	133,436.05	21,833,318.12	21,788,821.25	177,932.92

Annotation23. Taxes payable

Item	Ending balance	Beginning Balance
Value added tax payable	47,152,746.39	19,125,707.72
Urban maintenance and construction tax	622,528.90	633,412.65
Educational surcharges	339,653.56	343,217.80
Local educational surcharges	93,048.09	107,672.25
Local water conservancy construction fund	21,596.28	22,925.50
Property tax	6,067,549.69	2,465,173.92
Urban land use tax	6,585,424.45	1,704,436.38
Stamp duty	1,048,938.60	108,073.20
Corporate income tax	184,527,954.81	136,220,749.58
Individual income tax	1,523,252.69	842,482.76
Resource tax	1,085,600.44	
Environmental protection tax	500,000.00	
Cultural undertaking construction fee	17,831.97	
Land value added tax		4,680,033.07
Total	249,586,125.87	166,253,884.83

Annotation24. Other payables

1. Details

Item	Ending balance	Beginning Balance
Interests Payable	121,981,697.86	147,501,822.24
Dividends Payable	16,877,273.10	16,388,050.08
Other Payables	3,622,373,426.90	4,674,341,011.62
Total	3,761,232,397.86	4,838,230,883.94

2. Interest payable

Item	Ending balance	Beginning Balance
Interest payable on long-term loans	43,201,304.44	63,650,271.27
Corporate bond interest	32,045,000.00	50,610,200.00

Item	Ending balance	Beginning Balance
Interest payable on short-term loans	23,500,917.39	33,241,350.97
Interest payable on preferred bonds		
Other interests	23,234,476.03	
Total	121,981,697.86	147,501,822.24

3. Other payables

(1) Classification of other payable

Item	Ending balance	Beginning Balance
Payment for engineering equipment	94,529,414.26	560,634,467.67
Deposit	79,489,173.03	150,836,998.58
Loans	3,050,579,411.66	2,895,462,700.45
Accrued Expense	144,571,923.08	193,260,292.22
Other	253,203,504.87	874,146,552.70
Total	3,622,373,426.90	4,674,341,011.62

(2) Top 5 other payables

Name of creditor	Ending balance	Proportion of other payable (%)
Liuqing Sub-district Office	1,690,000,000.00	46.65
Shandong Finance Development Co., Ltd	1,065,000,000.00	29.40
Linyi real estate surveying and mapping institute	46,500,000.00	1.28
Linyi Investment Development Group Co., Ltd	20,000,000.00	0.55
Linyi City Transportation Bureau	19,810,000.00	0.55
Total	2,841,310,000.00	78.43

Annotation25 Non-current liability due within one year

Item	Ending balance	Beginning Balance
Long-term loan due within 1 year	186,500,000.00	
Bonds payable due within 1 year	1,300,000,000.00	
Long-term account payable due within 1 year	102,123,289.86	
Other Long-term liability due within in 1 year		
Total	1,588,623,289.86	

Annotation26. Long-term loans

Types of loans	Ending balance	Beginning Balance
Mortgage loans	2,214,900,000.00	748,000,000.00
Guaranteed loans	753,900,000.00	389,900,000.00
Fiduciary loans	2,872,002,849.23	3,629,852,891.92
Total	5,840,802,849.23	4,767,752,891.92

Annotation27. Bonds payable

Item	Ending balance	Beginning balance
15 Linyi City Investment PPN001	-11,067,800.00	1,684,617,100.00
18 Linyi City Investment CP001		797,106,373.58
19 Linyi City Bond	1,983,018,867.92	
Other bonds of Transportation Group		27,181.52
Total	1,971,951,067.92	2,481,750,655.10

1. Change in large amount bonds payable

Bond name	Beginning balance		Increase in Current Period	
	Par Value	Amortization of bond spreads	Par Value	Amortization of bond spreads
15 Linyi City Investment PPN001	1,700,000,000.00	-15,382,900.00		
18 Linyi City Investment CP001	800,000,000.00	-2,893,626.42		
19 Linyi City Bond			2,000,000,000.00	-16,981,132.08
Total	2,500,000,000.00	-18,276,526.42	2,000,000,000.00	-16,981,132.08

Bond name	Decrease in Cnrrent Period		Ending balance	
	Par Value	Amortization of bond spreads	Par Value	Amortization of bond spreads
15 Linyi City Investment PPN001	1,700,000,000.00 (note)	-4,315,100.00		-11,067,800.00
18 Linyi City Investment CP001	800,000,000.00	-2,893,626.42		
19 Linyi City Bond			2,000,000,000.00	-16,981,132.08
Total	2,500,000,000.00	-7,208,726.42	2,000,000,000.00	-28,048,932.08

Note: During this period, actual payment of 15 Linyi City Investment PPN001 was 400 million Yuan, and 1.3 billion Yuan transferred to non-current liabilities due within one year.

Annotation28. Long-term payables

Item	Ending balance	Beginning balance
Long-term Payable	582,882,241.22	684,873,460.92
Specific payable	6,024,735.45	69,716,588.35
Total	588,906,976.67	754,590,049.27

(1)Details of long-term payable

Item	Ending balance	Beginning balance
Taiping Petrochemical Financial Leasing Co., Ltd	253,580,644.92	429,614,071.14
Shanghai Greencourt Asset Management Cp., Ltd	5,000,000.00	5,000,000.00
CCB (Beijing) Investment Fund Management Cp., Ltd	5,000,000.00	5,000,000.00
Payable of car purchase	83,922,792.40	17,908,024.91
Shandong Guoneug Xinxing Natural Gas Co., Ltd	3,400,000.00	560,000.00
Linyi Transport Company	38,018,844.95	39,488,844.95
Yishui County Government Assets Operation Company	16,517,830.16	16,932,096.56
Shanghai Haisheng Shangshou Financial Leasing Co., Ltd	2,928,742.68	7,090,408.68
Bank of Communications Financial Leasing Co., Ltd	2,207,661.56	3,469,181.88
CMB Financial Leasing	21,462,008.76	14,715,012.64
Pingan International Financial Leasing (Tianjin) Co., Ltd	1,504,599.30	3,584,913.55
Construction payable of transportation company	10,239,116.49	2,410,906.61
Wuhan Jinkong New Energy Automobile Leasing Management Co., Ltd (Financing)	139,100,000.00	139,100,000.00
Total	582,882,241.22	684,873,460.92

(2) Details of Specific payable

Items	Ending balance	Beginning Balance
Special payable for Yangguang Heat		61,254,119.66
Special funds for renovation of public housing	1,290,000.00	1,530,000.00
Subsidy for decoration of the terminal distribustion center		1,000,000.00
Subsidy for Yinan County Bus Station Intelligent Management System		400,000.00
Sunsidy Fund for Tancheng County Bus Station Stop Sign	233,559.00	935,120.00
Subsidy Fund for Yishui County Site Shed Brand Construction	4,030,159.45	1,000,000.00
Subsidy Fund for Yishui Charging Station Construction	402,517.00	2,722,672.45
Snpporting fund for the station sign in Yishui County	68,500.00	347,826.24
CDB shed reform project loan		526,850.00
Total	6,024,735.45	69,716,588.35

Annotation29. Deferred income

(1) Classification of deferred income

Item	Beginning Balance	Increasing in current period	Decreasing in current period	Ending balance

Government subsidies	557,873,754.78	144,953,847.25	240,745,121.84	462,082,480.19
Total	557,873,754.78	144,953,847.25	240,745,121.84	462,082,480.19

(2)Details of government subsidies

Item	Beginning Balance	Increasing in current period	Decreasing in current period	Ending balance
Allocated funds from Fei County Finance Bureau	4,080,000.00		510,000.00	3,570,000.00
Subsidies for E-commerce	800,000.00			800,000.00
Funds for vehicle replacement of transportation company	181,285,424.00	52,994,780.57	55,724,212.54	178,555,992.03
Funds for vehicle replacement of public transport company	286,839,588.16	91,959,066.68	99,642,166.68	279,156,488.16
Small-scale supporting funds of Water Group	84,868,742.62		84,868,742.62	
Total	557,873,754.78	144,953,847.25	240,745,121.84	462,082,480.19

Annotation30. Paid-in capital

1. Detailed Statement of Paid-in Capital

Name of shareholder	Beginning Balance		Ending balance	
	Amount	Proportion of shares held %	Amount	Proportion of shares held %
Linyi State-owned Assets Supervision and Administration	2,000,000,000.00	100.00	2,000,000,000.00	100.00
Total	2,000,000,000.00	100.00	2,000,000,000.00	100.00

2. Details of shareholders' contributions by stages:

According to the Company's articles of association, the registered capital of the Company is 2 billion yuan, which shall be fully paid by Linyi Finance Bureau in installments.

(1) The investment in Phase I was 600 million yuan, which was verified by Linyi Yuanzhen Limited Liability Accounting Firm on May 27, 2013 by issuing the Lin Yuan Accounting [2013] No.067 Capital Verification Report.

(2) The investment in Phase II was 750 million yuan, which was verified by Linyi Yuanzhen Limited Liability Accounting Firm on August 14, 2013 by issuing the Lin Yuan Accounting [2013] No.110 Capital Verification Report.

(3) In 2014, the Company received a total of 229.949 million yuan from Linyi Finance Bureau. As of December 31, 2014, the paid-in capital of the Company was 1,579.949 million yuan.

(4) In 2015, the Company received a total of 420.051 million yuan from Linyi Finance Bureau. As of December 31, 2015, the paid-in capital of the Company was 2 billion yuan.

3. Changes of shareholders

On July 10, 2018, the People's Government of Linyi issued the *Reply on Free Transfer of State-owned Property Rights of Linyi Engineering Consulting Institute and 14 Other Municipal Enterprises*, [Lin Zheng

Zi (2018) No.111], transferring the shares of the Company held by Linyi Municipal Finance Bureau to the State-owned Assets Supervision and Administration Commission of Linyi Municipal People's Government free of charge. After the transfer is completed, the State-owned Assets Supervision and Administration Commission of Linyi Municipal People's Government holds 100% equity in the Company.

Annotation31. Capital reserves

Item	Beginning balance	Increasing in current period	Decreasing in current period	Ending balance
Capital premium				
Other capital reserves	22,787,817,543.67	1,615,738,912.63		24,403,556,456.30
Total	22,787,817,543.67	1,615,738,912.63		24,403,556,456.30

Annotation32. Special Reserve

Item	Beginning blance	Increasing in current period	Decreasing in curreut period	Ending balance
Safety protection cost	5,482,139.27	59,047,236.60		64,529,375.87
Maintenance cost				
Other				
Total	5,482,139.27	59,047,236.60		64,529,375.87

Annotation33. Surplus reserves

Item	Beginning balance	Increasing in current period	Decreasing in current period	Euding balance
Statutory surplus reserve	223,542,590.98	171,583,121.04		395,125,712.02
Discretionary surplus reserve				
Reserve Fund				
Venture expansion fund				
Other				
Total	223,542,590.98	171,583,121.04		395,125,712.02

Annotation34. Undistributed profits

Item	Amount of Current Year	Amount of Last Year
Beginning balance of current year	3,279,161,625.52	3,031,578,280.77
Increasing in current period	2,733,006,257.14	274,512,376.15
Including: net profit	2,733,006,257.14	274,512,376.15
Decreasing in current period	192,369,216.64	26,929,031.40
Including: Surplus reserves	171,583,121.04	13,718,168.42
General risk reserves		
Cash dividends distributed	20,786,095.60	13,210,862.98

Capitalization of share premium		
Other reduction		
Ending balance of current year	5,819,798,666.02	3,279,161,625.52

Annotation35. Operating income and operating cost

1. Operating income and cost

Item	Amount of Current Year	Amount of Last Year
Income from main business	4,492,778,251.79	3,472,049,784.22
Other operating income	99,143,701.26	924,039,104.60
Total	4,591,921,953.05	4,396,088,888.82
Cost of main business	3,584,153,130.75	3,050,696,456.44
Other operating expenses	26,737,731.97	815,994,928.55
Total	3,610,890,862.72	3,866,691,384.99

2. Classification of main business income, main business cost and main business profit by sales product

Product type	Amount of Current Year		
	Income from main business	Cost of main business	Main business profit
Income from green energy	860,664,466.64	581,234,349.37	279,430,117.27
Water supply			
Transportation	1,289,774,551.33	1,361,855,062.29	-72,080,510.96
Wood industry and others	1,085,247,463.13	852,452,161.02	232,795,302.11
Income from real estate industry	851,243,533.92	436,919,368.90	414,324,165.02
Other	405,848,236.77	351,692,189.17	54,156,047.60
Total	4,492,778,251.79	3,584,153,130.75	908,625,121.04
Product type	Amount of Last Year		
	Income from main business	Cost of main business	Main business profit
Income from green energy	967,168,464.62	631,772,404.55	335,396,060.07
Water supply	115,401,712.15	51,999,494.20	63,402,217.95
Transportation	1,223,697,148.61	1,310,330,879.11	-86,633,730.50
Wood industry and others	307,259,544.23	245,622,137.60	61,637,406.63
Income from real estate industry	756,907,703.73	681,910,665.20	74,997,038.53

Other	101,615,210.88	129,060,875.78	-27,445,664.90
Total	3,472,049,784.22	3,050,696,456.44	421,353,327.78

Annotation36. Taxes and surcharges

Item	Amount of Current Year	Amount of Last Year
Sales tax		7,300.80
Urban construction tax	3,604,091.90	4,986,334.43
Educational surcharges	1,412,972.45	2,222,715.11
Local educational surcharges	927,562.72	1,519,430.03
Water conservancy construction fund	212,161.22	366,328.49
Land use tax	40,681,564.05	17,676,642.84
Property tax	10,808,348.30	5,485,004.02
Vehicle and vessel use tax	122,202.20	156,599.07
Land value increment tax	31,895,203.20	
Others	11,412,391.54	9,050,561.14
Total	101,076,497.58	41,470,915.93

Annotation37. Selling expenses

Item	Amount of Current Year	Amount of Last Year
Employee benefits expenses	104,290,144.15	34,498,548.53
Energy expenses	501,344.05	1,574,996.77
Advertising expenses	28,352,118.03	7,264,740.75
Travel expenses	13,859,183.51	3,721,185.71
Insurance Premium	403,710.85	1,382,178.50
Depreciation expenses	37,405,250.77	41,189,556.76
Agency and consulting fee	1,657,794.20	452,830.18
Decoration and repair expenses	67,843,392.27	27,405,644.10
Other sales expenses	13,657,490.12	30,392,410.62
Total	267,970,427.95	147,882,091.92

Annotation38. Management expenses

Item	Amount of Current Year	Amount of Last Year
Office expenses	5,791,593.74	6,219,657.12
Travel expenses	7,720,182.12	4,221,309.43
Property management fee	12,268,809.57	5,181,135.79
Remodel fess	3,416,561.96	4,760,825.56
Depreciation expenses	185,632,681.27	21,146,787.64
Employee benefits expenses	198,052,274.91	116,182,089.03
Agency fees	15,481,608.15	7,746,327.52
Amortization of intangible assets	59,147,621.32	7,462,891.68
Business entertainment expenses	3,216,699.04	4,228,055.07
Conference charges	204,184.35	228,399.66

Others	61,831,899.72	45,548,724.03
Total	552,764,116.15	222,926,202.53

Annotation39. Finance expenses

Item	Amount of Current Year	Amount of Last Year
Interest expenditure	260,869,144.61	136,350,064.95
Less: Interest income	245,560,501.09	70,961,616.54
Handling Fee	1,795,181.33	1,020,678.43
Other expenses	10,984,472.10	3,657,463.27
Total	28,088,296.95	70,066,590.11

Annotation40. Other income

Item	Amount of Current Year	Amount of Last Year
Government subsidies	274,931,258.12	182,120,893.91
Total	274,931,258.12	182,120,893.91

Annotation41. Investment income

Source of Investment Income	Amount of Current Year	Amount of Last Year
Long-term equity investment income calculated by equity method	1,288,784.35	14,247,020.64
Disposal of investment income from long-term equity investment	772,008.75	10,638,238.99
Investment income of financial assets measured at fair value and whose changes are included in the current profit or loss during the holding period		
Investment income from disposal of financial assets measured at fair value and whose changes are included in the current profit and loss		
Investment income of held-to-maturity investments during the holding period		
Disposal of investment income from holding to maturity investment		
Investment income obtained from available-for-sale financial assets, etc.	1,800,000.00	
Investment income from disposal of available-for-sale financial assets		
After losing control, the remaining equity is re-measured at fair value		
Other	2,045,800.00	
Total	5,906,593.10	24,885,259.63

Annotation42. Profit and loss from fair value change

Source of Income from Changes of fair Value	Amount of Current Year	Amount of Last Year
Derivative financial assets		
Financial liabilities measured at fair value and whose changes are included in the current profit and loss		

Derivative financial liabilities		
Investment real estate measured at fair value	3,692,673,851.25	267,442,000.00
Other		
Total	3,692,673,851.25	267,442,000.00

Annotation43. Assets impairment loss

Item	Amount of Current Year	Amount of Last Year
Bad debt loss	-1,121,762.94	-2,615,181.90
Loss of inventory valuation	-26,664.10	-47,347.16
Impairment losses of available-for-sale financial assets		
Impairment losses of held-to-maturity investments		
Long-term equity investment impairment losses		
Impairment losses on investment real estate		
Impairment loss of fixed assets	-26,959,159.31	-24,945,707.30
Impairment loss of engineering materials		
Impairment loss of construction in progress	-2,895,753.93	
Impairment losses of productive biological assets		
Impairment loss of oil and gas assets		
Impairment loss of iutangible assets		
Impairment loss of goodwill		
Other impairmeut losses		
Total	-31,003,340.28	-27,608,236.36

Annotation44. Non-operating income

Item	Amount of Current Year	Amount of Last Year
Profits from disposal of non-current assets	1,745,333.56	210,481.74
Income of debt reorganization		
Donation	781,000.00	
Government subsidiaries	1,326,250.60	5,222,570.00
Fines and others	5,238,259.67	3,354,311.58
Total	9,090,843.83	8,787,363.32

Annotation45. Non-operating expenses

Item	Amount of Current Year	Amount of Last Year
Losses from disposal of non-current Asset	1,228,762.45	10,236,723.65
External donation	15,260,612.00	4,061,568.73

Other expenses	18,533,446.97	7,436,024.91
Total	35,022,821.42	21,734,317.29

Annotation46. Income tax expenses

1. Income tax expense

Item	Amount of Current Year	Amount of Last Year
Current income tax expense	150,155,157.37	93,433,516.24
Deferred income tax expense	914,252,982.46	64,720,898.99
Other		
Total	1,064,408,139.83	158,154,415.23

2. Adjustment

Item	Amount of Current Year
Total profit	3,931,303,621.32
Income tax expense calculated at an appropriate/applicable tax rate	982,825,905.33
The impact of applying different tax rates to subsidiaries	
Adjust the impact of previous income taxes	618,319.02
The impact of non-taxable income	
The impact of non-deductible costs, expenses and losses	697,778.11
Impact of deductible losses on deferred income tax assets not recognized in the previous period	2,234,697.19
The impact of deductible temporary differences or deductible losses on deferred income tax assets not recognized in the current period	78,031,440.18
Other	
Income tax expense	1,064,408,139.83

Annotation47. Supplementary information of cash flow statement

1. Supplementary information of cash flow statement

Item	Amount of Current Year	Amount of Last Year
I. Adjusting net profit to cash flow from operating activities:		
Net Profit	2,866,895,481.49	322,790,251.32
Plus: provision for impairment of assets	31,003,340.28	27,608,236.36
Depreciation of fixed assets, oil and gas assets and productive biological assets	542,163,547.79	367,159,968.00
Amortization of intangible assets	67,161,254.24	10,353,008.05
Amortization of long-term deferred expenses	13,351,974.82	8,542,061.56
Losses from disposal of fixed assets, intangible assets and other long-term assets (profits marked with "-")	-1,745,333.56	10,236,723.65

Losses from scrap of fixed assets (profits marked with "-")	1,228,762.45	-210,481.74
Losses from changes in fair value (profits marked with "-")	-3,692,673,851.25	-267,442,000.00
Financial expenses (profits marked with "-")	15,864,008.38	123,563,409.52
Investment losses (profits marked with "-")	-5,906,593.10	-24,885,259.63
Decrease in deferred income tax assets (increase marked with "-")	-8,445,156.96	-2,222,953.64
Increase in deferred income tax liabilities (decrease marked with "-")	923,168,462.81	66,943,852.63
Decrease in inventory (increase marked with "-")	-2,170,025,300.03	-1,827,600,330.70
Decrease in operating receivables (increase marked with "-")	22,984,165.31	-77,397,653.90
Increase in operating payables (decrease marked with "-")	203,801,372.85	1,066,090,640.61
Others	-96,007,891.57	-16,661,432.37
Net amount of cash flow from operating activities	-1,287,181,756.05	-213,131,960.28
II. Major investment and financing activities not involving casb receipts and payments:		
Debt transferred to capital		
Convertible bonds maturing within one year		
Fixed assets from financial leasing		
III. Net changes in cash and cash equivalents:		
Ending balance of cash	2,628,977,985.92	2,687,098,216.76
Less: Beginning balance of casb	2,687,098,216.76	5,030,018,377.91
Plus: Ending balance of casb equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-58,120,230.84	-2,342,920,161.15

2. Composition of cash and cash equivalents

Item	Ending balance	Beginning Balance
I. Cash	2,628,977,985.92	2,687,098,216.76
Including: cash on hand	3,365,729.77	3,118,898.22
Bank deposits ready for payment at any time	2,212,065,352.92	2,682,043,276.45
Other monetary funds available for payment at any time	413,546,903.23	1,936,042.09
Funds deposited with the central bank that can be used for payment,		
Inter-bank deposits		
Inter-bank offers		
II. Cash equivalents		

Including: Bond investment due within three months		
III. Ending balance of cash and cash Equivalents	2,628,977,985.92	2,687,098,216.76

VI. Related party relations

1. Related party relations

(1) Identification criteria for related parties:

The situation where one party controls or jointly controls another party, or exerts important impact on another party or two parties or above are jointly controlled by a same party can constitute as related party.

(2) Shareholders of the Company

Parent company's name	Association relation	Type of enterprise
Linyi State-owned Assets Supervision and Administration Commission	Shareholder	Government Agency

(3) Subsidiaries of the Company

Enterprise Name	Legal representative	Place of registration	Relation with the Company	Remarks
Linyi City Investment Real Estate Co., Ltd.	Wang Fei	No.201, Yizhou Road, Linyi City	Wholly owned subsidiary	Funded establishment
Linyi Public Housing Management Co., Ltd.	Wang Fei	Room 1201, Building 1, Linyi Citizen Center, No.8, Beijing Road, Lanshan District, Linyi City, Shandong Province	Wholly owned subsidiary	Funded establishment
Shandong City Investment Kaiyuan Real Estate Group Co., Ltd.	Niu Kun	18/F, Linyi Municipal Government Service Center, No.8 Beijing Road, Lanshan District, Linyi City, Shandong Province	Holding subsidiary	Funded establishment
Linyi City Investment Industry Holding Co., Ltd.	Yao Huiling	Room 1705, 17th Floor, No.8 Beijing Road, Lanshan District, Linyi City, Shandong Province	Wholly owned subsidiary	Funded establishment
Linyi City Investment Information Technology Co., Ltd.	Li Jiaxin	Intersection of Gejiu Road and Yanshi Railway, Lanshan District, Linyi City	Wholly owned subsidiary	Funded establishment
Shandong Chengkai Yuanda Assembly Building Co., Ltd	Wang Xinhua	Intersection of Xuyou Road and Xingda Road, Fei County, Linyi City	Holding subsidiary	Funded establishment
Linyi Yixing Transportation Asset Operation Company	Du Yubiao	No.79, Jinqueshan Road	Wholly owned subsidiary	Free transfer
Linyi City Public Transport Group Co., Ltd.	Xie Lei	No.68, Hongqi Road, Lanshan District	Wholly owned subsidiary	Free transfer
Linyi Railway Construction Investment Co., Ltd.	Li Jiaxin	Xiaosheng Road, Lanshan District, Linyi City	Holding subsidiary	Funded establishment
Linyi City Yangguang Heating Power Ltd.	Liu Ruifeng	North of Shitianzhuang Village, Tanyi Industrial Park, Tanyi Town, Fei County, Linyi City	Holding subsidiary	Funded establishment

Shandong Linyi Transportation Investment Group Co., Ltd.	Wang Xinghua	Intersection of Shuangling Road and Wangzhuang Road, Lanshan District, Linyi City	Wholly owned subsidiary	Free transfer
Linyi Motor Vehicle Testing Co., Ltd.	Wang Hailong	North of Junction of Yongsheng Road in Luozhuang District and No.206 National Highway	Wholly owned subsidiary	Free transfer
Linyi Maintenance Management Company	Zhang Lei	Room 1709, No.8 Beijing Road, Lanshan District, Linyi City, Shandong Province	Wholly owned subsidiary	Funded establishment
Linyi City Investment Linuo New Energy Cp., Ltd	Zhang Lei	17th Floor, No.8 Beijing Road, Lanshan District, Linyi City, Shandong Province	Holding subsidiary	Funded establishment
Linyi Culture and Tourism Development Group Co., Ltd	Du Jun	Unit 1 Room 1701, Linyi Citizen Center, Lanshan District, Linyi City	Wholly owned subsidiary	Funded establishment
Linyi National Fitness Center Co., Ltd	Ren Meng	No. 76 Yimeng Road, Lanshan District, Linyi City, Shandong Province	Wholly owned subsidiary	Funded establishment
Taisen Risheng Group Co., Ltd	Cai Xijie	Shixing Village, Fei County, Linyi City, Shandong Province	Holding subsidiary	Funded establishment
Shandong Qiaojia Decoration and New Material Co., Ltd	Meng Xiangxiao	Getong Community, Yitang, Lanshan District, Linyi City, Shandong Province	Holding subsidiary	Funded establishment
Lulin Xincheng (Tianjin) Commercial Factoring Co., Ltd.	Sun Mingming	1509-154, Building 1, Kuangshi International Building, Xiangluowan, Tianjin Free Trade Experimental Zone (Central Business District)	Holding subsidiary	Funded establishment

(4) The joint venture and affiliated business of the Company

Full name of company	Place of registration	Legal representative	Registered Capital	Shareholding proportion (%)
Linyi City Investment Fuhai Natural Gas Co., Ltd.	Room 1727, 17th Floor, Linyi Municipal Government Service Center, No.8, Beijing Road, Lanshan District, Linyi City	Xue Guofeng	224 million yuan	49
Linyi Capital Environmental Protection Development Co., Ltd.	Intersection of Tongda Road and Lanshan Road, Lanshan District, Linyi City	Li Zhi	142.12 million yuan	30
Qingdao Port (Linyi) High Speed Logistics Co., Ltd.	Linyi Port, Hongda Road, Lanshan District, Linyi City, Shandong Province	Leng Bing	10 million yuan	19
Linyi Bus Telaidian New Energy Co., Ltd.	Southern of Intersection of Yizhou Road and Qinghe South Road, Luozhuang, Linyi City, Shandong Province	Ji Zhe	128 million yuan	49

Linyi Chengtou Sisuo Xinxi Jishu Co.,Ltd.	1211-032, No.100, Lingong Road, Linyi Comprehensive Free Trade Zone, Shandong Province.	Wang Lei	10 million yuan	45
Linyi Sino-European International Train Cargo Transportation Agency Co., Ltd.	Room 1309, Jiaoyun Building, Intersection of Wangzhuang Road and Shuangling Road, Lanshan District, Linyi City, Shandong Province	Qi Fujun	10 million yuan	40
Linyi CMEC Consulting Co., Ltd.	12/F, Building 1, Linyi Citizen Center, No.8, Beijing Road, Liuqing Street, Lanshan District, Linyi City, Shandong Province	Feng Jianhong	3 million yuan	30
Lunan High-speed Railway Co., Ltd	No. 2000 Shunhua Road, Gaoxin District, Jinan City, Shandong Province	Wang Jiquan	33250 million yuan	25
Linyi Financing Gnarantee Group Co., Ltd	35th Floor, No. 37 Beijing Road, Lanshan District, Liny City, Shandong Province	Wang Xingzhu	200 million yuan	25
Zhongjiao (Linyi) Infrastructure Co., Ltd	Room 1907, Building A Global Center, Intersection of Beijing Road and Menghe Road, Lanshan District, Linyi City, Shandong Province	Kong Fanliang	30 million yuan	20
Shandong Tianyuan Shangjia Decoration Co., Ltd	C16, Intersection of Chengdn Road and Wenlianghe Road, Lanshan District, Linyi City, Shandong Province	Zhao Jifeng	20 million yuan	30
Linyi Sanyu Culture Media Co., Ltd	Room 2901, Beijing Road, Lanshan District, Linyi City, Shandong Province	Zhou Dandan	10 million yuan	21
Guangdong Saier Risheng Home Technology Co., Ltd.	Room 704, Building A4, Guangzhou Science City Commercial Plaza, No.181, Science Avenue, Guangzhou High-tech Industrial Development Zone	Zhou Wenming	10 million yuan	36

VII. Post-balance Sheet Events

The Company has no post-balance sheet events that need to be disclosed.

VIII. Contingencies

As of December 31, 2019, the total amount external guarantees provided by the Company was RMB 5,637,215,200 (borrowing RMB 528,971,520 and acceptance of RMB 347,500,000). RMB 218,422,400 was guaranteed to external units and RMB 345,292,912 was guaranteed to subsidiaries .

IX. Commitments

The company has no commitments that need to be disclosed.

X. Major Litigation Matters

The Company has no major litigation matters that need to be disclosed.

XI. Other Major Issues

The Company has no other major matters that need to be disclosed.

XII. Annotations of Major Items of the Parent Company's Financial Statements

Annotation1. Other Receivables

Item	Ending balance	Beginning Balance
Interest receivable	10,176,302.77	
Dividend receivable	23,400,000.00	23,400,000.00
Other receivables	10,694,983,725.19	9,830,502,983.38
Total	10,728,560,027.96	9,853,902,983.38

1. Interest receivable

Item	Ending balance	Beginning Balance
Fixed deposit		
Entrusted Loan		
Bond investment		
Other	10,176,302.77	
Total	10,176,302.77	

2. Dividend receivable

Company Name	Ending balance	Beginning Balance
Linyi Yangguang Heat Co., Ltd	23,400,000.00	23,400,000.00
Total	23,400,000.00	23,400,000.00

3. Other receivable

(1) Other receivable

Item	Ending balance			
	Book balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Other receivables that do not	10,694,983,725.19	100.00		

Item	Ending balance			
	Book balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
make provision for bad debts using the individual identification method				
Use the combination test (balance percentage) method to accrue other receivables for bad debt provision				
Total	10,694,983,725.19	100.00		

Item	Beginning Amount			
	Book balance		Bad debt provision	
	Amount	Percentage(%)	Amount	Percentage(%)
Other receivables that do not make provision for bad debts using the individual identification method	9,819,615,588.79	99.89		
Use the combination test (balance percentage) method to accrue other receivables for bad debt provision	10,942,105.12	0.11	54,710.53	0.05
合 计	9,830,557,693.91	100.00	54,710.53	

(2) Aging of other receivable

Aging	Ending balance		
	Book balance	Bad debt provision	proportion (%)
Within 1 year	10,515,183,725.19		
1-2 years	125,000,000.00		
2-3 years	54,800,000.00		
Above 3 years			
Total	10,694,983,725.19		

Aging	Beginning Balance		
	Book balance	Bad debt provision	proportion (%)
Within 1 year	9,775,757,693.91	54,710.53	0.5/0
1-2 years	54,800,000.00		
2-3 years			
Above 3 years			
Total	9,830,557,693.91	54,710.53	

(3)Top 5 of other receivables

Name	Book balance	Proportion of total other receivables (%)	Bad debt provision
Linyi Train-station Construction Development Co. Ltd	4,887,592,153.32	45.70	
Linyi City Investment Real Estate Co., Ltd	1,981,804,371.38	18.53	
Linyi Public Housing Management Co., Ltd	651,978,461.67	6.10	
Taisheng Risen Group Co., Ltd	614,237,971.03	5.74	
Linyi Railway Construction Investment Co., Ltd	502,269,969.85	4.70	
Total	8,637,882,927.25	80.77	

Annotation2. Long-term equity investment

1.Classification of long-term equity investment

Item	Beginning Balance	Increase in current period	Decrease in current period	Ending balance
Investment in subsidiaries	2,337,202,596.36	323,486,177.20	609,495,713.19	2,051,193,060.37
Investment in joint ventures	314,815,567.24	81,319,839.78		396,135,407.02
Investment in associates				
Subtotal	2,652,018,163.60	404,806,016.98	609,495,713.19	2,447,328,467.39
Less: Long-term equity investment impairment provision				
Total	2,652,018,163.60	404,806,016.98	609,495,713.19	2,447,328,467.39

2.Details of Long-term equity investment

Company Name	Beginning Balance	Current Debit	Current Credit	Ending balance	Shareholding Proportion
Linyi Public Housing Management Co., Ltd	100,000,000.00			100,000,000.00	100.00
Linyi Maintenance Management Co., Ltd	100,000,000.00			100,000,000.00	100.00
Linyi City Investment Real Estate Co., Ltd	100,000,000.00			100,000,000.00	100.00
Linyi Railway Construction Investment Co., Ltd.	217,000,000.00	283,000,000.00		500,000,000.00	100.00
Linyi Railway Station Construction and Development Co. Ltd (Note1)	200,000,000.00		200,000,000.00		100.00
Could Payment Technology Co., Ltd (Note 1)	5,000,000.00		5,000,000.00		100.00
Linyi Culture and Tourism Development Cp., Ltd		34,045,800.00		34,045,800.00	100.00
Linyi Red Yimeng Tourism Co., Ltd	1,000,000.00		1,000,000.00		100.00

(Note 1)					
Linyi City Investment Information Technology Cp., Ltd	50,000,000.00			50,000,000.00	100.00
Linyi National Fitness Center Co., Ltd	3,000,000.00	4,394,577.2		7,394,577.20	100.00
Linyi City Investment Industry Holdings Co., Ltd	101,920,000.00			101,920,000.00	100.00
Linyi Yangguang Heat Co., Ltd	90,000,000.00			90,000,000.00	60.00
Shandong Chengtou Kaiyuan Real Estate Group Co., Ltd	60,000,000.00			60,000,000.00	60.00
Lulinxincheng (Tianjin) Commercial Factoring Co., Ltd.	270,000,000.00			270,000,000.00	90.00
Linyi Renzhou Sports Culture Media Co., Ltd. (Note 1)	2,000,000.00	2,045,800.00	4,045,800.00		
Linyi Public Transportation Group Co., Ltd	61,232,384.16			61,232,384.16	100.00
Linyi Transportation Investment Group Co., Ltd.	209,871,509.95			209,871,509.95	100.00
Linyi Yixing Transportation Asset Operation Company	172,126,725.64			172,126,725.64	100.00
Linyi Water Group Co., Ltd.	399,449,913.19		399,449,913.19		
Linyi Motor Vehicle Testing Co., Ltd.	9,843,500.00			9,843,500.00	100.00
Linyi Port Co., Ltd	184,758,563.42			184,758,563.42	100.00
Qingdao Port (Linyi) High Speed Logistics Co., Ltd.	1,818,164.00			1,818,164.00	19.00
Linyi City Investment Fuhai Natural Gas Co., Ltd.	312,997,403.24	31,319,839.78		344,317,243.02	49.00
Linyi City Finance Guarantee Group Co., Ltd.		50,000,000.00		50,000,000.00	25.00
Total	2,652,018,163.60	404,806,016.98	609,495,713.19	2,447,328,467.39	

Note 1: In 2019, the organizational structure of the group company was adjusted. The equity of Linyi Railway Station Construction and Development Co., Ltd. and Cloud Payment Network Technology Co., Ltd. held by the parent company was transferred to the secondary subsidiary Linyi Railway Construction and Investment Group Co., Ltd. for free; shares of Linyi Red Yimeng Tourism Co., Ltd. and Linyi Renzhou Sports Culture Media Co., Ltd. were transferred to Linyi Culture Tourism Development Group Co., Ltd., a secondary subsidiary, for free.

Annotation3. Supplementary information of Cash Flow Statement

Item	Amount of Current Year	Amount of Last Year
I. Adjusting net profit to cash flow from operating activities:		
Net Profit	1,715,831,210.44	137,181,684.17

Plus: provision for impairment of assets	-54,710.53	54,054.70
Depreciation of fixed assets, oil and gas assets and productive biological assets	154,005,004.47	122,754.79
Amortization of intangible assets	48,884,432.31	186,421.23
Amortization of long-term deferred expenses	54,912.29	
Losses from disposal of fixed assets, intangible assets and other long-term assets (profits marked with "-")		
Losses from scrap of fixed assets (profits marked with "-")		
Losses from changes in fair value (profits marked with "-")	-2,454,396,492.00	
Financial expenses (profits marked with "-")	-74,255,468.22	-60,639,990.94
Investment losses (profits marked with "-")	-12,315,887.53	-60,170,878.08
Decrease in deferred income tax assets (increase marked with "-")		
Increase in deferred income tax liabilities (decrease marked with "-")	613,599,123.00	
Decrease in inventory (increase marked with "-")	-381,252,451.01	-205,762,718.01
Decrease in operating receivables (increase marked with "-")	-859,848,479.37	491,902,801.67
Increase in operating payables (decrease marked with "-")	852,862,888.32	60,096,680.62
Others		
Net amount of cash flow from operating activities	-396,885,917.83	362,970,810.15
II. Major investment and financing activities not involving cash receipts and payments:		
Debt transferred to capital		
Convertible bonds maturing within one year		
Fixed assets from financial leasing		
III. Net changes in cash and cash equivalents:		
Ending balance of cash	939,478,823.62	895,248,394.50
Less: Beginning balance of cash	895,248,394.50	1,531,596,658.06
Plus: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	44,230,429.12	-636,348,263.56

Linyi City Construction Investment Group Co., Ltd.

April 23, 2020

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